

CITY OF DEBARY, FLORIDA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010



CITY COUNCIL

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NORMAN ERICKSON, VICE MAYOR

LITA HANDY-PETERS

JACK LENZEN

LEONARD MARKS

CITY MANAGER

DAN PARROTT

FINANCE ADMINISTRATOR

JIMMIE SEELBINDER

INDEPENDENT AUDITORS

BRENT MILLIKAN & COMPANY, P.A.

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INDEPENDENT AUDITORS' REPORT

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BM&C

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, 2010, 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 the 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, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2011, on our consideration of the City of DeBary, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 required supplementary information, as listed in the table of contents, 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 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 statements have 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.

May 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

- The total assets of the City of DeBary, Florida exceeded its liabilities (net assets) at the close of the most recent fiscal year by \$26.6 million, compared to \$20.8 million one year earlier. Of this amount, \$6.6 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- During 2010, gross revenues from governmental activities of the City increased by approximately \$640,000 to a total of \$16.2 million, compared to a total of \$15.5 million in 2009. Expenses for governmental activities totaled \$10.4 million in 2010 compared to \$12.5 million in 2009.
- The City's governmental funds reported combined ending fund balances of \$9.4 million at the end of the current fiscal year, a decrease of \$0.7 million in comparison to the \$10.1 million reported at the end of the prior fiscal year. Approximately 41.6% of this amount or \$3.9 million is available for spending at the City's discretion (unreserved fund balance).
- The City's total combined governmental fund 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) decreased by \$754,000 in 2010 compared to an increase of \$2.9 million in 2009. This represents a decrease of 7.4% below the prior year's net assets.
- At the end of the 2010 fiscal year, unreserved fund balance for the General Fund was \$3.4 million, or 45.3% of the total 2010 General Fund expenditures, which represents 165 days (or 5½ months) of excess funds. This represents a substantial decrease of \$1.5 million below the amount reported at the end of 2009.

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 entity-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 29 and 32.

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 Franchise Fees (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 five 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 53 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 57 to 78 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 \$20,770,796 to \$26,591,316, which represents an increase of \$5,820,520, or 28.0%, over amounts reported last year. Of this amount, approximately 75.3% 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 \$6,556,944 at the end of 2010.

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

**Net Assets
September 30, 2010 and 2009**

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Assets:		
Current and other assets.....	\$ 11,490,692	12,587,538
Capital assets, net.....	<u>29,128,391</u>	<u>21,802,270</u>
Total assets.....	<u>40,619,083</u>	<u>34,389,808</u>
Liabilities:		
Long-term liabilities outstanding.....	11,992,400	12,299,469
Other liabilities.....	<u>2,035,367</u>	<u>1,319,543</u>
Total liabilities.....	<u>14,027,767</u>	<u>13,619,012</u>
Net assets:		
Invested in capital assets, net of related debt.....	17,138,693	9,502,801
Restricted.....	2,895,679	6,400,518
Unrestricted.....	<u>6,556,944</u>	<u>4,867,477</u>
Total net assets.....	<u>\$ 26,591,316</u>	<u>20,770,796</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 2010, the City's combined net assets increased by \$5,820,520, or 28.0% over the amount reported in the prior year. During this same period, the City's total revenues increased \$643,372 to a total of \$16,193,031, compared to a total of \$15,549,659 in 2009. This increase is due primarily to a net increase in operating and capital grants and contributions related to natural disasters of \$892,323. In 2010, revenues received from property and other taxes declined \$439,163. During this same period, the combination of revenues received from other governments, charges for services, investment earnings and earnings from all other sources increased moderately by \$190,212.

During 2010, approximately 25.8% of the City's total revenue came from property taxes, and approximately 47.1 cents (compared to 52 cents in the prior year) of every dollar raised came from some type of tax (e.g. property taxes, sales tax, gas tax, utility tax, etc.). Approximately 25.9% of the City's revenues are received in the form of operating grants, capital grants and contributions. Another 18.0% came from fees charged for services, while most of the rest is state and federal shared revenues and other miscellaneous earnings (9.0%).

Expenses incurred to operate the City declined by approximately 17% in 2010, as was anticipated by management in the development of current year budget appropriations. Overall, combined governmental activities expenses totaled \$10.4 million in 2010, compared to \$12.5 million one year earlier. Expense control measures employed in 2010 were realized in virtually all of the City's operational cost centers. Individual departmental expenses declined by amounts ranging from a low of 8% (general government) to a high of 32% (culture/recreation) during 2010. The largest departmental monetary decrease was recognized in the City's public safety expenses which dropped by more than \$1.2 in 2010.

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

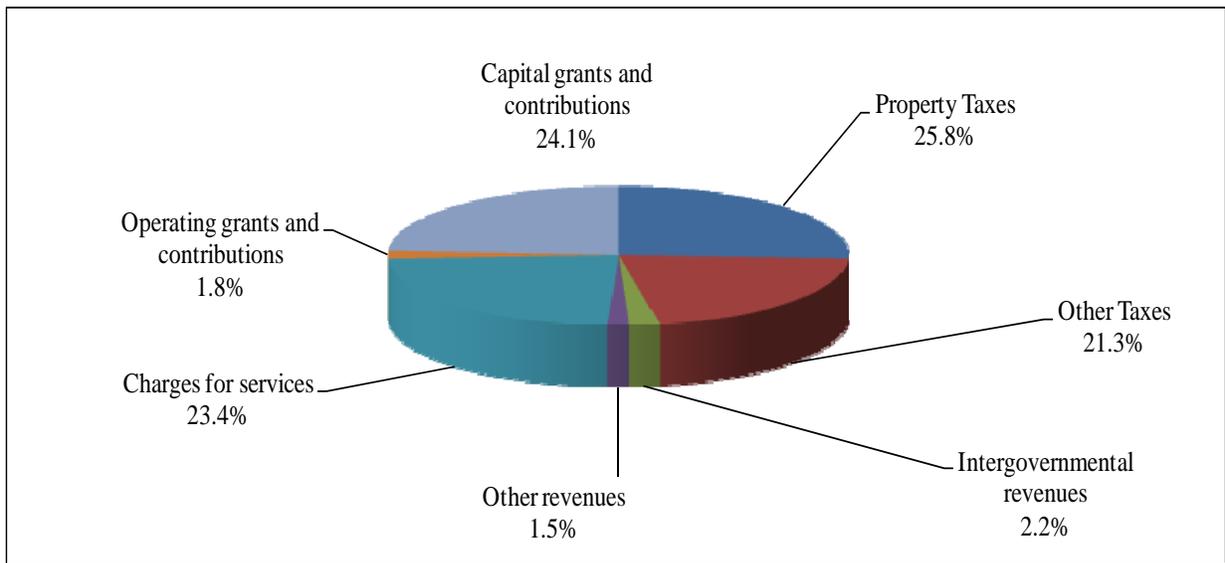
**Changes in Net Assets
Year Ended September 30, 2010 and 2009**

