

# **CITY OF DEBARY, FLORIDA**

## ***ANNUAL FINANCIAL REPORT***

***FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009***



### **CITY COUNCIL**

**HONORABLE BOB GARCIA, MAYOR**

**NORMAN ERICKSON, VICE MAYOR  
VAN CONOLEY  
JACK LENZEN  
LEONARD MARKS**

### **INTERIM CITY MANAGER**

**KASSANDRA BLISSETT**

### **FINANCE ADMINISTRATOR**

**JIMMIE SEELBINDER**

### **INDEPENDENT AUDITORS**

**BRENT MILLIKAN & COMPANY, P.A.**

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September 30, 2009  
CITY OF DEBARY, FLORIDA

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***INDEPENDENT AUDITORS' REPORT***

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

## INDEPENDENT AUDITORS' 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, 2009, 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 the City of DeBary, Florida, as of September 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2010, on our consideration of the 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 should be considered in assessing the results of our audit.

The Honorable Mayor, and  
Members of the City Council  
City of DeBary, Florida  
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 11 through 19 and 53 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of DeBary, Florida's financial statements as a whole. The combining and individual nonmajor fund financial statements 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

September 8, 2010

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2009. 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 \$20,770,796 (net assets). Of this amount, \$4,867,477 (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 \$3,057,596 in 2009. This represents an increase of 17.3% over the prior year's net assets.
- The City's governmental funds reported combined ending fund balances of \$10,121,778 at the end of the current fiscal year, an increase of \$2,929,522 (\$5 million of which was loan proceeds in 2009) in comparison to the \$7,192,256 reported at the end of the prior fiscal year. Approximately 36.8% of this amount or \$3,721,260 is available for spending at the City's discretion (unreserved fund balance).
- At the end of the 2009 fiscal year, unreserved fund balance for the General Fund was \$4,860,340, or 43.2% of the total 2009 General Fund expenditures, which represents 158 days of excess funds. This represents a substantial increase of \$2,004,992 over the amount reported at the end of 2008.

### 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 23 and 25 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 non-major 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 26 to 32 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 35 to 49 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 53 to 60 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 \$17,713,200 to \$20,770,796, which represents an increase of \$3,057,596, or 17.3%, over amounts reported last year. Of this amount, approximately 76.6% 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, and totaled \$4,867,477 at the end of 2009.

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

**Net Assets  
September 30, 2009 and 2008**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Assets:		
Current and other assets.....	\$ 12,587,538	13,395,949
Capital assets, net.....	<u>21,802,270</u>	<u>15,994,188</u>
Total assets.....	<u>34,389,808</u>	<u>29,390,137</u>
Liabilities:		
Long-term debt outstanding.....	12,299,469	7,826,974
Other liabilities.....	<u>1,319,543</u>	<u>3,849,963</u>
Total liabilities.....	<u>13,619,012</u>	<u>11,676,937</u>
Net assets:		
Invested in capital assets, net of related debt.....	9,502,801	6,503,462
Restricted.....	6,400,518	3,647,171
Unrestricted.....	<u>4,867,477</u>	<u>7,562,567</u>
Total net assets.....	<u>\$ 20,770,796</u>	<u>17,713,200</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 2009, the City’s combined net assets increased by \$3,057,596, or 17.3% over the amount reported in the prior year. During this same period, the City’s total revenues decreased \$258,284 to a total of \$15,549,659, compared to a total of \$15,807,946 in 2008. This decrease is due primarily to a decrease in operating grants and contribution related to natural disasters of approximately \$1.68 million, and offset by increased reimbursements related to capital grants for stormwater projects throughout the City of approximately \$1.79 million. While all other revenues generally decreased during the year due to overall economic conditions, including a decrease in property taxes of \$548,642 and an overall decrease in investment earnings of \$178,789. During 2009, approximately 30.5% of the City’s revenue came from property taxes, and 51.9 cents of every dollar raised came from some type of tax (e.g. property taxes, sales tax, gas tax, utility tax, etc.). Another 19.2% comes from fees charged for services, while most of the rest is state and federal financial assistance and other miscellaneous earnings.

The following is a summary of changes in net assets for the year ended September 30, 2009 and 2008:

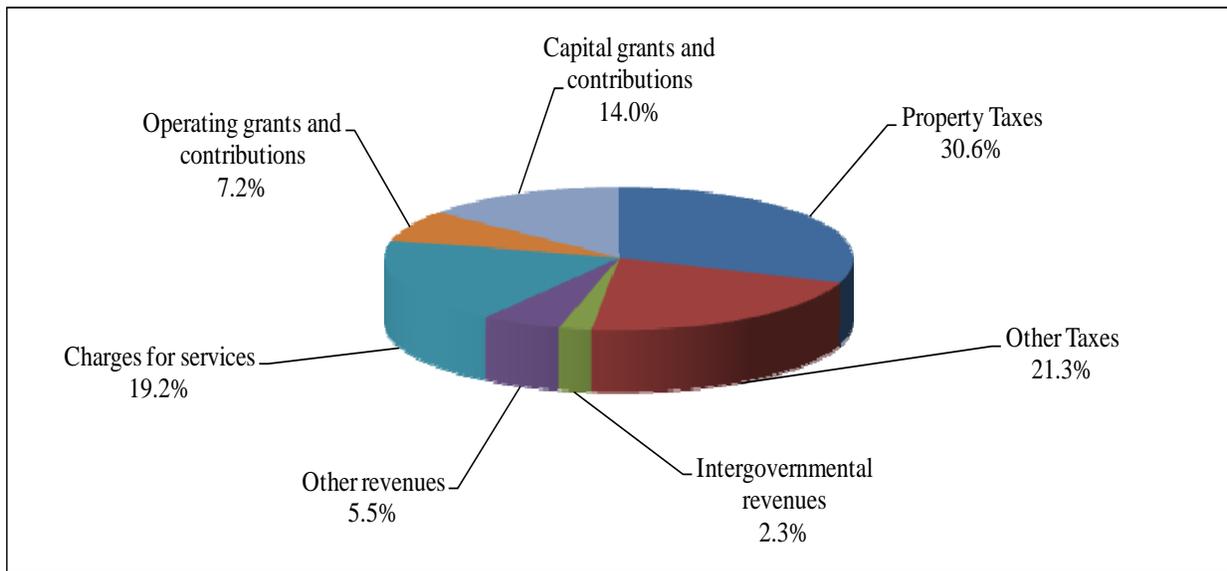
**Changes in Net Assets  
Year Ended September 30, 2009 and 2008**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services.....	\$ 2,984,606	2,800,989
Operating grants/other.....	1,121,426	2,598,300
Capital grants/other.....	2,175,124	384,124
General revenues:		
Property taxes.....	4,749,838	5,298,480
Other taxes.....	3,313,258	3,280,656
Intergovernmental.....	350,442	389,493
Other revenues.....	854,965	1,055,904
Total revenues.....	<u>15,549,659</u>	<u>15,807,946</u>
Expenses:		
General government.....	1,410,709	1,346,268
Public safety.....	6,244,278	8,696,139
Physical environment.....	1,780,575	1,195,063
Transportation.....	1,519,794	1,650,068
Culture/recreation.....	1,178,723	836,212
Interest on long-term debt.....	357,984	296,696
Total expenses.....	<u>12,492,063</u>	<u>14,020,446</u>
Increase (decrease) in net assets.....	3,057,596	1,787,500
Net assets, beginning of year.....	<u>17,713,200</u>	<u>15,925,700</u>
Net assets, end of year.....	<u>\$ 20,770,796</u>	<u>17,713,200</u>

**Governmental Activities**

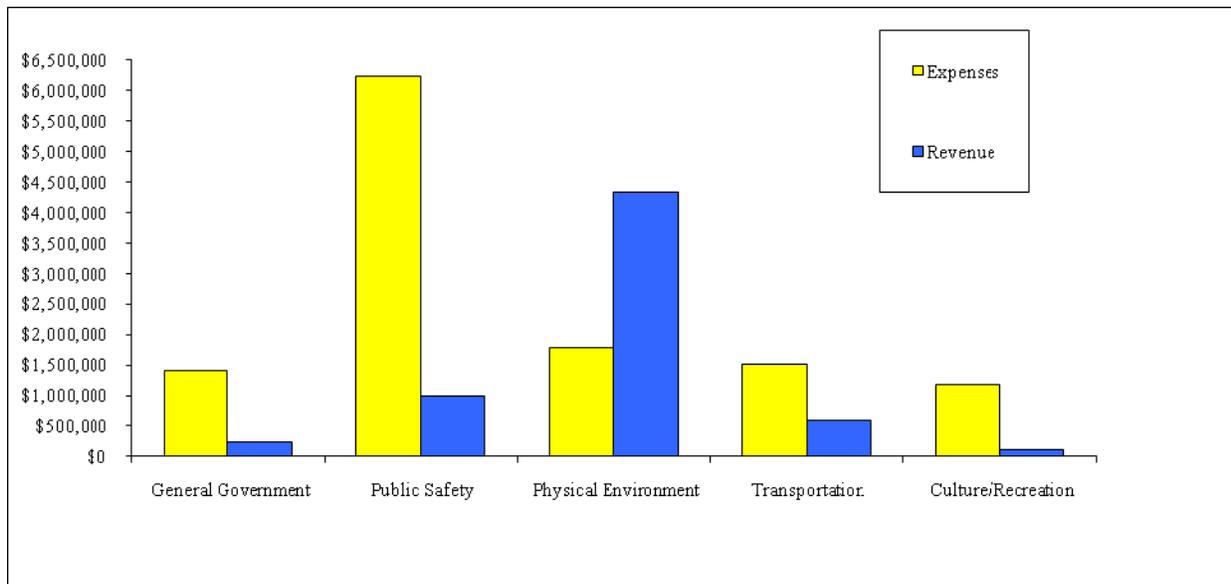
Revenues for the City's governmental activities experienced a decrease during 2009. Overall, the City's governmental revenues totaled \$15,549,659, which represents a decrease of \$258,287, or 1.63% under last year's reported governmental revenues totaling \$15,807,946. This decrease was attributable to a decrease in disaster related reimbursements of \$1,592,315, related to Tropical Storm Fay and the severe rain in May 2009, with an increase in capital related grant reimbursements of \$1,649,741, as compared to the prior year. The City also experienced a decrease in property taxes of \$548,642, and an overall decrease of \$178,789 in investment earnings, while other revenues remained fairly constant.

## 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

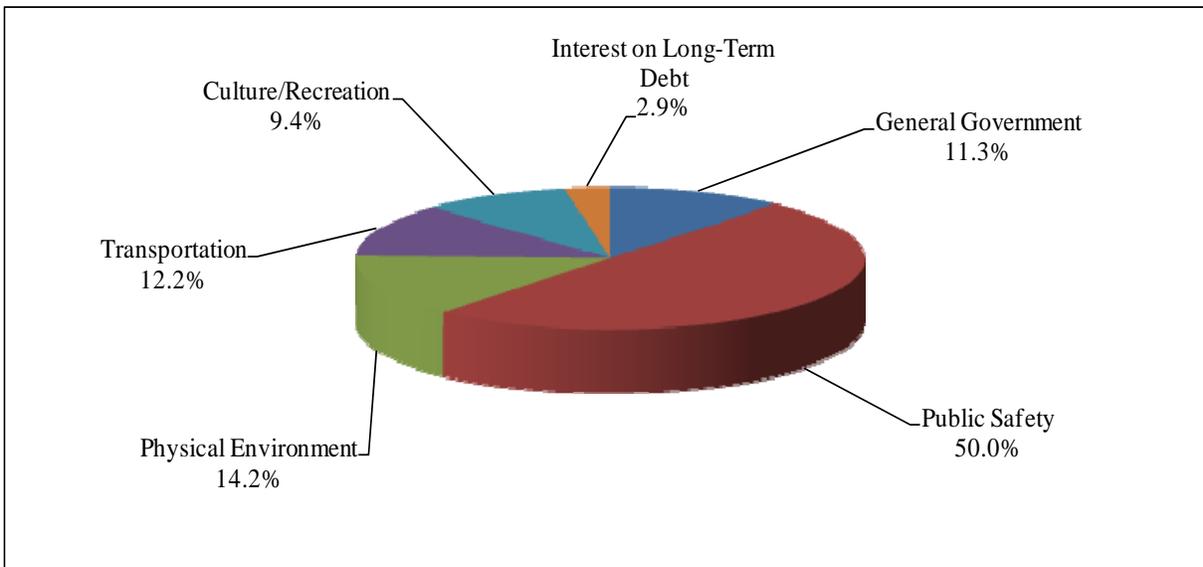


Expenses for the City's governmental activities totaled \$12,492,063 for fiscal 2009, which represents a decrease of \$1,528,383 or 10.9% under last year's reported governmental expenditures totaling \$14,020,446. These expenses do not include amounts expended for capital outlay and for debt principal; however, they do include depreciation and amortization expense for the year. These expenses also included approximately \$2.0 million in unanticipated costs associated with Tropical Storm Fay and the severe rain in May 2009; some of which were reimbursed by FEMA.