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenues:		
Charges for services.....	\$ 2,917,332	2,984,606
Operating grants/other.....	288,114	1,121,426
Capital grants/other.....	3,900,759	2,175,124
General revenues:		
Property taxes.....	4,179,016	4,749,838
Other taxes.....	3,444,917	3,313,258
Intergovernmental.....	349,791	350,442
Other revenues.....	<u>1,113,102</u>	<u>854,965</u>
Total revenues.....	<u>16,193,031</u>	<u>15,549,659</u>
Expenses:		
General government.....	1,299,940	1,410,709
Public safety.....	5,009,434	6,244,278
Physical environment.....	1,604,579	1,780,575
Transportation.....	1,167,249	1,519,794
Culture/recreation.....	806,540	1,178,723
Interest on long-term debt.....	<u>484,769</u>	<u>357,984</u>
Total expenses.....	<u>10,372,511</u>	<u>12,492,063</u>
Increase (decrease) in net assets.....	5,820,520	3,057,596
Net assets, beginning of year.....	<u>20,770,796</u>	<u>17,713,200</u>
Net assets, end of year.....	<u>\$ 26,591,316</u>	<u>20,770,796</u>

Governmental Activities

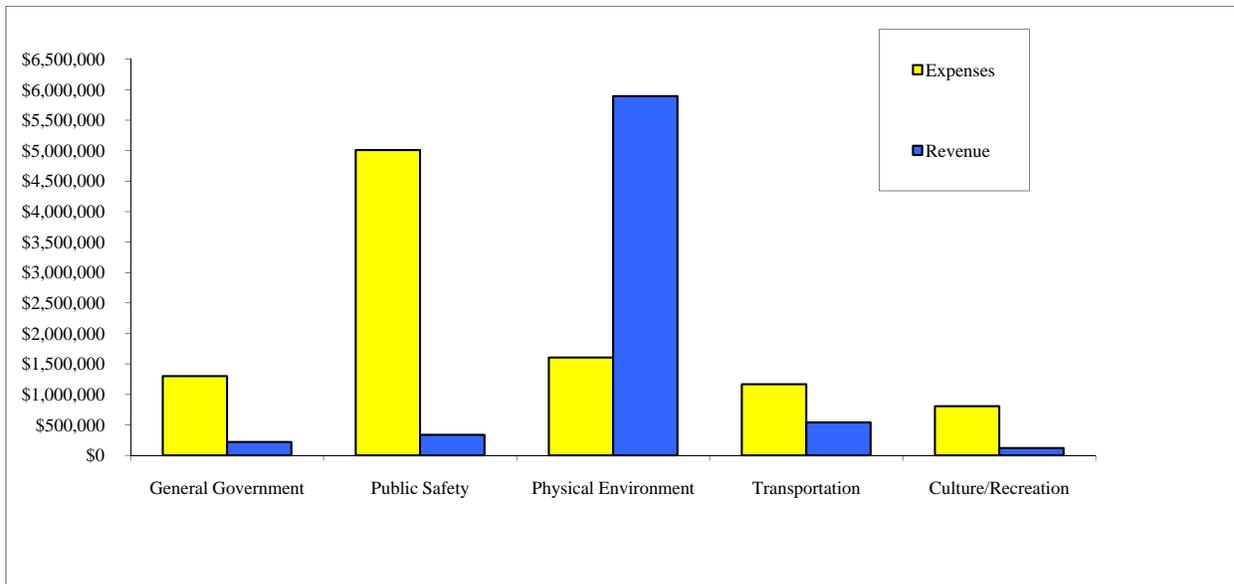
Revenues for the City's governmental activities experienced an increase during 2010. Overall, the City's governmental revenues totaled \$16,193,031, which represents an increase of \$643,372, or 4.14% over last year's reported governmental revenues totaling \$15,849,659. This increase was attributable to an increase in capital grants related to stormwater projects of \$1,725,635. The City also experienced a decrease in property taxes of \$570,822 and an overall decrease of \$33,832 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:

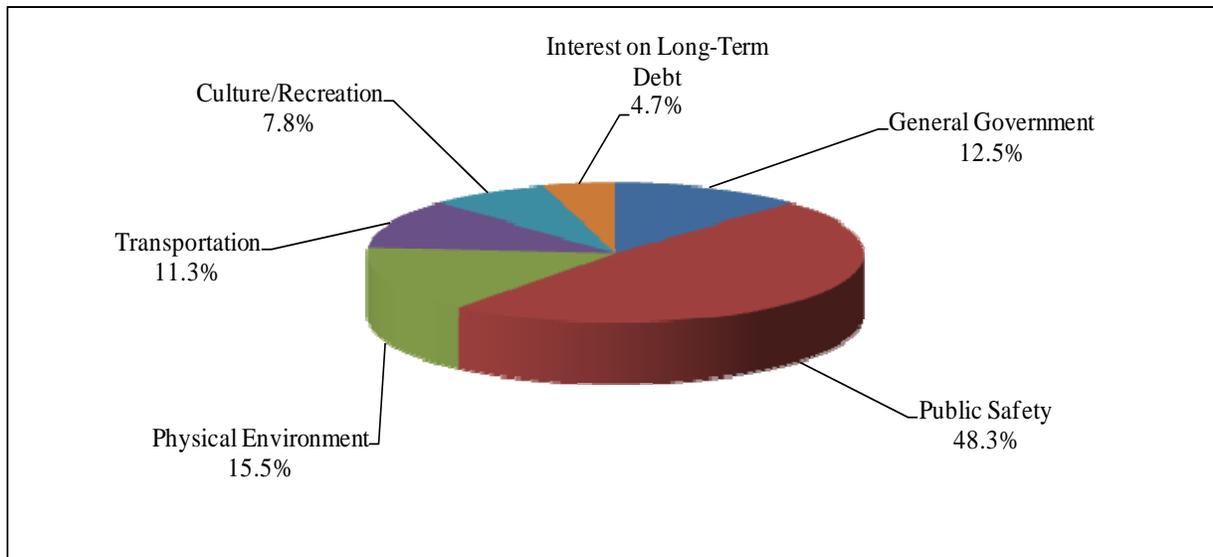
Expenses and Program Revenues - Governmental Activities



Expenses for the City’s governmental activities totaled \$10,372,511 for fiscal 2010, which represents a decrease of \$2,119,552 or 17% under last year’s reported governmental expenditures totaling \$12,492,063. These expenses do not include amounts expended for capital outlay and for debt principal; however, they do include depreciation and amortization expense for the year.

Over the last several years, a trend has emerged with respect to a widening gap between program revenues and program expenses. While core governmental services, such as police and fire protection, are traditionally provided to citizens without user charges, the City is continuing to explore alternative means to recover the costs of specialized government services. 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.

Expenditures by Function - Governmental Activities



Financial Analysis of the City's Funds

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

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

As the City completed the current fiscal year, its governmental funds reported a combined fund balance of \$9,367,725 which was \$754,053, or 7.5%, less than the \$10,121,778 reported last year. Approximately 41.6% of this amount (\$3,900,231) 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 (\$609,682), 2) to finance stormwater improvement projects (\$2,066,997), 3) for parks and recreation improvement projects (\$20,645), 4) for public building projects (\$13,217), 5) from recycling materials and projects (\$80,487), 6) for tree preservation and replacement (\$85,272), 7) reflect the costs for payments for prepaid expenses carried over to the subsequent year (\$19,559) and 8) reflect advances to other funds that are long-term in nature (\$2,571,815).

The general fund is the chief operating fund of the City. As of September 30, 2010, the unreserved fund balance in the general fund totaled \$3,401,072, while total fund balance was \$6,133,268. 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 45.3% of total general fund expenditures (\$7,506,089), while total fund balance represents 81.7% 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 2010, 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 \$127,060 less than the revenues recognized during 2010. Actual expenditures in the General Fund for the current fiscal year were \$311,591 less than the budgetary amounts appropriated.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2010, the City had \$29,128,391 invested in a broad range of capital assets, including land, buildings, park facilities, public works infrastructure and general government machinery and equipment, compared to \$21,802,270 one year earlier. During 2010, the significant portion of the net increase of \$7.3 million was related to the continuing construction of stormwater management and retention infrastructure. This overall investment in capital assets, net of depreciation, for all governmental activities is reflected in the following schedule:

Capital Assets September 30, 2010 and 2009

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land.....	\$ 5,908,425	4,129,064
Construction in progress.....	12,376,930	6,456,804
Buildings.....	3,340,353	3,335,117
Improvements other than buildings.....	2,215,978	2,152,089
Machinery and equipment.....	1,271,998	1,055,272
Infrastructure.....	<u>7,798,818</u>	<u>7,798,818</u>
	32,912,502	24,927,164
Accumulated depreciation.....	<u>(3,784,111)</u>	<u>(3,124,894)</u>
Net investment in capital assets.....	<u>\$ 29,128,391</u>	<u>21,802,270</u>

Long-term Debt. At year end, the City had \$11,989,698 in promissory notes and capital lease obligations outstanding which are secured solely by specified revenue streams and other sources. These notes and leases 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 \$65,447 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 \$133,833.

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 12.5% at the end of September 2010, which is slightly higher than the 11.7% rate experienced one year earlier. These estimates are consistent with the State of Florida 12.0% and 11.4% unemployment rates at September 2010 and 2009, respectively.
- Inflationary trends for Volusia County compare favorably with those trends experienced at the state and national levels.
- Property tax revenue in fiscal year 2011 is expected to be slightly less than the ad valorem taxes collected in fiscal year 2010. 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 2010-2011 year's budget includes appropriations of \$8.7 million for the General Fund, \$4.6 million for the City's nine special revenue funds, and \$3.5 million for the two capital projects funds, for a combined total of \$16.8 million. The City Council continued with a revised ad-valorem tax rate of 2.8707 mills in 2011, which represents the rolled-back rate.