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. Its non-core services have also recognized substantial increases over the years. These costs, mostly which are unanticipated, are typically financed through the accumulation of internal reserves. While these costs have been substantial in current years, the City is continuing to take steps to re-examine the sufficiency of its operating reserves set aside for emergency purposes.

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**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 \$10,121,778 which was \$2,929,522, or 40.7%, more than the \$7,192,256 reported last year. Approximately 36.8% of this amount (\$3,721,260) 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 specialized transportation and street lighting district costs (\$1,728,272), 2) to finance stormwater improvement projects (\$4,435,403), 3) for parks and recreation improvement projects (\$16,169), 4) for public building projects (\$21,973), 5) from recycling materials and projects (\$69,713), 6) for tree preservation and replacement (\$87,257), 7) reflect the costs for payments for prepaid expenses carried over to the subsequent year (\$38,762) and 8) reflect the costs for equipment and operating supplies for the K-9 (\$2,969).

The general fund is the chief operating fund of the City. As of September 30, 2009, the unreserved fund balance in the general fund totaled \$4,860,340, while total fund balance was \$4,902,071. 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 43.2% of total general fund expenditures (\$11,256,852), while total fund balance represents 43.5% 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.

### General Fund Budgetary Highlights

In fiscal year 2009, the City Council amended the General Fund operating budget once for changes in various department appropriations, to decrease amounts for expenditures as changes occurred during the year and for additional operating expenditures and reduced capital expenditures. Budgeted revenues were also amended at this same time in an amount equal to the total decrease in expenditures, amendments came as a result of reductions in building permits and grant related reimbursements, as well as incorrect calculations on initial investment income amounts. Revenue projections were \$1,070,813 greater than the revenues recognized during 2009. Actual expenditures in the General Fund for the current fiscal year were \$694,856 less than the budgetary amounts appropriated.

### Capital Assets and Debt Administration

**Capital Assets.** At September 30, 2009, the City had \$21,802,270 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 following schedule:

#### Capital Assets September 30, 2009 and 2008

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land.....	\$ 4,129,064	4,122,969
Construction in progress.....	6,456,804	5,461,776
Buildings.....	3,335,117	573,546
Improvements other than buildings.....	2,152,089	2,101,652
Machinery and equipment.....	1,055,272	939,517
Infrastructure.....	7,798,818	5,435,772
	24,927,164	18,635,232
Accumulated depreciation.....	(3,124,894)	(2,641,044)
Net investment in capital assets.....	<u>\$ 21,802,270</u>	<u>15,994,188</u>

**Long-term Debt.** At year end, the City had \$12,299,469 in promissory notes outstanding which are secured solely by specified revenue streams and other 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 \$78,547 appearing in the assets. More detailed information about the City's long-term debt is presented in Note 9 to the financial statements.

At year end, the City had a commitment to fund future earned, but unpaid, employee personal leave of \$113,628.

## **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 11.7% at the end of September 2009, which is significantly higher than the 6.5% rate experienced one year earlier. These estimates are consistent with the State of Florida 11.4% and 6.9% unemployment rates at September 2009 and 2008, respectively.
- Inflationary trends for Volusia County compare favorably with those trends experienced at the state and national levels.
- Property tax revenue in fiscal year 2010 is expected to be slightly less than the ad valorem taxes collected in fiscal year 2009. Based on state forecasts other state shared revenues are expected to decline due to a severe downward economy.
- In the past three years the City has experienced a significant decrease in new home construction, resulting in a negative impact on building permit fees, impact fees, and planning fees.
- The subsequent year's budget includes \$6,534,301 in unappropriated reserves and the City Council continued with the same Ad-valorem tax rate of 2.5729 mils.

## **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, 16 Colomba Road, DeBary, Florida 32713.

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***BASIC FINANCIAL STATEMENTS***

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**STATEMENT OF NET ASSETS**  
September 30, 2009  
CITY OF DEBARY, FLORIDA

**Statement 1**

	Primary Government Governmental Activities	
<b>Assets:</b>		
Cash and cash equivalents.....	\$ 9,588,110	
<b>Receivables:</b>		
Accounts (net of allowance for doubtful accounts).....	265,151	
Accrued interest.....	2,677	
Due from other governments.....	1,337,353	
Investments.....	1,276,938	
Prepaid expenses.....	38,762	
Unamortized debt issuance costs.....	78,547	
<b>Capital assets:</b>		
Land and construction in progress.....	10,585,868	
Other depreciable capital assets, net of depreciation.....	<u>11,216,402</u>	
Total assets.....		34,389,808
<b>Liabilities:</b>		
Accounts payable and accrued liabilities.....	1,195,160	
Compensated absences payable.....	113,628	
Unearned income.....	10,755	
<b>Bonds, notes, and other payables:</b>		
Due within one year.....	549,469	
Due in more than one year.....	<u>11,750,000</u>	
Total liabilities.....		<u>13,619,012</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt.....	9,502,801	
<b>Restricted for:</b>		
Capital projects.....	4,435,403	
Transportation improvements.....	1,728,272	
Other improvements and projects.....	236,843	
Unrestricted.....	<u>4,867,477</u>	
Total net assets.....		<u>\$ 20,770,796</u>

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

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**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2009  
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.....	\$ 1,410,709	229,422	12,804	-	(1,168,483)
Public safety.....	6,244,278	52,861	944,385	-	(5,247,032)
Physical environment.....	1,780,575	2,046,499	164,237	2,119,647	2,549,808
Transportation.....	1,519,794	595,323	-	-	(924,471)
Culture/recreation.....	1,178,723	56,032	-	55,477	(1,067,214)
Interest on long-term debt.....	357,984	4,469	-	-	(353,515)
Total primary government.....	<u>\$12,492,063</u>	<u>2,984,606</u>	<u>1,121,426</u>	<u>2,175,124</u>	<u>(6,210,907)</u>
General revenues:					
Property taxes, levied for general purposes.....					4,749,838
Sales taxes.....					783,872
Local option gas taxes.....					456,458
Public service taxes.....					2,072,928
Franchise fees.....					825,851
State revenue sharing.....					324,130
Other intergovernmental revenues.....					26,312
Investment earnings (loss).....					(7,986)
Miscellaneous revenue.....					<u>37,100</u>
Total general revenues.....					<u>9,268,503</u>
Change in net assets.....					3,057,596
Net assets - beginning of year.....					<u>17,713,200</u>
Net assets - end of year.....					<u>\$20,770,796</u>

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2009  
CITY OF DEBARY, FLORIDA

	General	Solid Waste	Street Lighting District
<b>Assets:</b>			
Cash and cash equivalents.....	\$ 2,590,726	539,407	401,298
Receivables, net:			
Accounts receivable.....	171,516	-	-
Accrued interest.....	2,677	-	-
Due from other funds.....	1,292,947	-	-
Due from other governments.....	683,328	-	-
Investments.....	1,274,728	-	-
Prepaid items.....	<u>38,762</u>	<u>-</u>	<u>-</u>
Total assets.....	<u>\$ 6,054,684</u>	<u>539,407</u>	<u>401,298</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and other current liabilities.....	\$ 521,589	101,296	24,348
Due to other funds.....	245,851	-	-
Unearned income.....	<u>385,173</u>	<u>-</u>	<u>-</u>
Total liabilities.....	<u>1,152,613</u>	<u>101,296</u>	<u>24,348</u>
<b>Fund Balances (Deficit):</b>			
<b>Reserved for:</b>			
Prepays.....	38,762	-	-
Public safety.....	2,969	-	-
Capital projects.....	-	-	-
Transportation improvements.....	-	-	376,950
Recycling projects.....	-	-	-
Tree preservation and replacement.....	-	-	-
Parks and recreation improvements.....	-	-	-
Public building projects.....	-	-	-
<b>Unreserved, reported in:</b>			
General fund.....	4,860,340	-	-
Special revenue funds.....	-	438,111	-
Capital project fund .....	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances.....	<u>4,902,071</u>	<u>438,111</u>	<u>376,950</u>
Total liabilities and fund balances.....	<u>\$ 6,054,684</u>	<u>539,407</u>	<u>401,298</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
58,174	42,075	-	4,492,406	1,464,024	9,588,110
2,475	-	-	-	91,160	265,151
-	-	-	-	-	2,677
-	245,851	-	-	-	1,538,798
-	164,237	489,788	-	-	1,337,353
-	-	-	2,210	-	1,276,938
-	-	-	-	-	38,762
<u>60,649</u>	<u>452,163</u>	<u>489,788</u>	<u>4,494,616</u>	<u>1,555,184</u>	<u>14,047,789</u>
-	46,443	278,758	59,213	-	1,031,647
39,292	-	1,253,655	-	-	1,538,798
<u>-</u>	<u>482,855</u>	<u>478,788</u>	<u>-</u>	<u>8,750</u>	<u>1,355,566</u>
<u>39,292</u>	<u>529,298</u>	<u>2,011,201</u>	<u>59,213</u>	<u>8,750</u>	<u>3,926,011</u>
-	-	-	-	-	38,762
-	-	-	-	-	2,969
-	-	-	4,435,403	-	4,435,403
-	-	-	-	1,351,322	1,728,272
-	-	-	-	69,713	69,713
-	-	-	-	87,257	87,257
-	-	-	-	16,169	16,169
-	-	-	-	21,973	21,973
-	-	-	-	-	4,860,340
21,357	(77,135)	-	-	-	382,333
<u>-</u>	<u>-</u>	<u>(1,521,413)</u>	<u>-</u>	<u>-</u>	<u>(1,521,413)</u>
<u>21,357</u>	<u>(77,135)</u>	<u>(1,521,413)</u>	<u>4,435,403</u>	<u>1,546,434</u>	<u>10,121,778</u>
<u>60,649</u>	<u>452,163</u>	<u>489,788</u>	<u>4,494,616</u>	<u>1,555,184</u>	<u>14,047,789</u>

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

**Statement 3A**

September 30, 2009  
CITY OF DEBARY, FLORIDA

Fund balances - total governmental funds.....	\$ 10,121,778
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.....	21,802,270
Revenues deferred in governmental activities are recognized in the period in which they are earned, regardless of the date of their anticipated receipt.....	1,344,811
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.....	78,547
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.....	(163,513)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>	
Long-term debt.....	(12,299,469)
Compensated absences.....	<u>(113,628)</u>
Net assets of governmental activities.....	<u>\$ 20,770,796</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, 2009  
CITY OF DEBARY, FLORIDA

	General	Solid Waste	Street Lighting District
<b>Revenue:</b>			
Taxes.....	\$ 7,301,721	-	-
Permits and fees.....	193,991	1,708	394,632
Intergovernmental.....	4,283,982	-	-
Charges for services.....	113,535	1,224,645	-
Fines and forfeitures.....	50,009	-	-
Miscellaneous.....	<u>34,832</u>	<u>-</u>	<u>-</u>
<b>Total revenue.....</b>	<b><u>11,978,070</u></b>	<b><u>1,226,353</u></b>	<b><u>394,632</u></b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government.....	2,951,413	-	-
Public safety.....	6,234,153	-	-
Physical environment.....	-	1,217,634	-
Transportation.....	985,783	-	306,529
Culture/recreation.....	679,353	-	-
<b>Capital Outlay:</b>			
Physical environment.....	-	-	-
Transportation.....	-	-	-
<b>Debt service:</b>			
Principal retirement.....	320,000	-	-
Interest and fiscal charges.....	<u>86,150</u>	<u>-</u>	<u>-</u>
<b>Total expenditures.....</b>	<b><u>11,256,852</u></b>	<b><u>1,217,634</u></b>	<b><u>306,529</u></b>
<b>Excess of revenue over (under) expenditures.....</b>	<b>721,218</b>	<b>8,719</b>	<b>88,103</b>
<b>Other Financing Sources (Uses):</b>			
Debt proceeds.....	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses).....</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Net changes in fund balances.....</b>	<b>721,218</b>	<b>8,719</b>	<b>88,103</b>
Fund balances, beginning of year.....	<u>4,180,853</u>	<u>429,392</u>	<u>288,847</u>
Fund balances, end of year.....	<u><u>\$ 4,902,071</u></u>	<u><u>438,111</u></u>	<u><u>376,950</u></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
-	-	-	-	-	7,301,721
153,070	820,146	-	-	837,942	2,401,489
3,191	1,311,241	11,000	-	-	5,609,414
-	-	-	-	-	1,338,180
-	-	-	-	-	50,009
<u>5</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>10,031</u>	<u>44,887</u>
<u>156,266</u>	<u>2,131,387</u>	<u>11,000</u>	<u>19</u>	<u>847,973</u>	<u>16,745,700</u>
-	-	-	-	-	2,951,413
-	-	-	-	-	6,234,153
-	2,728,116	-	-	4,225	3,949,975
106,143	-	-	-	-	1,398,455
-	-	-	-	-	679,353
-	-	818,747	1,699,243	-	2,517,990
-	-	-	-	240,893	240,893
-	207,505	-	-	-	527,505
<u>-</u>	<u>200,291</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>316,441</u>
<u>106,143</u>	<u>3,135,912</u>	<u>818,747</u>	<u>1,729,243</u>	<u>245,118</u>	<u>18,816,178</u>
50,123	(1,004,525)	(807,747)	(1,729,224)	602,855	(2,070,478)
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>
50,123	(1,004,525)	(807,747)	3,270,776	602,855	2,929,522
<u>(28,766)</u>	<u>927,390</u>	<u>(713,666)</u>	<u>1,164,627</u>	<u>943,579</u>	<u>7,192,256</u>
<u><u>21,357</u></u>	<u><u>(77,135)</u></u>	<u><u>(1,521,413)</u></u>	<u><u>4,435,403</u></u>	<u><u>1,546,434</u></u>	<u><u>10,121,778</u></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, 2009  
CITY OF DEBARY, FLORIDA

Net change in fund balances - total governmental funds..... \$ 2,929,522

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.....	6,752,140	
Depreciation expense.....	(584,757)	
Gain (loss) on the disposition of assets.....	<u>(359,301)</u>	5,808,082

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. (1,196,041)

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.....	30,000	
Principal payments.....	527,505	
Amortization of loan costs.....	<u>(9,622)</u>	(4,452,117)

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.....	30,071	
Accrued interest on long-term debt.....	<u>(61,921)</u>	(31,850)

Change in net assets of governmental activities..... \$ 3,057,596

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

***NOTES TO THE FINANCIAL STATEMENTS***

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## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2009

CITY OF DEBARY, FLORIDA

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### 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, 2009

CITY OF DEBARY, FLORIDA

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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, 2009

CITY OF DEBARY, FLORIDA

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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, 2009

CITY OF DEBARY, FLORIDA

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*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, Franchise Fees 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.

#### ***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."

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2009

CITY OF DEBARY, FLORIDA

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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

**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.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2009

CITY OF DEBARY, FLORIDA

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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. *Long-term Obligations***

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

**8. *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.

**9. *Use of Estimates***

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

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2009

CITY OF DEBARY, FLORIDA

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

#### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

Following the governmental fund balance sheet is a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. A detailed explanation of these differences is provided in this reconciliation.

#### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

### NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary Information

Annual budgets for all governmental 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.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2009

CITY OF DEBARY, FLORIDA

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**B. Excess of Expenditures over Appropriations**

During the year ended September 30, 2009, expenditures exceeded budgetary appropriations in the following funds:

Solid Waste Special Revenue Fund (major) – actual expenditures exceeded budgetary appropriations by \$36,484. The over-expenditure was the result of an increase in solid waste rates as billed from the service provider. This amount was funded in its entirety from the increase in solid waste assessments during the year.

Flood Improvement Capital Project Fund (major) – actual expenditures exceeded budgetary appropriations by \$818,747. The over-expenditure was the result of unbudgeted expenditures recognized for capital outlay for planned stormwater improvement projects. These costs were funded with intergovernmental grants and 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.

Stormwater Improvement Capital Projects Fund (major) – actual expenditures exceeded budgetary appropriations by \$1,729,343. The over-expenditure was the result of unbudgeted expenditures recognized for capital outlay for planned stormwater improvement projects. These costs were funded from the prior years’ surplus funds and current year debt proceeds, which are restricted for said projects.

Tree Preservation Special Revenue Fund (nonmajor) – actual expenditures exceeded budgetary appropriations by \$4,225. The over-expenditure was the result of unbudgeted expenditures recognized for tree preservation and replacement during 2009. This amount was funded in its entirety from prior years’ surplus funds, all of which are restricted for these purposes.

**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 2.57279 mills (2008 levy collected in the year ended September 30, 2009). The property tax calendar is as follows:

Valuation Date	January 1
Property Appraiser prepares the assessment roll with values as of January 1, 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
Property Appraiser certified the assessment roll and all real and tangible personal property taxes are due and payable (Levy date).	November 1

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2009

CITY OF DEBARY, FLORIDA

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:

November through March

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

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

A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised. April/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, 2009, the carrying value of the City’s cash deposit accounts was \$9,587,987 and the bank balance totaled \$9,795,305. 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. Amounts do not include \$123 in cash funds on hand at the end of the fiscal year.

*Investments.* As of September 30, 2009, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>	
		<u>Less Than 1</u>	<u>5-10</u>
Local Government Surplus Funds Trust Fund .....	\$ 1,070,449	1,070,449	0
Fund B Surplus Funds Trust Fund .....	<u>206,489</u>	<u>0</u>	<u>206,489</u>
Total .....	<u>\$ 1,276,938</u>	<u>1,070,449</u>	<u>206,489</u>

At September 30, 2009, the City’s investment in the Local Government Surplus Funds Trust Fund (“LGIP”) totaled \$1,070,449, which was its fair value. The LGIP is accounted for as a SEC 2a7-like fund, which permits money market funds to use amortized cost to maintain a constant net asset value of \$1.00 per share. The investment in Fund B Surplus Funds Trust Fund (“Fund B”) is accounted for as a fluctuating net asset value (NAV) pool. Its assets are presently restricted and the City is prohibited from withdrawing any amounts from the pool. The fair value of the original \$376,015 (at cost) investment in Fund B is \$206,489 at September 30, 2009, based on the NAV factor of 0.549151 reported by the trustees of Fund B.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2009

CITY OF DEBARY, FLORIDA

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Credit Quality. The LGIP is rated by Standard and Poors. The current rating is AAAM at September 30, 2009. Fund B is not rated by any nationally recognized statistical rating agency.

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. The weighted average days to maturity of the LGIP at September 30, 2009 was 33 days. The weighted average life of Fund B at September 30, 2009 was 6.69 years.

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/Commercial paper.....	10%
Certificates of Deposit.....	40%
Repurchase agreements/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. 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.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2009

CITY OF DEBARY, FLORIDA

**NOTE 6 - RECEIVABLES**

A summary of governmental activities' receivables at September 30, 2009, is as follows:

Delinquent taxes receivable .....	\$ 13,246	
Franchise fees.....	90,819	
Utility service taxes.....	129,618	
Accounts receivable – pass-through .....	75,641	
Other miscellaneous receivables .....	<u>17,579</u>	
	326,903	
Less: allowance for doubtful accounts.....	<u>(61,752)</u>	
		<u>\$ 265,151</u>
Total governmental activities receivables, net .....		<u>\$ 265,151</u>

**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, 2009, are comprised of the following:

Fund	Due From	Due To
General:		
Orlandia Heights Neighborhood Improvement District.....	\$ 39,292	-
Stormwater Management.....	-	245,851
Flood Improvement Capital Project.....	1,253,655	-
Orlandia Heights Neighborhood Improvement District:		
General.....	-	39,292
Stormwater Management:		
General.....	245,851	-
Flood Improvement Capital Project:		
General.....	<u>-</u>	<u>1,253,655</u>
Totals.....	<u>\$ 1,538,798</u>	<u>1,538,798</u>

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2009

CITY OF DEBARY, FLORIDA

**NOTE 8 - CAPITAL ASSETS**

A summary of the capital assets activity for the year ended September 30, 2009, is as follows:

	Balances 9/30/2008	Additions	Deletions	Balances 9/30/2009
Capital assets not being depreciated:				
Land.....	\$ 4,122,969	6,095	-	4,129,064
Construction in progress.....	<u>5,461,776</u>	<u>5,682,353</u>	<u>(4,687,325)</u>	<u>6,456,804</u>
Total capital assets not being depreciated.....	<u>9,584,745</u>	<u>5,688,448</u>	<u>(4,687,325)</u>	<u>10,585,868</u>
Capital assets being depreciated:				
Buildings.....	573,546	2,866,146	(104,575)	3,335,117
Improvements other than buildings.....	2,101,652	67,176	(16,739)	2,152,089
Machinery and equipment.....	939,517	124,845	(9,090)	1,055,272
Infrastructure.....	<u>5,435,772</u>	<u>2,363,046</u>	<u>-</u>	<u>7,798,818</u>
Total capital assets being depreciated.....	<u>9,050,487</u>	<u>5,421,213</u>	<u>(130,404)</u>	<u>14,341,296</u>
Less accumulated depreciation for:				
Buildings.....	(300,863)	(48,613)	76,593	(272,883)
Improvements other than buildings.....	(784,873)	(118,592)	15,991	(887,474)
Machinery and equipment.....	(488,970)	(136,845)	8,323	(617,492)
Infrastructure.....	<u>(1,066,338)</u>	<u>(280,707)</u>	<u>-</u>	<u>(1,347,045)</u>
Total accumulated depreciation.....	<u>(2,641,044)</u>	<u>(584,757)</u>	<u>100,907</u>	<u>(3,124,894)</u>
Total capital assets being depreciated, net.....	<u>6,409,443</u>	<u>4,836,456</u>	<u>(29,497)</u>	<u>11,216,402</u>
Total capital assets, net.....	<u>\$ 15,994,188</u>	<u>10,524,904</u>	<u>(4,716,822)</u>	<u>21,802,270</u>

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

Governmental activities:	
General government.....	\$ 84,780
Public safety .....	12,096
Physical environment .....	153,414
Transportation.....	147,803
Culture/recreation .....	<u>186,664</u>
Total depreciation expense - governmental activities .....	<u>\$ 584,757</u>

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2009

CITY OF DEBARY, FLORIDA

**NOTE 9 – GENERAL LONG-TERM DEBT**

The City’s long-term debt outstanding at September 30, 2009, is as follows:

	<u>Balance Due</u>	<u>Current Maturities</u>
Notes Payable:		
4.080% Revenue Note; dated May 6, 2005, interest and principal due monthly through September 14, 2010, secured by stormwater utility special assessment revenues.....	\$ 174,469	174,469
3.845% Series 2006 Revenue Note; dated December 18, 2006, interest payable semi-annually on June 1 and December 1, principal payable annually on December 1, through December 2026, secured by a pledge to budget and appropriate non-advalorem revenues.....	4,915,000	40,000
3.635% Series 2007 Revenue Note; dated November 8, 2007, interest payable semi-annually on May 1 and November 1, principal payable annually on November 1, through November 2014, secured by the City's stormwater utility assessments and a pledge to budget and appropriate non-advalorem revenues.....	2,210,000	335,000
4.050% Series 2009 Revenue Note; dated May 27, 2009, interest payable semi-annually on June 1 and December 1, principal payable annually on December 1, through December 2016, secured by the City's stormwater utility assessments and a pledge to budget and appropriate non-advalorem revenues.....	<u>5,000,000</u>	<u>-</u>
Total notes payable.....	12,299,469	549,469
Compensated absences (current portion estimated).....	<u>113,628</u>	<u>28,680</u>
Total long-term debt.....	<u>\$12,413,097</u>	<u>578,149</u>

A summary of changes in the City’s long-term debt for the year is as follows:

	<u>Balances 9/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 9/30/2009</u>
Notes Payable:				
4.080% Revenue Note.....	\$ 341,974	-	(167,505)	174,469
3.845% Series 2006 Revenue Note.....	4,955,000	-	(40,000)	4,915,000
3.635% Series 2007 Revenue Note.....	2,530,000	-	(320,000)	2,210,000
4.050% Series 2009 Revenue Note.....	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>
	7,826,974	5,000,000	(527,505)	12,299,469
Compensated absences.....	<u>143,699</u>	<u>96,847</u>	<u>(126,918)</u>	<u>113,628</u>
Totals.....	<u>\$ 7,970,673</u>	<u>5,096,847</u>	<u>(654,423)</u>	<u>12,413,097</u>

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2009

CITY OF DEBARY, FLORIDA

Aggregate annual debt service requirements through maturity, including principal and interest, on long-term debt obligations are as follows:

Fiscal Year	Revenue Notes		Total
	Principal	Interest	
September 30, 2010.....	\$ 549,469	470,575	1,020,044
September 30, 2011.....	570,000	446,458	1,016,458
September 30, 2012.....	740,000	419,779	1,159,779
September 30, 2013.....	770,000	391,060	1,161,060
September 30, 2014.....	800,000	361,208	1,161,208
September 30, 2015 through 2019.....	6,105,000	1,074,631	7,179,631
September 30, 2020 through 2024.....	1,625,000	359,155	1,984,155
September 30, 2025 through 2027.....	<u>1,140,000</u>	<u>52,292</u>	<u>1,192,292</u>
Totals.....	<u>\$12,299,469</u>	<u>3,575,158</u>	<u>15,874,627</u>

**NOTE 10 - 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, 2009, the City's total payroll for all employees was \$927,220 and its covered payroll was \$860,525. Employer contributions, including forfeitures, to the plan were \$86,053, \$75,879, and \$74,975, for the years ended September 30, 2009, 2008, and 2007, respectively. The City has the power to amend plan provisions at any time.