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, 2010
CITY OF DEBARY, FLORIDA

Statement 1

	Primary Government Governmental Activities
Assets:	
Cash and cash equivalents.....	\$ 8,517,559
Receivables:	
Accounts (net of allowance for doubtful accounts).....	241,008
Accrued interest.....	1,503
Due from other governments.....	1,281,325
Investments.....	1,364,291
Prepaid expenses.....	19,559
Unamortized debt issuance costs.....	65,447
Capital assets:	
Land and construction in progress.....	18,285,355
Other depreciable capital assets, net of depreciation.....	<u>10,843,036</u>
Total assets.....	40,619,083
Liabilities:	
Accounts payable and accrued liabilities.....	1,901,134
Compensated absences payable.....	133,833
Unearned income.....	400
Bonds, notes, and other payables:	
Due within one year.....	614,308
Due in more than one year.....	11,375,390
Net post-employment benefits obligation.....	<u>2,702</u>
Total liabilities.....	<u>14,027,767</u>
Net Assets:	
Invested in capital assets, net of related debt.....	17,138,693
Restricted for:	
Capital projects.....	2,066,997
Transportation improvements.....	609,682
Other improvements and projects.....	219,000
Unrestricted.....	<u>6,556,944</u>
Total net assets.....	<u>\$ 26,591,316</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, 2010
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.....	\$ 1,299,940	213,262	4,470	-	(1,082,208)
Public safety.....	5,009,434	50,903	283,644	-	(4,674,887)
Physical environment.....	1,604,579	2,060,343	-	3,834,665	4,290,429
Transportation.....	1,167,249	538,797	-	-	(628,452)
Culture/recreation.....	806,540	54,027	-	66,094	(686,419)
Interest on long-term debt.....	484,769	-	-	-	(484,769)
Total primary government.....	<u>\$10,372,511</u>	<u>2,917,332</u>	<u>288,114</u>	<u>3,900,759</u>	<u>(3,266,306)</u>
General revenues:					
Property taxes, levied for general purposes.....					4,179,016
Sales taxes.....					760,164
Local option gas taxes.....					450,038
Public service taxes.....					2,234,715
Franchise fees.....					877,844
State revenue sharing.....					325,242
Other intergovernmental revenues.....					24,549
Investment earnings (loss).....					120,295
Miscellaneous revenue.....					<u>114,963</u>
Total general revenues.....					<u>9,086,826</u>
Change in net assets.....					5,820,520
Net assets - beginning of year.....					<u>20,770,796</u>
Net assets - end of year.....					<u>\$26,591,316</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2010
CITY OF DEBARY, FLORIDA

	General	Solid Waste	Street Lighting District
Assets:			
Cash and cash equivalents.....	\$ 1,997,507	549,556	469,973
Receivables, net:			
Accounts receivable.....	150,354	-	-
Accrued interest.....	1,503	-	-
Due from other funds.....	19,292	-	-
Advance to other funds.....	2,571,815	-	-
Due from other governments.....	316,329	-	-
Investments.....	1,362,078	-	-
Prepaid items.....	<u>11,893</u>	<u>-</u>	<u>-</u>
Total assets.....	<u>\$ 6,430,771</u>	<u>549,556</u>	<u>469,973</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and other current liabilities.....	\$ 278,394	101,187	27,282
Due to other funds.....	-	-	-
Advance from other funds.....	-	-	-
Unearned income.....	<u>19,109</u>	<u>-</u>	<u>-</u>
Total liabilities.....	<u>297,503</u>	<u>101,187</u>	<u>27,282</u>
Fund Balances (Deficit):			
Reserved for:			
Prepays.....	11,893	-	-
Advances to other funds.....	2,571,815	-	-
Capital projects.....	-	-	-
Transportation improvements.....	148,488	-	442,691
Recycling projects.....	-	-	-
Tree preservation and replacement.....	-	-	-
Parks and recreation improvements.....	-	-	-
Public building projects.....	-	-	-
Unreserved, reported in:			
General fund.....	3,401,072	-	-
Special revenue funds.....	-	448,369	-
Capital project fund	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances.....	<u>6,133,268</u>	<u>448,369</u>	<u>442,691</u>
Total liabilities and fund balances.....	<u>\$ 6,430,771</u>	<u>549,556</u>	<u>469,973</u>

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

Statement 3

Orlandia Heights Neighborhood Improvement District	Stormwater Management	Franchise Fees	Flood Improvement Capital Project Fund	Stormwater Improvements Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
10,795	356,453	1,972,395	614,448	2,332,445	213,987	8,517,559
2,475	-	84,222	-	-	3,957	241,008
-	-	-	-	-	-	1,503
-	-	-	-	-	-	19,292
-	-	-	-	-	-	2,571,815
-	-	-	964,996	-	-	1,281,325
-	-	-	-	2,213	-	1,364,291
<u>7,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,559</u>
<u>20,936</u>	<u>356,453</u>	<u>2,056,617</u>	<u>1,579,444</u>	<u>2,334,658</u>	<u>217,944</u>	<u>14,016,352</u>
-	6,388	30,847	1,025,281	267,661	-	1,737,040
19,292	-	-	-	-	-	19,292
-	-	-	2,571,815	-	-	2,571,815
<u>-</u>	<u>301,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,480</u>
<u>19,292</u>	<u>307,759</u>	<u>30,847</u>	<u>3,597,096</u>	<u>267,661</u>	<u>-</u>	<u>4,648,627</u>
7,666	-	-	-	-	-	19,559
-	-	-	-	-	-	2,571,815
-	-	-	-	2,066,997	-	2,066,997
-	-	-	-	-	18,503	609,682
-	-	-	-	-	80,487	80,487
-	-	-	-	-	85,272	85,272
-	-	-	-	-	20,465	20,465
-	-	-	-	-	13,217	13,217
-	-	-	-	-	-	3,401,072
(6,022)	48,694	2,025,770	-	-	-	2,516,811
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,017,652)</u>	<u>-</u>	<u>-</u>	<u>(2,017,652)</u>
<u>1,644</u>	<u>48,694</u>	<u>2,025,770</u>	<u>(2,017,652)</u>	<u>2,066,997</u>	<u>217,944</u>	<u>9,367,725</u>
<u>20,936</u>	<u>356,453</u>	<u>2,056,617</u>	<u>1,579,444</u>	<u>2,334,658</u>	<u>217,944</u>	<u>14,016,352</u>