**NOTE 11 – DEFERRED EMPLOYEE BENEFITS**

The City provides its employees with a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The assets of this plan are administered by Nationwide Retirement Solutions, Inc. Annual contributions, determined by the participant, may not exceed the lesser of \$15,000 or 100% of gross taxable compensation for plan years beginning in 2006. Deferred compensation withheld from a participating employee's pay is not taxable as current income until withdrawn from the plan. Such compensation is not available to the employees until employment termination, retirement, death, or unforeseeable emergencies. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. For the year ended September 30, 2009, employee contributions to the Plan totaled \$10,800, and City contributions on behalf of employees totaled \$7,001.

## **NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2009

CITY OF DEBARY, FLORIDA

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### **NOTE 12 - 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.

### **NOTE 13 - 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 14 - 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 three years.

### **NOTE 15 - SUBSEQUENT EVENTS**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through September 8, 2010, the date the financial statements were available to be issued. Only those items listed below were found to be of significance:

#### **A. Capital Lease – Fire Department**

The City entered into a capital lease agreement in January 2010 for the purchase of machinery and equipment, with a present value of \$239,698, for the City's fire department. The capital lease term will be five years, beginning in January 2010 through January 2015, and will be funded with minimum annual payments of \$53,752, including interest at 3.94%. The total amount of future minimum payments is \$268,760.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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

**Schedule 1**

For the Fiscal Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenue:</b>				
<b>Taxes:</b>				
General property taxes:				
Current ad valorem taxes .....	\$ 4,790,008	4,790,008	4,745,154	(44,854)
Delinquent ad valorem taxes.....	-	-	6,402	6,402
Local option gas tax.....	273,611	273,611	259,683	(13,928)
2nd Local option gas tax.....	203,479	203,479	196,775	(6,704)
Utility service taxes.....	962,401	1,218,401	1,232,773	14,372
Communications service taxes.....	833,651	840,151	840,155	4
Local business taxes.....	14,000	19,000	20,779	1,779
Total taxes.....	<u>7,077,150</u>	<u>7,344,650</u>	<u>7,301,721</u>	<u>(42,929)</u>
Permits and fees:				
Building permits.....	400,000	194,000	193,476	(524)
Other permits and fees.....	-	-	515	515
Total permits and fees.....	<u>400,000</u>	<u>194,000</u>	<u>193,991</u>	<u>(9)</u>
Intergovernmental Revenue:				
Federal, State, and Local grants.....	4,651,176	4,094,176	3,152,859	(941,317)
State Shared Revenues:				
State revenue sharing proceeds.....	378,634	328,634	324,130	(4,504)
Mobile home licenses.....	15,500	17,000	17,330	330
Alcoholic beverage licenses.....	5,000	7,400	5,791	(1,609)
Local government half-cent sales tax...	923,376	784,376	783,872	(504)
Total intergovernmental revenue.....	<u>5,973,686</u>	<u>5,231,586</u>	<u>4,283,982</u>	<u>(947,604)</u>
Charges for services:				
General government.....	52,500	7,700	7,030	(670)
Public safety.....	4,000	3,000	2,852	(148)
Transportation.....	48,147	48,147	47,621	(526)
Culture/recreation.....	46,500	56,200	56,032	(168)
Total charges for services.....	<u>151,147</u>	<u>115,047</u>	<u>113,535</u>	<u>(1,512)</u>
Fines and forfeitures:				
Court cases .....	35,000	22,000	22,409	409
Local ordinance violations.....	5,000	27,000	27,600	600
Total fines and forfeitures.....	<u>40,000</u>	<u>49,000</u>	<u>50,009</u>	<u>1,009</u>

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

**Schedule 1  
(Continued)**

For the Fiscal Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Miscellaneous Revenue:				
Investment earnings (loss).....	\$ 180,000	77,000	(8,010)	(85,010)
Contributions and donations.....	-	12,000	15,773	3,773
Miscellaneous revenues.....	<u>19,000</u>	<u>25,600</u>	<u>27,069</u>	<u>1,469</u>
Total miscellaneous revenue.....	<u>199,000</u>	<u>114,600</u>	<u>34,832</u>	<u>(79,768)</u>
Total revenue.....	<u>13,840,983</u>	<u>13,048,883</u>	<u>11,978,070</u>	<u>(1,070,813)</u>
Expenditures:				
General Government:				
Legislative:				
Personal services .....	28,390	28,390	22,284	6,106
Operating expenditures.....	72,850	72,850	91,978	(19,128)
Grants and aids.....	<u>4,500</u>	<u>4,500</u>	<u>1,184</u>	<u>3,316</u>
	<u>105,740</u>	<u>105,740</u>	<u>115,446</u>	<u>(9,706)</u>
Executive:				
Personal services.....	557,586	557,586	563,870	(6,284)
Operating expenditures.....	46,197	46,197	39,511	6,686
Capital outlay.....	<u>8,400</u>	<u>8,400</u>	<u>3,972</u>	<u>4,428</u>
	<u>612,183</u>	<u>612,183</u>	<u>607,353</u>	<u>4,830</u>
Financial & Administrative:				
Operating expenditures.....	-	-	38,570	(38,570)
Legal Counsel:				
Operating expenditures.....	<u>126,000</u>	<u>316,250</u>	<u>287,235</u>	<u>29,015</u>
Other General Government:				
Personal services.....	40,351	40,351	23,141	17,210
Operating expenditures.....	451,750	272,750	272,100	650
Capital outlay.....	<u>4,574,324</u>	<u>1,658,124</u>	<u>1,607,568</u>	<u>50,556</u>
	<u>5,066,425</u>	<u>1,971,225</u>	<u>1,902,809</u>	<u>68,416</u>
Total general government.....	<u>5,910,348</u>	<u>3,005,398</u>	<u>2,951,413</u>	<u>53,985</u>
Public Safety:				
Law Enforcement:				
Operating expenditures.....	<u>2,774,697</u>	<u>2,774,697</u>	<u>2,826,838</u>	<u>(52,141)</u>
Fire Protection:				
Operating expenditures.....	<u>1,091,825</u>	<u>1,091,825</u>	<u>1,091,825</u>	<u>-</u>

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

**Schedule 1  
(Continued)**

For the Fiscal Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Protective Inspections:</b>				
Personal services.....	\$ 105,119	110,619	104,015	6,604
Operating expenditures.....	<u>474,460</u>	<u>334,460</u>	<u>316,887</u>	<u>17,573</u>
	<u>579,579</u>	<u>445,079</u>	<u>420,902</u>	<u>24,177</u>
<b>Emergency and Disaster Relief Services:</b>				
Personal services.....	56,216	72,216	66,587	5,629
Operating expenditures.....	1,061,755	2,135,755	1,753,419	382,336
Capital outlay.....	<u>-</u>	<u>-</u>	<u>5,640</u>	<u>(5,640)</u>
	<u>1,117,971</u>	<u>2,207,971</u>	<u>1,825,646</u>	<u>382,325</u>
<b>Other Public Safety:</b>				
Operating expenditures.....	<u>85,680</u>	<u>85,680</u>	<u>68,942</u>	<u>16,738</u>
Total public safety.....	<u>5,649,752</u>	<u>6,605,252</u>	<u>6,234,153</u>	<u>371,099</u>
<b>Transportation:</b>				
<b>Road and Street Facilities:</b>				
Operating expenditures.....	1,196,497	1,196,497	959,319	237,178
Capital outlay.....	<u>5,000</u>	<u>5,000</u>	<u>26,464</u>	<u>(21,464)</u>
Total transportation.....	<u>1,201,497</u>	<u>1,201,497</u>	<u>985,783</u>	<u>215,714</u>
<b>Culture/Recreation:</b>				
<b>Parks and Recreation:</b>				
Personal services.....	479,817	479,817	425,172	54,645
Operating expenditures.....	221,434	221,434	228,475	(7,041)
Capital outlay.....	<u>32,160</u>	<u>32,160</u>	<u>25,706</u>	<u>6,454</u>
Total culture/recreation.....	<u>733,411</u>	<u>733,411</u>	<u>679,353</u>	<u>54,058</u>
<b>Debt Service:</b>				
<b>Principal retirement:</b>				
General government.....	320,000	320,000	320,000	-
<b>Interest and fiscal charges:</b>				
General government.....	<u>86,150</u>	<u>86,150</u>	<u>86,150</u>	<u>-</u>
Total debt service.....	<u>406,150</u>	<u>406,150</u>	<u>406,150</u>	<u>-</u>
Total expenditures.....	<u>13,901,158</u>	<u>11,951,708</u>	<u>11,256,852</u>	<u>694,856</u>
Excess of revenue over (under) expenditures.....	<u>(60,175)</u>	<u>1,097,175</u>	<u>721,218</u>	<u>(375,957)</u>

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

**Schedule 1  
(Continued)**

For the Fiscal Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Other Financing Sources (Uses):				
Appropriated fund balance.....	\$ 60,175	(1,097,175)	-	1,097,175
Total other financing sources (uses).	60,175	(1,097,175)	-	1,097,175
Net change in fund balance.....	-	-	721,218	721,218
Fund balance, beginning of year.....	4,180,853	4,180,853	4,180,853	-
Fund balance, end of year .....	\$ 4,180,853	4,180,853	4,902,071	721,218

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**SOLID WASTE (SPECIAL REVENUE) FUND**  
For the Fiscal Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

**Schedule 2**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenue:</b>				
Permits and fees:				
Special assessments.....	\$ -	-	1,708	1,708
Charges for services:				
Garbage/solid waste services.....	1,200,271	1,200,271	1,224,645	24,374
Miscellaneous:				
Investment earnings.....	<u>13,000</u>	<u>13,000</u>	-	<u>(13,000)</u>
Total revenue.....	<u>1,213,271</u>	<u>1,213,271</u>	<u>1,226,353</u>	<u>13,082</u>
<b>Expenditures:</b>				
Physical Environment:				
Garbage/Solid Waste:				
Operating expenditures.....	<u>1,181,150</u>	<u>1,181,150</u>	<u>1,217,634</u>	<u>(36,484)</u>
Total expenditures.....	<u>1,181,150</u>	<u>1,181,150</u>	<u>1,217,634</u>	<u>(36,484)</u>
Excess of revenue over (under) expenditures.....	32,121	32,121	8,719	(23,402)
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance.....	<u>(32,121)</u>	<u>(32,121)</u>	-	<u>32,121</u>
Net change in fund balance.....	-	-	8,719	8,719
Fund balance, beginning of year.....	<u>429,392</u>	<u>429,392</u>	<u>429,392</u>	-
Fund balance, end of year.....	<u>\$ 429,392</u>	<u>429,392</u>	<u>438,111</u>	<u>8,719</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**STREET LIGHTING DISTRICT (SPECIAL REVENUE) FUND**  
For the Fiscal Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

**Schedule 3**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenue:</b>				
Permits and fees:				
Special assessments.....	\$ 387,804	387,804	394,632	6,828
Total revenue.....	387,804	387,804	394,632	6,828
<b>Expenditures:</b>				
Transportation:				
Road and Street Facilities:				
Operating expenditures.....	390,266	390,266	306,529	83,737
Total expenditures .....	390,266	390,266	306,529	83,737
Excess of revenue over (under) expenditures.....	(2,462)	(2,462)	88,103	90,565
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance.....	2,462	2,462	-	(2,462)
Net change in fund balance.....	-	-	88,103	88,103
Fund balance, beginning of year.....	288,847	288,847	288,847	-
Fund balance, end of year.....	\$ 288,847	288,847	376,950	88,103

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**ORLANDIA HEIGHTS NEIGHBORHOOD IMPROVEMENT**  
**DISTRICT (SPECIAL REVENUE) FUND**  
For the Fiscal Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

**Schedule 4**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenue:</b>				
Permits and fees:				
Special assessments.....	\$ 150,480	150,480	153,070	2,590
Intergovernmental Revenue:				
Federal grants.....	-	-	3,191	3,191
Miscellaneous Revenue:				
Investment earnings.....	-	-	5	5
Total revenue.....	<u>150,480</u>	<u>150,480</u>	<u>156,266</u>	<u>5,786</u>
<b>Expenditures:</b>				
Transportation:				
Road and Street Facilities:				
Operating expenditures.....	<u>150,480</u>	<u>150,480</u>	<u>106,143</u>	<u>44,337</u>
Total expenditures.....	<u>150,480</u>	<u>150,480</u>	<u>106,143</u>	<u>44,337</u>
Excess of revenue over (under) expenditures.....	-	-	50,123	50,123
Fund balance, beginning of year.....	<u>(28,766)</u>	<u>(28,766)</u>	<u>(28,766)</u>	-
Fund balance, end of year.....	<u>\$ (28,766)</u>	<u>(28,766)</u>	<u>21,357</u>	<u>50,123</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**STORM WATER MANAGEMENT (SPECIAL REVENUE) FUND**  
For the Fiscal Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

**Schedule 5**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenue:</b>				
Permits and fees:				
Special assessments.....	\$ 833,450	833,450	820,146	(13,304)
<b>Intergovernmental Revenue:</b>				
Federal grants.....	-	-	1,311,241	1,311,241
Total revenue.....	<u>833,450</u>	<u>833,450</u>	<u>2,131,387</u>	<u>1,297,937</u>
<b>Expenditures:</b>				
Physical Environment:				
Flood Control/Stormwater Management:				
Operating expenditures.....	5,500	5,500	20,302	(14,802)
Capital outlay.....	2,637,750	2,637,750	2,323,907	313,843
Grants and aids.....	-	-	383,907	(383,907)
Total physical environment.....	<u>2,643,250</u>	<u>2,643,250</u>	<u>2,728,116</u>	<u>(84,866)</u>
<b>Debt Service:</b>				
Principal:				
Physical environment.....	207,505	207,505	207,505	-
Interest and fiscal charges:				
Physical environment.....	<u>330,382</u>	<u>330,382</u>	<u>200,291</u>	<u>130,091</u>
Total debt service.....	<u>537,887</u>	<u>537,887</u>	<u>407,796</u>	<u>130,091</u>
Total expenditures.....	<u>3,181,137</u>	<u>3,181,137</u>	<u>3,135,912</u>	<u>45,225</u>
Excess of revenue over (under) expenditures.....	(2,347,687)	(2,347,687)	(1,004,525)	1,343,162
<b>Other Financing Sources (Uses):</b>				
Proceeds of long-term debt.....	5,000,000	5,000,000	-	(5,000,000)
Appropriated fund balance.....	<u>(2,652,313)</u>	<u>(2,652,313)</u>	<u>-</u>	<u>2,652,313</u>
Total other financing sources (uses).....	<u>2,347,687</u>	<u>2,347,687</u>	<u>-</u>	<u>(2,347,687)</u>
Net change in fund balance.....	-	-	(1,004,525)	(1,004,525)
Fund balance, beginning of year.....	<u>927,390</u>	<u>927,390</u>	<u>927,390</u>	<u>-</u>
Fund balance, end of year.....	<u>\$ 927,390</u>	<u>927,390</u>	<u>(77,135)</u>	<u>(1,004,525)</u>

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

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
September 30, 2009  
CITY OF DEBARY, FLORIDA

	Nonmajor Special		
	Recycle	Side Walk Improvement	Tree Preservation
<b>Assets:</b>			
Cash and cash equivalents.....	\$ 69,372	14,179	87,257
Accounts receivable.....	<u>341</u>	<u>-</u>	<u>-</u>
Total assets.....	<u>69,713</u>	<u>14,179</u>	<u>87,257</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Unearned income.....	<u>-</u>	<u>8,750</u>	<u>-</u>
Total liabilities.....	<u>-</u>	<u>8,750</u>	<u>-</u>
<b>Fund Balances:</b>			
<b>Reserved for:</b>			
Recycling projects.....	69,713	-	-
Transportation improvements.....	-	5,429	-
Tree preservation and replacement.....	-	-	87,257
Parks and recreation improvements.....	-	-	-
Public building projects.....	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances.....	<u>69,713</u>	<u>5,429</u>	<u>87,257</u>
Total liabilities and fund balances.....	<u>\$ 69,713</u>	<u>14,179</u>	<u>87,257</u>

**Exhibit A-1**

Revenue Funds

Franchise Fees	Park Benefit Impact Fee Trust Fund	Public Buildings Benefit Impact Fee Trust Fund	Total Nonmajor Governmental Funds
1,255,074	16,169	21,973	1,464,024
<u>90,819</u>	-	-	<u>91,160</u>
<u>1,345,893</u>	<u>16,169</u>	<u>21,973</u>	<u>1,555,184</u>
-	-	-	<u>8,750</u>
-	-	-	<u>8,750</u>
-	-	-	69,713
1,345,893	-	-	1,351,322
-	-	-	87,257
-	16,169	-	16,169
<u>-</u>	<u>-</u>	<u>21,973</u>	<u>21,973</u>
<u>1,345,893</u>	<u>16,169</u>	<u>21,973</u>	<u>1,546,434</u>
<u>1,345,893</u>	<u>16,169</u>	<u>21,973</u>	<u>1,555,184</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS**  
 For the Fiscal Year Ended September 30, 2009  
 CITY OF DEBARY, FLORIDA

	Nonmajor Special		
	Recycle	Side Walk Improvement	Tree Preservation
Revenue:			
Permits and fees.....	\$ -	-	-
Miscellaneous.....	<u>10,031</u>	-	-
Total revenue.....	<u>10,031</u>	-	-
Expenditures:			
Current:			
Physical Environment.....	-	-	4,225
Capital Outlay:			
Transportation.....	-	-	-
Total expenditures.....	-	-	<u>4,225</u>
Excess of revenue over (under) expenditures.....	10,031	-	(4,225)
Fund balances, beginning of year.....	<u>59,682</u>	<u>5,429</u>	<u>91,482</u>
Fund balances, end of year.....	<u>\$ 69,713</u>	<u>5,429</u>	<u>87,257</u>

**Exhibit A-2**

Revenue Funds

Franchise Fees	Park Benefit Impact Fee Trust Fund	Public Buildings Benefit Impact Fee Trust Fund	Total Nonmajor Governmental Funds
825,851	4,469	7,622	837,942
<u>-</u>	<u>-</u>	<u>-</u>	<u>10,031</u>
<u>825,851</u>	<u>4,469</u>	<u>7,622</u>	<u>847,973</u>
-	-	-	4,225
<u>240,893</u>	<u>-</u>	<u>-</u>	<u>240,893</u>
<u>240,893</u>	<u>-</u>	<u>-</u>	<u>245,118</u>
584,958	4,469	7,622	602,855
<u>760,935</u>	<u>11,700</u>	<u>14,351</u>	<u>943,579</u>
<u><u>1,345,893</u></u>	<u><u>16,169</u></u>	<u><u>21,973</u></u>	<u><u>1,546,434</u></u>

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR RECYCLE (SPECIAL REVENUE) FUND**  
For the Fiscal Year Ended September 30, 2009  
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.....	\$ 26,000	26,000	10,031	(15,969)
Investment earnings.....	<u>800</u>	<u>800</u>	<u>-</u>	<u>(800)</u>
Total revenue.....	<u>26,800</u>	<u>26,800</u>	<u>10,031</u>	<u>(16,769)</u>
Total expenditures.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over (under) expenditures.....	26,800	26,800	10,031	(16,769)
Other Financing Sources (Uses):				
Appropriated fund balance.....	<u>(26,800)</u>	<u>(26,800)</u>	<u>-</u>	<u>26,800</u>
Net change in fund balance.....	-	-	10,031	10,031
Fund balance, beginning of year.....	<u>59,682</u>	<u>59,682</u>	<u>59,682</u>	<u>-</u>
Fund balance, end of year.....	<u>\$ 59,682</u>	<u>59,682</u>	<u>69,713</u>	<u>10,031</u>

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR SIDE WALK IMPROVEMENT (SPECIAL REVENUE) FUND**  
For the Fiscal Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

**Exhibit B-2**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Miscellaneous Revenue:				
Investment earnings.....	\$ -	-	-	-
Total revenue.....	-	-	-	-
Total expenditures.....	-	-	-	-
Excess of revenue over (under) expenditures.....	-	-	-	-
Fund balance, beginning of year.....	5,429	5,429	5,429	-
Fund balance, end of year.....	<u>\$ 5,429</u>	<u>5,429</u>	<u>5,429</u>	-

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR TREE PRESERVATION (SPECIAL REVENUE) FUND**  
For the Fiscal Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

**Exhibit B-3**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Miscellaneous Revenue:				
Investment earnings.....	\$ -	-	-	-
Total revenue.....	-	-	-	-
Expenditures:				
Physical Environment:				
Conservation & Resource Management:				
Operating expenditures.....	-	-	4,225	(4,225)
Total expenditures.....	-	-	4,225	(4,225)
Excess of revenue over (under) expenditures.....	-	-	(4,225)	(4,225)
Fund balance, beginning of year.....	<u>91,482</u>	<u>91,482</u>	<u>91,482</u>	-
Fund balance, end of year.....	<u>\$ 91,482</u>	<u>91,482</u>	<u>87,257</u>	<u>(4,225)</u>

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR FRANCHISE FEES (SPECIAL REVENUE) FUND**  
For the Fiscal Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

**Exhibit B-4**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Permits and fees:				
Franchise fees.....	\$ 670,000	670,000	825,851	155,851
Total revenue.....	670,000	670,000	825,851	155,851
Expenditures:				
Transportation:				
Road and Street Facilities:				
Capital outlay.....	610,000	610,000	240,893	369,107
Total expenditures.....	610,000	610,000	240,893	369,107
Excess of revenue over (under) expenditures.....	60,000	60,000	584,958	524,958
Other Financing Sources (Uses):				
Appropriated fund balance.....	(60,000)	(60,000)	-	60,000
Net change in fund balance.....	-	-	584,958	584,958
Fund balance, beginning of year.....	760,935	760,935	760,935	-
Fund balance, end of year.....	\$ 760,935	760,935	1,345,893	584,958

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR PARK BENEFIT IMPACT FEE TRUST (SPECIAL REVENUE) FUND**  
For the Fiscal Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

**Exhibit B-5**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Permits and fees:				
Impact fees.....	\$ -	-	4,469	4,469
Total revenue.....	-	-	4,469	4,469
Total expenditures.....	-	-	-	-
Excess of revenue over (under) expenditures.....	-	-	4,469	4,469
Fund balance, beginning of year.....	11,700	11,700	11,700	-
Fund balance, end of year.....	<u>\$ 11,700</u>	<u>11,700</u>	<u>16,169</u>	<u>4,469</u>

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR PUBLIC BUILDINGS BENEFIT IMPACT FEE**  
**TRUST (SPECIAL REVENUE) FUND**  
For the Fiscal Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

**Exhibit B-6**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Permits and fees:				
Impact fees.....	\$ -	-	7,622	7,622
Total revenue.....	-	-	7,622	7,622
Total expenditures.....	-	-	-	-
Excess of revenue over (under) expenditures.....	-	-	7,622	7,622
Fund balance, beginning of year.....	14,351	14,351	14,351	-
Fund balance, end of year.....	<u>\$ 14,351</u>	<u>14,351</u>	<u>21,973</u>	<u>7,622</u>

**BUDGETARY COMPARISON SCHEDULE**  
**FLOOD IMPROVEMENT CAPITAL PROJECT FUND**  
For the Fiscal Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

**Exhibit C-1**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Intergovernmental Revenue:				
Federal grants.....	\$ -	-	11,000	11,000
Total revenue.....	-	-	11,000	11,000
Expenditures:				
Physical Environment:				
Flood Control/Stormwater Management:				
Capital outlay.....	-	-	818,747	(818,747)
Total expenditures.....	-	-	818,747	(818,747)
Excess of revenue over (under) expenditures.....	-	-	(807,747)	(807,747)
Fund balance, beginning of year.....	(713,666)	(713,666)	(713,666)	-
Fund balance, end of year.....	<u>\$ (713,666)</u>	<u>(713,666)</u>	<u>(1,521,413)</u>	<u>(807,747)</u>

**BUDGETARY COMPARISON SCHEDULE**  
**STORMWATER IMPROVEMENTS CAPITAL PROJECTS FUND**  
For the Fiscal Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

**Exhibit C-2**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Miscellaneous Revenue:				
Investment earnings.....	\$ -	-	19	19
Total revenue.....	-	-	19	19
Expenditures:				
Physical Environment:				
Flood Control/Stormwater Management:				
Capital outlay.....	-	-	1,699,243	(1,699,243)
Debt Service:				
Interest and fiscal charges:				
Physical environment.....	-	-	30,000	(30,000)
Total expenditures.....	-	-	1,729,243	(1,729,243)
Excess of revenue over (under) expenditures.....	-	-	(1,729,224)	(1,729,224)
Other Financing Sources (Uses):				
Proceeds of long-term debt.....	-	-	5,000,000	5,000,000
Appropriated fund balance.....	-	-	-	-
Total other financing sources (uses).	-	-	5,000,000	5,000,000
Net change in fund balance.....	-	-	3,270,776	3,270,776
Fund balance, beginning of year.....	1,164,627	1,164,627	1,164,627	-
Fund balance, end of year.....	1,164,627	1,164,627	4,435,403	3,270,776