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

Statement 3A

September 30, 2010
CITY OF DEBARY, FLORIDA

Fund balances - total governmental funds..... \$ 9,367,725

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds..... 29,128,391

Revenues deferred in governmental activities are recognized in the period in which they are earned, regardless of the date of their anticipated receipt..... 320,080

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..... 65,447

Net post-retirement benefits obligation which is due and payable in the current period which will be accumulated in future periods..... (2,702)

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..... (164,094)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

 Long-term debt..... (11,989,698)

 Compensated absences..... (133,833)

Net assets of governmental activities..... \$ 26,591,316

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

	General	Solid Waste	Street Lighting District
Revenue:			
Taxes.....	\$ 6,880,011	-	-
Permits and fees.....	179,275	-	394,436
Intergovernmental.....	1,528,669	-	-
Charges for services.....	112,267	1,228,265	-
Fines and forfeitures.....	46,054	-	-
Miscellaneous.....	184,888	-	-
Total revenue.....	<u>8,931,164</u>	<u>1,228,265</u>	<u>394,436</u>
Expenditures:			
Current:			
General government.....	1,243,358	-	-
Public safety.....	4,828,431	-	-
Physical environment.....	-	1,218,007	-
Transportation.....	399,123	-	328,695
Culture/recreation.....	625,932	-	-
Capital Outlay:			
General government.....	-	-	-
Physical environment.....	-	-	-
Debt service:			
Principal retirement.....	335,000	-	-
Interest and fiscal charges.....	74,245	-	-
Total expenditures.....	<u>7,506,089</u>	<u>1,218,007</u>	<u>328,695</u>
Excess of revenue over (under) expenditures.....	1,425,075	10,258	65,741
Other Financing Sources (Uses):			
Debt proceeds.....	239,698	-	-
Transfers from other funds.....	-	-	-
Transfers to other funds.....	(433,576)	-	-
Total other financing sources (uses).....	<u>(193,878)</u>	<u>-</u>	<u>-</u>
Net changes in fund balances.....	1,231,197	10,258	65,741
Fund balances, beginning of year.....	<u>4,902,071</u>	<u>438,111</u>	<u>376,950</u>
Fund balances, end of year.....	<u>\$ 6,133,268</u>	<u>448,369</u>	<u>442,691</u>

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

Statement 4

Orlandia Heights Neighborhood Improvement District	Stormwater Management	Franchise Fees	Flood Improvement Capital Project Fund	Stormwater Improvements Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
-	-	-	-	-	-	6,880,011
96,422	827,578	877,844	-	-	11,925	2,387,480
-	181,484	-	4,313,453	-	-	6,023,606
-	-	-	-	-	-	1,340,532
-	-	-	-	-	-	46,054
-	44,324	-	-	7	19,524	248,743
<u>96,422</u>	<u>1,053,386</u>	<u>877,844</u>	<u>4,313,453</u>	<u>7</u>	<u>31,449</u>	<u>16,926,426</u>
-	-	-	-	-	-	1,243,358
-	105,808	-	-	-	-	4,934,239
-	211,036	-	-	-	1,985	1,431,028
116,135	-	197,967	-	-	176	1,042,096
-	-	-	-	-	-	625,932
-	-	-	-	-	11,885	11,885
-	-	-	5,242,668	2,368,413	-	7,611,081
-	214,469	-	-	-	-	549,469
-	396,844	-	-	-	-	471,089
<u>116,135</u>	<u>928,157</u>	<u>197,967</u>	<u>5,242,668</u>	<u>2,368,413</u>	<u>14,046</u>	<u>17,920,177</u>
(19,713)	125,229	679,877	(929,215)	(2,368,406)	17,403	(993,751)
-	-	-	-	-	-	239,698
-	600	-	432,976	-	-	433,576
-	-	-	-	-	-	(433,576)
-	600	-	432,976	-	-	239,698
(19,713)	125,829	679,877	(496,239)	(2,368,406)	17,403	(754,053)
<u>21,357</u>	<u>(77,135)</u>	<u>1,345,893</u>	<u>(1,521,413)</u>	<u>4,435,403</u>	<u>200,541</u>	<u>10,121,778</u>
<u>1,644</u>	<u>48,694</u>	<u>2,025,770</u>	<u>(2,017,652)</u>	<u>2,066,997</u>	<u>217,944</u>	<u>9,367,725</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, 2010
CITY OF DEBARY, FLORIDA

Net change in fund balances - total governmental funds..... \$ (754,053)

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.....	8,038,539	
Depreciation expense.....	<u>(712,419)</u>	7,326,120

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. (1,024,731)

Increase in net post-employment benefit obligation..... (2,702)

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.....	(239,698)	
Principal payments.....	549,469	
Amortization of loan costs.....	<u>(13,099)</u>	296,672

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.....	(20,205)	
Accrued interest on long-term debt.....	<u>(581)</u>	<u>(20,786)</u>

Change in net assets of governmental activities..... \$ 5,820,520

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, 2010

CITY OF DEBARY, FLORIDA

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements, comprised of the Statement of Net Assets and the Statement of Activities, report aggregated information for the overall government for all of the activities of the primary government. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. Those activities are reported only in fund financial statements, when required. The effect of interfund activity has been removed from these statements as is further disclosed below under the heading *Interfund Activity Eliminations and Reclassifications*.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds. The City did not operate any business-type activities during the fiscal year.