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***SUPPLEMENTAL AUDIT REPORTS***

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Fiscal Year Ended September 30, 2009

CITY OF DEBARY, FLORIDA

Federal Agency/ Pass-through Entity/ Federal Program	CFDA/ No.	Agency or Pass-through Grant No.	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Emergency Watershed Protection Program:			
DeBary Villas & Glenn Abbey Club.....	10.923	69-4209-9-1700	<u>\$ 164,237</u>
U.S. Department of Housing and Urban Development:			
Indirect Program:			
Passed through County of Volusia:			
Community Development Block Grant/Entitlement:			
2007/2008 Entitlement.....	14.218	n/a	<u>55,477</u>
U.S. Department of Homeland Security:			
Indirect Programs:			
Passed through Florida Department of Community Affairs,			
Division of Emergency Management:			
Flood Mitigation Assistance:			
121 Pine Valley Court.....	97.029	09FM-46-06-74-02-377	* 120,029
Nine Home Buyout.....	97.029	09FM-46-06-74-02-449	* 1,191,213
Disaster Grants - Public Assistance:			
Tropical Storm Fay.....	97.036	08-PA-B9-06-74-13-599	* 787,519
May 2009 Flooding.....	97.036	09-MW-00-06-74-13-518	* 14,363
Hazard Mitigation Grant:			
West Side Project - Phase I.....	97.039	07HM-4@-06-74-02-021	* 11,000
West Side Project - Phase II.....	97.039	10HM-12-06-74-02-008	* 456,558
Lake Side Project.....	97.039	10HM-88-06-74-02-001	* 22,230
Homeland Security Grant Program:			
CERT Program.....	97.067	09-CI-49-06-74-02-234	<u>7,843</u>
Total U.S. Department of Homeland Security.....			<u>2,610,755</u>
Total Expenditures of Federal Awards.....			<u>\$ 2,830,469</u>

\* Designates a major program

## **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended September 30, 2009

CITY OF DEBARY, FLORIDA

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### **1. BASIS OF PRESENTATION**

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

### **2. LOANS OUTSTANDING**

The City of DeBary, Florida had no loan balances outstanding at September 30, 2009 from federal funding sources.

### **3. SUBRECIPIENTS**

The City of DeBary, Florida, provided no federal awards to subrecipients for the fiscal year ended September 30, 2009.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
**FEDERAL PROGRAMS**  
 Year Ended September 30, 2009  
 CITY OF DEBARY, FLORIDA**

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**A. Summary of Auditors' Results**

1. The auditors' report expresses an unqualified opinion on the City of DeBary, Florida's basic financial statements.
2. Five significant deficiencies in internal control were disclosed during the audit of the financial statements and reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, two of which are considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the City of DeBary, Florida, were disclosed during the audit. One other matter of noncompliance was disclosed.
4. One significant deficiency in internal control over a major federal program was reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133, which was not considered to be a material weakness.
5. The auditors' report on compliance with requirements applicable to the major federal programs for the City of DeBary, Florida, expresses an unqualified opinion.
6. Audit findings required to be reported relative to the major federal programs for the City of DeBary, Florida are reported in Part C of this schedule.
7. The programs/projects tested as major programs/projects included the following:

<b>Federal Programs:</b>	<b>Federal CFDA No.</b>
U.S. Department of Homeland Security:	
Flood Mitigation Assistance	97.029
Disaster Grants - Public Assistance	97.036
Hazard Mitigation Grant	97.039

8. The threshold for distinguishing Type A and Type B programs was \$300,000 for major federal programs.
9. The City of DeBary, Florida was determined to not be a low-risk auditee pursuant to OMB Circular A-133.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL PROGRAMS (Continued)**  
Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

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**B. Findings - Financial Statements**

**Finding  
Number    Finding**

08-FS-01    Management’s Assessment of Internal Control – Significant Deficiency

Criteria: Chapter 5, Section 5.10, *Government Auditing Standards*

Condition and Context: While the Sarbanes-Oxley Act of 2002 (Public Law 107-204) does not apply to local governments, it has had a substantial impact on the promulgation of universal auditing standards that rely upon the development of entity-wide and activity-level self-assessments of the effectiveness of internal controls over financial reporting. In July, 2007, the United States Government Accountability Office revised its *Government Auditing Standards* to reinforce the principles of transparency and accountability for high-quality government audits by adopting provisions similar to those promulgated by the American Institute of Certified Public Accountants for entities other than those required with a reporting obligation under the Securities and Exchange Act of 1934, specifically “government entities.”

To successfully meet these new standards, government entities must incorporate these revised “best practices” which have placed significant emphasis on documenting entity-level and activity-level internal controls over financial reporting and the importance of appropriately designed and documented risk assessment and anti-fraud assessment processes. During the conduct of the audit, we continued to note that the City has not fully implemented procedures essential to document management’s assessment of the effectiveness of the City’s internal controls over financial reporting.

Effect: Internal control is a process effected by those charged with governance, management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The lack of performing timely self-assessments significantly reduces the effectiveness of internal controls over financial reporting.

Internal control over financial reporting to third parties is generally considered to consist of five interrelated elements:

1. Control environment. The tone of an organization, which influences the control consciousness of its employees. This environment is what provides a foundation of discipline and structure to other elements of internal control.
2. Risk assessment. This is the entity’s identification of risks that may affect the integrity of the financial reporting system. This forms the basis for controls that reduce the risk of financial reporting errors.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL PROGRAMS (Continued)**  
Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

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3. Control activities. These are practices, policies, and procedures that reduce the possibility of errors entering in the financial reporting system (preventive controls), or that detect errors that are made (detective controls).
4. Information and communication. These are processes aimed at identifying, capturing, and exchanging information, to ensure the availability of complete and reliable information.
5. Monitoring. This is the process of testing the quality of internal control over time. This may include an internal audit function, or testing by outside auditors.

Cause: In the normal course of the audit process, the auditor is only required to obtain an understanding of internal control sufficient to plan the audit. This, however, does not imply that the auditor must perform any type of test or other verification of the effectiveness of the internal control system. In the absence of such external verification, no procedures are in place to require these ongoing review procedures.

Recommendation: We continue to recommend that management should document its assessment of risk areas and report on the effectiveness of the system of internal controls periodically. The report should reaffirm management’s responsibility for establishing and maintaining an adequate system of internal control and financial reporting. To accomplish this objective, the overall effectiveness of the system should be assessed. Strong and effective internal controls are the responsibility of management, and we believe that this practice, conducted on an annual basis, will be of significant benefit in enhancing internal controls and preventing fraud and abuse.

Auditee Response: *Over the past year, the City has been actively researching and developing a formal Policy and Procedures Manual which will include a risk assessment component. The City will also develop a Controlled Risk form. Since this was a relatively new Standard, it has been difficult to find a model from other agencies.*

08-FS-02 Reporting Mechanisms for Fraud and Abuse – Significant Deficiency

Criteria: Chapter 5, Section 5.04, *Government Auditing Standards*

Condition and Context: During our audit, we continued to note that the City’s entity-level controls for information and communication do not include any type of mechanism or procedure for employees to report suspected fraud or abuse. In the Association of Certified Fraud Examiners’ “2004 Report to the Nation on Occupational Fraud and Abuse” the most frequently cited method of fraud detection was tips, which accounted for approximately 40% of all cases studied and approximately 60% of the tips were from employees. Hotline services have been found to perform better than managers’ open-door policies or surveys because they allow for anonymity for individuals reporting possible improprieties and serve as a “fail-safe” mechanism in case normal channels are inoperative or ineffective. Some local governments contract-out these services to remove compliance requirements that may otherwise be imposed under the Florida “Sunshine Law.”

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL PROGRAMS (Continued)**  
Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

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Effect: This condition should be considered to reduce the risks of undetected fraud and abuse related to federal and non-federal programs.

Cause: The City does not have a formal system in place to provide a secure and confidential means that facilitates the reporting of suspected fraud and abuse.

Recommendation: We continue to recommend that the City give consideration to implementing a formal reporting mechanism that will significantly enhance the City's system for preventing and detecting fraud.

*Auditee Response: As a result of our active research of this Standard, we have found that other municipalities outsource this service at a cost of up to \$2,000 for the first year and an annual maintenance of \$1,500 each year thereafter. This item has been scheduled to be presented to the City Council for consideration.*

08-FS-03 Inventory of Tangible Personal Property – Material Weakness

Criteria: Throughout the year, the City should establish and enforce policies and procedures to ensure that its significant investment in personal property and equipment is safeguarded against loss from unauthorized use, misappropriation or theft.

Condition and Context: 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.

Cause: During the audit, we noted that the City failed to sufficiently review the status of its property and equipment inventories for the year under audit. However, subsequent to year-end, we found that the City had begun the process of performing an annual inventory and reconciliation of tangible personal property.

Effect: Our review of your formal fixed asset records 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.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL PROGRAMS (Continued)**  
Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

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Recommendation: 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.

We also recommend 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. Furthermore, 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 has implemented a procedure to inventory at the department level of tangible personal property for Fiscal Year 2009/10.*

08-FS-04 Understaffed Finance Department/Segregation of Duties – Material Weakness

Criteria: The City should consider establishing formal policies and procedures that govern the delegation and segregation of sensitive and overlapping accounting procedures to ensure that its assets are safeguarded against loss from unauthorized use, misappropriation or theft.

Condition: The City currently has one person who is responsible for virtually all of the City's accounting functions who manages these operations with little or no administrative oversight. We have continued to note that the City is experiencing significant delays in its accounting and reporting processes. These continued delays have caused substantial delays in the audit process. We have also noted that many of the accounting manager's overlapping administrative duties often take precedence over his accounting duties. This condition contributes to substantial delays in processing accounting information, including cash receipts

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL PROGRAMS (Continued)**  
Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

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and cash disbursements processing. This, we believe, is a situation that creates both inefficiency and undermines any ability to establish an adequate control environment.

Cause: We have observed this condition is mainly due to a substantially understaffed finance department and a lack of essential administrative oversight.

Effect: As a direct result of these conditions, the City has also experienced delays in the performance of essential year-end closing procedures that are essential to both the City's financial reporting requirements and the related independent audit process. This year, we also noted that the City was not adequately prepared for the annual audit of the financial statements causing a substantial delay in our audit process. This included the development of adequate supporting schedules for balances in the general ledger and other grant activities. 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 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 continue to recommend reducing the non-financial 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: *At the end of last fiscal year, staff analyzed time spent on the various responsibilities of those performing accounting functions to ensure efficiency of operations. The results enabled us to segregate duties of the existing staff at that time. The Fiscal Year 2010-2011 budget includes the addition of a full-time accounting clerk, eliminating the part-time office assistant position. Staff will include formal year-end procedures in the Policy and Procedures Manual it has been developing.*

08-FS-05 Period-End Cut-off and Financial Reporting Processes – Significant Deficiency

Criteria: The City should develop formal policies and procedures that require the processing of accounting information in a manner that facilitates the ability to ensure that effective period end cutoffs are employed to ensure that accounting transactions are recognized in the proper accounting periods and to reduce the likelihood of a material misstatement of its financial statements.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL PROGRAMS (Continued)**  
Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

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Condition and Context: In our examination of the City's routine annual accounting period cutoff procedures, we noted that there was a certain lack of review and reconciliation in many areas of the accounting function, especially in the year-end closing process and grant activities. Therefore, amounts related to grant activities had not been properly reported as revenues and receivables at year-end. Similarly, amounts due from the physical collection of the grant reimbursements had not been received within the requisite time-frame (sixty days) that is defined by the City's accounting policy under the modified accrual basis of accounting to be recognized as revenue by year-end. Accordingly, audit adjustments were proposed to appropriately reclassify the uncollected revenues as deferred revenues and to record receivables at year-end.

Effect: In the absence of implementing a periodic cutoff of accounting transactions, the City was unable to readily reconcile the revenues related to federal programs with the general ledger. As a result, the City encountered significant difficulty in identifying the proper revenues and receivables at year-end, as well as being able to identify the period in which grant related expenditures had been recognized, which is essential in determining the proper amounts to be recorded on the Schedule of Expenditures of Federal Awards. This lack of oversight also provides the opportunity for material errors to exist and unauthorized duplication of charges among different programs without detection.

Cause: During the year, the City engaged an independent contractor to assist in the compiling of the City's disaster recovery related expenses incurred from Tropical Storm Fay. Storm related charges were incurred by the City for several months starting immediately prior to the beginning the fiscal year and extending several months into the fiscal year under audit. In the process of compiling charges for the development of FEMA Project Worksheets, no steps were taken by the independent contractor or the City to reconcile the charges on the worksheets with the City's general ledger accounts in the respective accounting periods. Similarly, the City participated in several other grants during the year, in which no summary schedules had been prepared in an effort to reconcile grant revenues and receivables with actual grant activity.

Recommendation: Proper cutoffs are critical for the accuracy of accrual basis reporting; especially, at the end of the fiscal reporting year. We recommend that the City consider developing supplemental annual cut-off procedures that provide sufficient assurance that management has reviewed transaction completeness and accuracy, including a summary of the timing of revenues which are sensitive to mandatory income recognition requirements.

Auditee Response: *Noted. Proper cut-off procedures will be implemented by timely month-end and fiscal year-end procedures to insure that transactions have been reviewed for accuracy and completeness. These will be formally incorporated into the Policy and Procedures Manual.*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
 FEDERAL PROGRAMS (Continued)**  
 Year Ended September 30, 2009  
 CITY OF DEBARY, FLORIDA

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**C. Findings and Questioned Costs - Major Federal Programs**

**Finding/  
 Program Findings/Noncompliance**

09-SA-01	Federal Grantor:	U.S. Department of Homeland Security
	Pass-Through Entity:	Florida Division of Emergency Management
Public Assistance CFDA# 97.036	Compliance Requirement:	Allowable Costs/Cost Principles and Administrative Requirements of OMB Circular A-133
	Award #:	FEMA-1785-DR

Criteria: Under the grant agreement, the Florida Division of Emergency Management (the “Division”) administers Public Assistance funds remitted to sub-grantees for costs incurred as the result of a Presidential declaration of a major disaster or an emergency. Awards are based on a Project Worksheet (PW) prepared by a project formulation team which normally includes a representative of FEMA, the State, and the City. The PW documents the formulation team’s determination of the eligible scope of work and cost estimate. More than one PW may be formulated for various small and large projects as designated by the Division.

Condition and Context: Due to prior year testing and findings, we limited our examination to thirteen of the sixteen active PW’s as found on the Divisions website at [www.floridapa.org](http://www.floridapa.org). We examined and tested the underlying costs and support as submitted to the Division for reimbursement under the program. We found that four of the PW’s (#1667 – Debc17, #1677 – Debc09, #1753 – Debc10, and #1859 – Debc20) were based entirely on estimates as developed by FEMA representatives which totaled \$60,794.97. These PW’s were processed for payment during the year and the City has already received funds equal to applicable percentages of these requests (\$45,596.23). One of the PW’s (#1942 – Debc12), developed within a couple of months after the disaster, related to actual pumping supplies in which the City incurred costs for several months after the actual disaster event. This PW included invoices for the purchase of fuel related to pumping which totaled \$202,665.36, and in turn was not allowed by FEMA representatives due to not having adequate support; however, we found that the City was in possession of all support required to evidence actual fuel costs and amounts. We found that the City had not attempted to reconcile the differences as discussed in the prior year as it related to PW #1990 – Debc01, and thus, made it extremely difficult in determining what additional invoices to include in the current year. Finally, we found that one of the PW’s (#2076 – Debc03) included duplicate expenditures which had already been included on other PW’s (per FEMA representation); however, we were unable to verify this due to the City’s lack of reconciliation of actual expenditures to individual PW’s. While appropriate supporting documentation was provided by the City to substantiate all other project costs, we noted that the actual amounts included in a few of the PW’s had been modified by the Division prior to processing and forwarding reimbursements to the City. In addition to the amounts filed under active PW’s, we were made aware of additional invoices in which the City had not provided to FEMA representatives, and had not been requested for reimbursement on any existing PW. These invoices total approximately \$1.2 million.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL PROGRAMS (Continued)**  
Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

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Questioned Costs: Undetermined.

Effect: Actual vendor invoices and related supporting documentation are vital documents that are essential to identify the scope of work performed and to substantiate the expenses incurred for the program that are subject to reimbursement. When the actual costs submitted by the City are not represented on the PW, even when the invoices exist and are directly linked to the PW on the Division's website, it is not possible to determine the means, method or rationale used by the Division to allow an alternative amount that is not substantiated with appropriate vendor documentation. This potentially could result in the improper determination of amounts ultimately remitted to the City by the Division in the form of cost reimbursements, all or a portion of which may be required to be repaid by the City to the Division at the conclusion of the close out audit.

Cause: It appears that the Division has developed PW's based on preliminary cost estimates instead of the actual costs incurred by the City in responding to the emergency. Based on our review of the actual invoices submitted and the amounts accepted by the Division, approximately \$45,596 of the reimbursements do not have any support at all and appear to be owed to FEMA; \$202,665 of actual charges were not allowed by FEMA for reimbursement, and have yet to be included in a revised PW; approximately \$205,000 have been duplicated across PW's (per FEMA documentation) which we were unable to determine due to not having a completed reconciliation. Additionally, the City has failed to perform a detailed reconciliation of Tropical Storm Fay expenditures to the amounts filed under active PW's, as well as failed to file revised PW's which include all possible reimbursable expenditures.

Recommendation: We recommend that the City should perform a comprehensive review of all PW's to establish which cost items are not in agreement with the actual costs incurred and immediately report its findings to the Division so that the amounts can be revised on the Division's website and to ensure that the City requests all possible expenditures for reimbursements.

*Auditee Response: Because of the overlapping of expenditures from one fiscal year into a subsequent fiscal year, the City is implementing a procedure to track disaster events by general ledger account number; a project number would be assigned relative to the project worksheet number. Staff has begun the reconciliation of PW-1990 noting any discrepancies between the general ledger and the project worksheet submitted to FEMA. This procedure will continue into the Fiscal Year 2010-2011.*

Other: See items #08-FS-04 and #08-FS-05 in Section B above.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL PROGRAMS (Continued)**  
Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

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**C. Compliance and Other Matters**

**Finding  
Number    Finding**

09-CO-01    Audit Filing Requirements

During each of the past four years, the City has continued to experience significant difficulties and delays in preparing for its annual audit. As a direct result of the delay, this year the City did not comply with the long-term debt covenants contained in provisions of Section 4.05 of the Loan Agreement underlying the issuance of the \$5,000,000 City of DeBary, Florida, Stormwater Utility Assessment Revenue Note, Series 2006; Section 4.05 of the Loan Agreement underlying the issuance of the \$2,530,000 City of DeBary, Florida, Capital Improvement Revenue Note, Series 2007; and Section 4.05 of the Loan Agreement underlying the issuance of the \$5,000,000 City of DeBary, Florida, Stormwater Utility Assessment Revenue Note, Series 2009. These provisions require the City to complete and submit a copy of its audited financial statements to the lenders within 270 days of the end of the preceding fiscal year for the first two notes in question, and within 180 days of the end of the preceding fiscal year for the third note in question.

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: *As previously noted in the response to 08-FS-04, the City has already begun the process of segregating assigned duties, which the Finance Administrator was performing outside the purview of the Finance Administrator position, to other City personnel and anticipates the creation of a new full-time accounting clerk position within the next fiscal year's budget.*

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND  
CORRECTIVE ACTION PLAN**  
Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

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**A. Prior Year Findings - Financial Statements**

**Finding  
Number**

**Finding**

08-FS-01 Management's Assessment of Internal Control – Significant Deficiency

Current Status: We noted that the City has not taken steps to resolve this finding.

08-FS-02 Reporting Mechanisms for Fraud and Abuse – Significant Deficiency

Current Status: We noted that the City has not taken steps to resolve this finding.

08-FS-03 Inventory of Tangible Personal Property – Material Weakness

Current Status: We noted that the City began performing a physical inventory during fiscal year 2010, but has not yet completed the process.

08-FS-04 Understaffed Finance Department/Segregation of Duties – Material Weakness

Current Status: We noted that the City hired a part-time employee to assist with accounting functions during fiscal year 2010, and plans on this position becoming full-time as of the beginning of fiscal year 2011 in an effort to further segregate duties and reduce non-financial administrative responsibilities for the accounting staff.

08-FS-05 Period-End Cut-off and Financial Reporting Processes – Significant Deficiency

Current Status: We noted that the City began drafting a manual during fiscal year 2010 to ensure cut-off procedures and financial reporting processes are adhered to throughout the year.

**B. Prior Year Findings and Questioned Costs - Major Federal Programs**

**Finding/**

**Program Findings/Noncompliance**

08-SA-01 Federal Grantor: U.S. Department of Homeland Security  
Pass-Through Entity: Florida Division of Emergency Management

Public

Assistance Compliance Requirement: Allowable Costs/Cost Principles and Administrative  
CFDA# Requirements of OMB Circular A-133

97.036 Award #: FEMA-1785-DR

Condition and Context: We examined seventy-five individual charges included in various program PW's submitted to the Division for reimbursement under the program which were available for review on the Divisions website at [www.floridapa.org](http://www.floridapa.org). On one PW (#1990 –

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND  
CORRECTIVE ACTION PLAN (Continued)**

Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

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Debc01r in the amount of \$1,775,877.93) which was developed several months after the dates of incurred charges, we noted fifty-eight individual incidents where the charges included on the PW were not in agreement with the vendor invoices submitted. Twenty-one of the individual charges examined were approved for reimbursement at amounts that were below the actual costs incurred and supported with appropriate vendor documentation. Thirty-seven of the individual charges examined were approved for reimbursement at amounts that were above the actual costs incurred and supported with documentation. While appropriate supporting documentation was provided by the City to substantiate all project costs, we noted that the actual amounts included in the PW had been modified by the Division prior to processing and forwarding a reimbursement to the City in September 2009.

Recommendation: We recommend that the City should perform a comprehensive review of PW-1990 to ascertain which individual cost items are not in agreement with the actual costs incurred and immediately report its findings to the Division so that the amounts can be revised on the Division's website prior to the processing of a payment for reimbursement.

Current Status: The City has not performed a review of PW-1990 and therefore is unable to document which costs items are not in agreement with the amounts reported by the Division. Therefore, the City is unable to determine if and when a revision will be prepared, and if any additional reimbursements will be granted.

08-SA-02	Federal Grantor:	U.S. Department of Homeland Security
	Pass-Through Entity:	Florida Division of Emergency Management
Hazard Mitigation CFDA# 97.039	Compliance Requirement:	Allowable Costs/Cost Principles
	Award#	FEMA-1545-79-R

Condition and Context: During our review of the City's administrative monitoring procedures and controls, we noted that the City was not adequately monitoring all phases of its Department of Homeland Security Hazard Mitigation program grants which provide for recovery of administrative costs not to exceed \$11,000. As a result, the City did not request reimbursement for these costs (incurred in 2008) during the current fiscal year.

Recommendation: We recommend that the City should consider centralizing the management of its grant programs to provide some additional assurance the all administrative requirements are monitored by a responsible City official.

Current Status: The amount in question (\$11,000) was subsequently received by the City; however, the City has not taken any measures to improve the monitoring and reporting requirements for grant activities to ensure that such reimbursements are requested in a timely manner.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND  
CORRECTIVE ACTION PLAN (Continued)**

Year Ended September 30, 2009  
CITY OF DEBARY, FLORIDA

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**C. Compliance and Other Matters**

**Finding  
Number    Finding**

08-CO-01    Audit Filing Requirements

Current Status: The City filed the appropriate reports when the audited financial statements had been delivered, but has not taken steps to improve upon this matter.

**D. Corrective Action Plan**

All audit findings for the year ended September 30, 2009 relative to federal programs that require corrective action on the part of the auditee are presented in the preceding Schedule of Findings and Questioned Costs. At the end of each finding, the views of responsible auditee officials and their related corrective actions are summarized in the "Auditee Response" section of the Schedule of Findings and Questioned Costs.

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

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

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

## Compliance

We have audited the compliance of City of DeBary, Florida, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. City of DeBary, Florida's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of DeBary, Florida's management. Our responsibility is to express an opinion on City of DeBary, Florida's compliance based on our audit.

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

In our opinion, City of DeBary, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item #09-SA-01.

The Honorable Mayor, and  
Members of the City Council  
City of DeBary, Florida  
Page 2 of 3

### Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #08-FS-04 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #08-FS-05 to be a significant deficiency.

City of DeBary, Florida's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of DeBary, Florida's responses and, accordingly, we express no opinion on the responses.

### Schedule of Expenditures of Federal Awards

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, 2009, and have issued our report thereon dated September 8, 2010, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the

The Honorable Mayor, and  
Members of the City Council  
City of DeBary, Florida  
Page 3 of 3

purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

September 8, 2010

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**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, 2009, which collectively comprise the City of DeBary, Florida's basic financial statements and have issued our report thereon dated September 8, 2010. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs as items #08-FS-03 and #08-FS-04 to be material weaknesses.

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

*A significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items #08-FS-01, #08-FS-02, and #08-FS-05 to be significant deficiencies.