The Statement of Net Assets presents the overall government's financial position at year-end. The Statement of Activities presents direct expenses of a given function or segment offset by program revenues for the fiscal reporting period. The resulting net expense or revenue is then totaled and offset by general revenues producing the aggregate change in net assets for the period. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 2010

CITY OF DEBARY, FLORIDA

a given function or segment of the government, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other nonexchange revenues not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 2010

CITY OF DEBARY, FLORIDA

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

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

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

The City’s accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The focus of the governmental fund financial statements is on major funds, as defined and determined based on criteria established under Governmental Accounting Standards Boards Statement No. 34.

The City reports the following major governmental funds:

General Fund - The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the General Fund.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 2010

CITY OF DEBARY, FLORIDA

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

Franchise Fees (Special Revenue) Fund - This is a special revenue fund established by the City as authorized under Chapter 166.232, Florida Statutes, to account for assessments made to the purchasers within the City of electricity and metered or bottled gas.

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, Park Benefit Impact Fee Trust Fund, and Public Buildings Benefit Impact Fee Trust Fund.

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The City's investment policies are governed by state statutes and local resolution. These policies authorize the City to invest in bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America, interest bearing savings accounts, interest bearing certificates of deposit and interest bearing time deposits.

All of the City's investments are reported at fair value, with the exception of investments in the SEC Rule 2a7-like pools (State Board of Administration Local Government Surplus Trust Fund Pool) which are stated at cost, or amortized cost, and are the same as the fair value of pool shares.

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 2010

CITY OF DEBARY, FLORIDA

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends.

3. *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Capital Assets*

Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the City. In accordance with the implementation efforts of GASB Statement No. 34, the City is exempt from reporting all general infrastructure assets and related depreciation expense on these assets, for those assets acquired prior to the year of implementation of the pronouncement in the entity-wide statement of net assets and statement of activities. All known infrastructure assets acquired in current and prior years are reported in the financial statements.

Capital assets are defined by the City as assets with an initial individual cost of \$750 or more and an estimated useful life of more than one-year. The capitalization policy for building and improvements other than buildings require assets with an initial cost to be \$15,000 or greater before it is capitalized. For all infrastructure assets, costs must exceed \$15,000 or more before the assets are capitalized. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization.

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

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

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 2010

CITY OF DEBARY, FLORIDA

5. *Compensated Absences*

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

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

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

6. *Deferred Revenue*

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

7. *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, 2010

CITY OF DEBARY, FLORIDA

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

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

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

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

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

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets for all governmental 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, 2010

CITY OF DEBARY, FLORIDA

B. Excess of Expenditures over Appropriations

During the year ended September 30, 2010, expenditures exceeded budgetary appropriations in the following funds:

Sidewalk Improvement Special Revenue Fund (nonmajor) – actual expenditures exceeded budgetary appropriations by \$176. The over-expenditure was the result of unbudgeted expenditures recognized for sidewalk maintenance in 2010. This amount was funded in its entirety from prior years’ surplus funds, all of which are restricted for these purposes.

Tree Preservation Special Revenue Fund (nonmajor) – actual expenditures exceeded budgetary appropriations by \$1,985. The over-expenditure was the result of unbudgeted expenditures recognized for tree preservation and replacement during 2010. This amount was funded in its entirety from prior years’ surplus funds, all of which are restricted for these purposes.

Public Buildings Benefit Impact Fee Trust Special Revenue Fund (nonmajor) – actual expenditures exceeded budgetary appropriations by \$885. The over-expenditure was the result of unbudgeted expenditures recognized for capital outlay for planned building improvements. 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 (2009 levy collected in the year ended September 30, 2010). 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, 2010

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, 2010, the carrying value of the City’s cash deposit accounts totaled \$8,517,436 and the bank balance totaled \$8,824,822. 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 and/or collateralized. Amounts do not include \$123 in cash funds on hand at the end of the fiscal year.

Investments. As of September 30, 2010, 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>From 1 - 5</u>	<u>From 6 - 10</u>
Local Government Investment Pool:				
State Board of Administration, Local Government Surplus Trust Fund Investment Pool				
Florida PRIME.....	\$ 1,158,636	1,158,636	-	-
Fund B.....	<u>205,655</u>	-	-	<u>205,655</u>
Totals.....	<u>\$ 1,364,291</u>	<u>1,158,636</u>	<u>-</u>	<u>205,655</u>

The City’s investments consist of amounts invested in the Local Government Surplus Trust Fund managed by the Florida State Board of Administration (SBA). The SBA is part of the Local Government Surplus Trust

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 2010

CITY OF DEBARY, FLORIDA

Fund and is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Trust Fund. As a Florida PRIME and Fund B pool participant, the City invests in a pool of investments whereby the City owns a share of the respective pool, not the underlying securities. The assets held in Fund B are presently restricted and the City is prohibited from withdrawing any amounts from the pool.

In March 1997, GASB issued Statement 31, titled "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools.*" GASB 31 applies to the Florida PRIME and Fund B.

GASB 31 outlines the two options for accounting and reporting for money market investment pools as either "2a-7 like" or fluctuating net asset value (NAV). GASB 31 describes a "2a-7 like" pool as an "external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the "1940 Act"). Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions.

The SBA's interpretation of GASB 31 is that the Florida PRIME is currently considered an SEC 2a-7 like fund, thus your account balance should also be considered the fair value of your investment. The SBA's interpretation in regards to Fund B is that it does not meet the requirements of an SEC 2a-7 like fund; therefore, SBA is providing a fair value factor (i.e. total net asset value of Fund B divided by total participant balances of Fund B) for September 30, 2010. The fair value of the original \$290,860 (at cost) investment in Fund B is \$205,655 as of September 30, 2010, based on the fair value factor of 0.707058 reported by the trustees of Fund B.

Interest Rate Risk. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The City has developed formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments are governed by the City's Investment Policies and related state statutes. Generally, the City limits the acquisition of investments with maturities to no more than five years, unless matched to a specific cash flow.