#### 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 an 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 questioned costs as item #09-CO-01.

We noted certain matters that we reported to management of City of DeBary, Florida, in a separate letter dated September 8, 2010.

City of DeBary, Florida's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of DeBary, Florida's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

September 8, 2010

# 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 the City of DeBary, Florida, as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated September 8, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 8, 2010, should be considered in conjunction with this management letter.

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

- 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 findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address 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. 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 or 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, our findings and recommendations are noted in the accompanying pages under the heading *Current Year Matters*.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, our recommendations are noted in the accompanying pages under the heading *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, 2009, 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, 2009. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of DeBary, Florida'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.

The Honorable Mayor, and  
Members of the City Council  
City of DeBary, Florida  
Page 3 of 3

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of 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 8, 2010

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**PRIOR YEAR MATTERS**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we address in the management letter, if not already addressed in the auditors' report on compliance and internal control, whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. All prior year matters have been appropriately resolved, except for the following:

**08-ML-01      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.

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*Auditee Response: The City is researching the possibility of utilizing an outside source for monitoring fraud, as stated in item 08-FS-02 in Section B, above.*

**08-ML-02      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.

*Auditee Response: The City has been in the process of developing a comprehensive Policy and Procedures Manual. It is anticipated that this will be complete during Fiscal Year 2010/2011.*

**08-ML-03      City Council Communication Expenses**

During the prior year, we noted that the City pays for communications services provided to some Council members at their personal residences. These services include telephone, fax, and internet access fees. In the process of reviewing these charges, we noted that no formal policy and/or agreement exists which authorizes these payments. Rather, these charges are itemized, authorized and included within the City's adopted budget. We also noted that no provisions have been made to include the value of these services in the annual remuneration of the Council members (on Forms W-2 or 1099).

In recent years, the Internal Revenue Service has performed detailed audits of municipal operations to identify the existence of unreported payments for reimbursed personal expenses. Under present tax regulations, these payments may be considered taxable income to the beneficiaries and could be subject to income taxes and withholding due to the lack of a formal reimbursement policy. Although immaterial in total, the City could become liable for any related taxes payable due to a lack of withholding and paying income taxes for these expenses. For such expenses to be deductible, they must be considered to be "ordinary and necessary" business expenses.

Recommendation: We continue to recommend that the City adopt a formal policy that clearly distinguishes these type of expenses as either business related reimbursements or part of income for Council members and have the appropriate tax withheld, as well as having Council members sign documents stating that they have elected to have such expenses paid by the City or either forego any such benefit.

*Auditee Response: Staff will research policies of other agencies and provide the information to Council for adoption of a formal policy that clarifies communication service. This will apply to the Council and to the staff.*

**08-ML-04      Finance Department**

During the audit we continued to note that the City does not recognize and budget for a separate Finance Department. Instead, the City elects to budget all finance related employees and related expenses, as well as finance operating expenditures, in the Executive department which includes the City Manager, Assistant City Manager, Office Assistants, and other general government activity related expenditures. The “Uniform Accounting System Manual” issued by the State of Florida Department of Financial Services, Bureau of Local Government, requires the separation of the Financial and Administrative activity function from the Executive activity function in order to allow for comparison of individual activities across municipalities.

Per the manual, the Executive activity is defined as the cost of providing executive management and administration; this includes: coordination, guidance and support for the development of effective programs; and the planning, evaluation, analysis, control and overall supervision of such programs; specific personnel include the City Manager. The Financial and Administrative activity is defined as the cost of providing financial and administrative services; this includes budgeting, accounting, auditing (internal and external), purchasing, grants development, etc.; specific personnel include the Finance Department.

Recommendation: We continue to recommend that the City create a Finance Department in order to budget and capture all finance related expenditures separately from the Executive activity; to comply with the Department of Financial Services and allow the City to better analyze and track all finance related activity.

Auditee Response: *During the Fiscal Year 2009-2010, the City had created a Finance Department with its own budget and it no longer is included in the City Manager’s Department.*

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**CURRENT YEAR MATTERS**

Section 10.554(1)(i), Rules of the Auditor General, requires that we address in the management letter, if not already addressed in the auditors' report on compliance and internal control: (1) any recommendations to improve financial management; (2) violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statements that is less than material but more than inconsequential; and (3) based on professional judgment, matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (a) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (b) control deficiencies that are not significant deficiencies. The following is a summary of our current year findings and recommendations:

**09-ML-05      Accounts Receivable**

The City is currently experiencing difficulty in its current processes for recording the costs, customer billings, receipts and payments associated with the review, inspection and regulation of commercial and residential development within the City pursuant to Ordinance No. 02-06. Since the City has outsourced the performance of these engineering and inspection activities, its involvement has been limited to serving as the conduit between the service provider and the applicant (property owner) as a middleman. In effect, the City relies substantially upon information received from third parties to continue in its role as liaison between the two parties. Due to not receiving all information in a timely manner, the City has often become involuntarily involved in disputes with the service providers and customers. In some instances, the City has encountered difficulties in collecting the fees from the property owners on behalf of the provider. When this has occurred, the City has withheld payment to the provider pending receipt of the funds from the property owners. As in the prior year, we continued to note that the accounting for these unpaid transactions has continued to become more complex as time progresses, as well as the City being unable to reconcile this billing sub-ledger to the general ledger.

Recommendation: We continue to recommend that the City consider revising its formal accounting procedures associated with the providing for these development services in order to avoid disputes and possible expenditures due to lack of information from service providers, as well as performing a detailed reconciliation by customer to ensure that all receivables have been properly accounted for and recognized accordingly.

Auditee Response: *The City has implemented some internal revisions of policy relating to the pass-thru ordinance to ensure that the deposits remain on hand. The hiring of the full-time, in-house Planner in FY 09/10 has greatly improved the monitoring and coordination of activities from outside service providers. In addition, we anticipate the new software system will be able to provide an additional layer of oversight. The system will be implemented during the Fiscal Year 2010-2011.*

**09-ML-06      Interfund Balances**

As in the prior year, we continued to note that throughout the fiscal year the City collects significant funds and makes significant acquisitions and payments for other operating funds financial transactions through the General Fund. To appropriately allocate these revenues and expenditures among the affected funds, the City recognizes temporary interfund borrowings and advances from one fund to finance the

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activities in another fund. The City's continued and extensive use of interfund debt obligations makes transactions complicated and extremely difficult to analyze and track through your accounting records.

Recommendation: We continue to recommend that all fund revenues collected by the City be appropriately recognized as equity in pooled cash in the receiving fund rather than recognized as collected in, and due from the General Fund. The utilization of pooled cash would promptly provide for the fair representation of cash in all affected funds and would eliminate the necessity of maintaining and recording interfund receivables or payables. We also recommend that the City limit the use of interfund advances to finance the ongoing activities of capital projects. Instead, we suggest that you should consider approving one time budget transfers to cover the costs of ongoing construction activities and to eliminate any deficit fund balances.

Auditee Response: *The City will recognize all fund revenues as equity in pooled cash instead of through the interfund accounts. Through tighter controls, the City will limit the use of interfund transfers to finance ongoing activities of capital projects. The City has implemented periodic budget transfers to cover these costs during the Fiscal Year 2009-2010.*

**09-ML-07      Deficit Fund Balance – Stormwater Management Special Revenue Fund**

During the current year, the Stormwater Management Special Revenue Fund incurred expenditures in excess of the amount of revenues generated. Due to capital project costs, and other expenditures associated with grant related activities, the Stormwater Management Special Revenue Fund relied upon advanced funding from other granting agencies as well as its existing fund balance to cover these costs. As a result, the Stormwater Management Special Revenue Fund developed a deficit net assets balance (\$77,135) at the end of the fiscal year. The City plans on recovering this deficit through funds received and recognized at the completion of grant activities.

Recommendation: We recommend that the City consider reviewing current stormwater assessments to ensure that all capital project and related maintenance activities, as well as existing debt service expenditures related to stormwater activities be covered from related revenue sources in order to prevent the use of other funds' revenues for these costs.

Auditee Response: *The deficit resulted from timing differences between what was expended and the amount received from Intergovernmental Revenues, Federal Grants.*

**09-ML-08      Deficit Fund Balance – Flood Improvement Capital Project Fund**

During the fiscal year ended September 30, 2007, the City began a Flood Improvement Capital Project Fund to account for the West Side Emergency Flood Management System. During the current year, capital project costs incurred were in excess of the amount of revenues generated. As a result of these excess project costs, and a prior year deficit balance, the Flood Improvement Capital Project Fund developed a deficit net assets balance (\$1,521,413) 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 receipts are unknown.

Recommendation: We recommend that the City 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 has implemented budget transfers for the City's portion of the grant. During the Fiscal Year 2009-2010 we found that the City owes the federal agency a refund of an overpayment based on the FEMA audited grant document. Also, the City has implemented an internal policy revision regarding timeliness of requests for reimbursements.*

### 09-ML-09 Fund Equity and Reserves

Within the last couple of months of the prior fiscal year and first few months of the current fiscal year, the City incurred approximately \$5.0 million in unexpected and unanticipated expenditures directly related to responding to the damages of Tropical Storm Fay and subsequent cleanup and pumping of stormwaters through January 2009. The City also expended an additional \$500,000 in unanticipated expenditures related to the severe rain in May 2009. In addition, the City entered into several grants during the year in an effort to lessen the impact of flood related disasters in the future. While a significant portion of these costs are anticipated to be recovered through grants financed by the U.S. Department of Homeland Security, along with limited matching by the State of Florida, Division of Emergency Management, a significant portion of these unanticipated costs may never be recovered, as well as the City's required match on subsequent grants. As a result, the City is responsible for funding the difference through internally designated reserves.

While numerous unanticipated events have been encountered by the City during the past several years, the costs of responding to Tropical Storm Fay and similar disasters have been enormous. As a result, the City's current reserves may not be sufficient to provide the essential temporary financing required in the event of another catastrophic event.

Recommendation: We recommend that the City should seriously consider taking formal actions to increase its percentage of unrestricted reserves available for future catastrophic events. While routine municipal reserves are established at levels that represent as low as 15% of an entity's annual expenditures, we recommend that you should consider increasing your reserve threshold to a level that provides sufficient reserves to finance any unanticipated costs for at least six to nine months.

*Auditee Response: The City is seriously considering taking formal action to prepare a plan to increase the percentage of our Unrestricted Reserves, especially for future catastrophic events. The Council and Manager will work to develop minimum thresholds for the reserve balance.*

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**09-ML-10      New Accounting Pronouncements**

Fiscal Year Ending September 30, 2010:

GASB 45. No significant steps have yet to be taken to determine the impact that *GASB Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefit Pensions* will have on the City next year. In the absence of an actuarial study, it may be difficult or impossible to estimate any potential liabilities associated with this new requirement. Implementing the provisions of this new accounting pronouncement may be more difficult to comply with since the financial data you will be required to accumulate may also be difficult to acquire.

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

Recommendation: We recommend that management take immediate steps be taken to coordinate the identification of this required data from meetings with your current health insurance providers and underwriters, as well as consult with an actuary to determine what effect, if any, this Statement will have on the City. A comprehensive assessment of all of the City's employee benefit programs, summaries of the underwriting criteria used by the insurance providers in their determination of the related premium costs and unit classifications, and current employee census information will all need to be compiled to appropriately determine the expenses and liabilities associated with these benefits for inclusion in your financial statements.

Auditee Response: *The City will take the appropriate actions to prepare an assessment of the City's entire benefit program. The cost of this will be determined during the Fiscal Year 2010-2011.*

GASB 51. As is noted above, we are not aware of any formal actions that have been taken by the City to determine the impact that *GASB Statement No. 51 - Accounting and Financial Reporting for Intangible Assets* will have on the City next year. Typically, governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce recognition and reporting inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. It requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. It also establishes guidance specific to intangible assets related to amortization and guidance on determining the useful life of intangible assets when the length of their life is limited by contractual or legal provisions.

Recommendation: Steps will need to be taken to identify all known common and internally generated intangible assets so that each can be appropriately capitalized. We would be happy to assist you in the planning for these matters.

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*Auditee Response: The City is unaware of any intangible assets that have not been recorded; a continuous review will assure the accurate recording of intangible assets.*

Fiscal Year Ending September 30, 2011:

GASB 54. The GASB has currently adopted significant changes that will affect the way that the City reports its net assets, including all commitments and restrictions. *GASB Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions* will undoubtedly affect the City's reporting model on or before its effective date. Its objective is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Governments are also required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

Recommendation: We recommend that the City should consider early adoption of these new reporting requirements as we do not believe that any substantial difficulties will be encountered in their implementation.

*Auditee Response: The City will consider Fund Balance Reporting and Governmental Fund Type Definitions to comply with this requirement in Fiscal Year 2010/2011.*

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