GASB 40, "*Deposit and Investment Risk Disclosures,*" requires that interest rate risk be disclosed using one of the five approved methods for all debt investments as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a-7 like pool. The five methods are: segmented time distribution, specific identification, weighted average maturity (WAM), duration, and simulation model. Different methods may be presented for different types of investments.

At September 30, 2010, the WAM of the Florida PRIME is 52 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB 40 is not available. An estimate of weighted average life (WAL) is available. In the calculation of WAL, the time at which an expected principal amount is to be received (measured in years) is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL (based on expected future cash flows) of Fund B at September 30, 2010, is estimated at 7.49 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 2010

CITY OF DEBARY, FLORIDA

Credit Risk. The City’s investment policies allow the government to invest in Local Government Surplus Trust Fund Investment Pool, 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).

Credit Quality. The Florida PRIME is rated by Standard and Poors, with a rating of AAAM as of September 30, 2010; Fund B is not rated by any nationally recognized statistical rating agency.

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

At September 30, 2010, the carrying amount of the City’s deposits in the Local Government Surplus Funds Trust Fund was \$1,364,291, all of which was covered by collateral securities in accordance with the Act. All remaining deposits were adequately covered by federal depository insurance and/or the statutory provisions of the Act.

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 2010

CITY OF DEBARY, FLORIDA

NOTE 6 - RECEIVABLES

A summary of governmental activities' receivables at September 30, 2010, is as follows:

Delinquent taxes receivable	\$ 18,114	
Franchise fees.....	84,222	
Utility service taxes.....	134,573	
Other miscellaneous receivables	<u>4,099</u>	
	241,008	
Less: allowance for doubtful accounts.....	<u>-</u>	
 Total governmental activities receivables, net		<u>\$ 241,008</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, 2010, are comprised of the following:

Fund	Due from/ Advance to	Due to/ Advance from
General:		
Due from Orlandia Heights Neighborhood Improvement District.....	\$ 19,292	-
Advance to Flood Improvement Capital Project.....	2,571,815	-
Orlandia Heights Neighborhood Improvement District:		
Due to General.....	-	19,292
Flood Improvement Capital Project:		
Advance from General.....	<u>-</u>	<u>2,571,815</u>
Totals.....	<u>\$ 2,591,107</u>	<u>2,591,107</u>

Fund	Transfers From	Transfers To
General:		
Stormwater Management.....	\$ -	600
Flood Improvement Capital Project.....	432,976	-
Stormwater Management:		
General.....	600	-
Flood Improvement Capital Project		
General.....	<u>-</u>	<u>432,976</u>
Totals.....	<u>\$ 433,576</u>	<u>433,576</u>

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 2010

CITY OF DEBARY, FLORIDA

NOTE 8 - CAPITAL ASSETS

A summary of the capital assets activity for the year ended September 30, 2010, is as follows:

	Balances 9/30/2009	Additions	Deletions	Balances 9/30/2010
Capital assets not being depreciated:				
Land.....	\$ 4,129,064	1,779,361	-	5,908,425
Construction in progress.....	<u>6,456,804</u>	<u>7,699,487</u>	<u>(1,779,361)</u>	<u>12,376,930</u>
Total capital assets not being depreciated.....	<u>10,585,868</u>	<u>9,478,848</u>	<u>(1,779,361)</u>	<u>18,285,355</u>
Capital assets being depreciated:				
Buildings.....	3,335,117	11,885	(6,649)	3,340,353
Improvements other than buildings.....	2,152,089	66,688	(2,799)	2,215,978
Machinery and equipment.....	1,055,272	260,480	(43,754)	1,271,998
Infrastructure.....	<u>7,798,818</u>	<u>-</u>	<u>-</u>	<u>7,798,818</u>
Total capital assets being depreciated.....	<u>14,341,296</u>	<u>339,053</u>	<u>(53,202)</u>	<u>14,627,147</u>
Less accumulated depreciation for:				
Buildings.....	(272,883)	(120,229)	6,649	(386,463)
Improvements other than buildings.....	(887,474)	(123,546)	2,799	(1,008,221)
Machinery and equipment.....	(617,492)	(128,840)	43,754	(702,578)
Infrastructure.....	<u>(1,347,045)</u>	<u>(339,804)</u>	<u>-</u>	<u>(1,686,849)</u>
Total accumulated depreciation.....	<u>(3,124,894)</u>	<u>(712,419)</u>	<u>53,202</u>	<u>(3,784,111)</u>
Total capital assets being depreciated, net....	<u>11,216,402</u>	<u>(373,366)</u>	<u>-</u>	<u>10,843,036</u>
Total capital assets, net.....	<u>\$ 21,802,270</u>	<u>9,105,482</u>	<u>(1,779,361)</u>	<u>29,128,391</u>

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

Governmental activities:	
General government.....	\$ 151,866
Public safety	17,195
Physical environment	204,591
Transportation.....	153,074
Culture/recreation	<u>185,693</u>
Total depreciation expense - governmental activities	<u>\$ 712,419</u>

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 2010

CITY OF DEBARY, FLORIDA

NOTE 9 – GENERAL LONG-TERM DEBT

The City's long-term debt outstanding at September 30, 2010, is as follows:

	<u>Balance Due</u>	<u>Current Maturities</u>
Capital Lease Obligations:		
\$239,698 capital lease for machinery and equipment, for the City's fire department, dated 1/8/2010, payable in annual installments of \$53,752 through 1/8/2015, stated interest rate of 3.940%, secured with machinery and equipment with a book value of \$234,371 as of 9/30/2010.....	\$ 239,698	44,308
Notes Payable:		
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.....	4,875,000	70,000
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.....	1,875,000	350,000
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>150,000</u>
Total leases and notes payable.....	11,989,698	614,308
Compensated absences (current portion estimated).....	<u>133,833</u>	<u>33,387</u>
Total long-term debt.....	<u>\$12,123,531</u>	<u>647,695</u>

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 2010

CITY OF DEBARY, FLORIDA

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

	Balances 9/30/2009	Additions	Deletions	Balances 9/30/2010
Capital Lease Obligations:				
\$239,698 capital lease dated 1/8/2010.....	\$ -	239,698	-	239,698
Notes Payable:				
4.080% Revenue Note.....	174,469	-	(174,469)	-
3.845% Series 2006 Revenue Note.....	4,915,000	-	(40,000)	4,875,000
3.635% Series 2007 Revenue Note.....	2,210,000	-	(335,000)	1,875,000
4.050% Series 2009 Revenue Note.....	<u>5,000,000</u>	-	-	<u>5,000,000</u>
	12,299,469	239,698	(549,469)	11,989,698
Compensated absences.....	<u>113,628</u>	<u>77,361</u>	<u>(57,156)</u>	<u>133,833</u>
Totals.....	<u>\$ 12,413,097</u>	<u>317,059</u>	<u>(606,625)</u>	<u>12,123,531</u>

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

Fiscal Year	Capital Lease Obligations		Revenue Notes	
	Principal	Interest	Principal	Interest
September 30, 2011.....	\$ 44,308	9,444	570,000	446,458
September 30, 2012.....	46,054	7,698	740,000	419,779
September 30, 2013.....	47,868	5,884	770,000	391,060
September 30, 2014.....	49,754	3,998	800,000	361,208
September 30, 2015.....	51,714	2,038	825,000	330,315
September 30, 2016 through 2020.....	-	-	5,580,000	841,018
September 30, 2021 through 2025.....	-	-	1,690,000	294,591
September 30, 2026 through 2027.....	-	-	<u>775,000</u>	<u>20,154</u>
Totals.....	<u>\$ 239,698</u>	<u>29,062</u>	<u>11,750,000</u>	<u>3,104,583</u>

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 2010

CITY OF DEBARY, FLORIDA

Pledged Revenues. The primary source of pledged revenues for all Revenue Note's held by the City at September 30, 2010 are the City's stormwater utility assessments; however to the extent that the stormwater utility assessments are insufficient to pay amounts due on the notes, the City has covenanted to budget and appropriate non-ad valorem revenues. Total pledged revenues and annual debt requirements are as follows:

Pledged Revenues:

Stormwater Utility Assessments	\$ 827,578
Non- Ad Valorem Revenues.....	<u>11,924,700</u>
Totals.....	<u>\$ 12,752,278</u>

Annual Debt Requirements:

Series 2006 Revenue Note.....	\$ 288,215
Series 2007 Revenue Note.....	409,245
Series 2009 Revenue Note.....	<u>204,750</u>
Totals.....	<u>\$ 902,210</u>

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City is required to develop and administer a formal single-employer postemployment benefit plan in accordance with the requirements of Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* which became effective for financial statements issued at September 30, 2010. Pursuant to Section 112.0801, Florida Statutes, the City must permit participation in the plan to retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Eligible individuals include all regular employees of the City who retire from active service under the pension plans sponsored by the City. Under certain conditions, eligible individuals also include spouses and dependent children. As of September 30, 2010, the City has not developed a formal OPEB plan.

Funding Policy. The contribution requirements of plan members and the City are based on composite health insurance premium costs which are established by state statutes and may be amended by the state legislature. The required contribution is based on projected pay-as-you-go financing requirements and is subject to constant revision. The City has opted to not fund the net OPEB obligation or the resulting unfunded actuarial accrued liability on an annual basis.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 2010

CITY OF DEBARY, FLORIDA

The following table shows the components of the City’s annual OPEB for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the Plan based on the most recent estimate dated September 30, 2010:

	Estimated <u>09/30/2010</u>
Annual required contribution (ARC)	\$ 2,702
Net OPEB obligation-beginning of year	<u>0</u>
Net OPEB obligation-end of year	<u>\$ 2,702</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/10	\$2,702	-	\$2,702
09/30/09	N/A	-	N/A
09/30/08	N/A	-	N/A

Funded Status and Funding Progress. As of September 30, 2010, the plan was not funded. The actuarial accrued liability for benefits has been estimated by use of the alternative measurement method to be \$9,409, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,409. The covered payroll (annual payroll of active employees covered under the plan) was \$767,680, and the ratio of the UAAL to the covered payroll was 1.23%.

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

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 2010

CITY OF DEBARY, FLORIDA

Actuarial Methods and Assumptions. Calculations are required to be based upon the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of sharing costs between the employer and plan members to that point. Calculations reflect a long-term prospective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Management has elected to determine the liability using the alternative measurement method for employers with fewer than one hundred plan members. The City's estimate is based on the following assumptions:

Expected investment return on City funds.....	0.5%
Monthly premium for single health coverage.....	\$507
Expected retirement age.....	62 yrs
Percent of employees expected remain after retirement ⁽¹⁾	5.0%
Number of employees	20
Number of retirees	0
Number of spouses covered by plan	1
Average age of employees	47.4 yrs
Average years of service.....	4 yrs

- ⁽¹⁾ The City has provided an initial estimate of 5% of its present workforce will remain in the health insurance program after retirement even though the City's employment records document that no active employees who have retired in the last ten years have opted to subsequently remain as a member in the City's health insurance plan and make premium payments as authorized in Section 112.0801, Florida Statutes

NOTE 11 - 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, 2010, the City's total payroll for all employees was \$847,170 and its covered payroll was \$757,125. Employer contributions, including forfeitures, to the plan were \$75,865, \$86,053, and \$75,879, for the years ended September 30, 2010, 2009, and 2008, respectively. The City has the power to amend plan provisions at any time.

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 2010

CITY OF DEBARY, FLORIDA

NOTE 12 – 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, 2010, employee contributions to the Plan totaled \$10,690.

NOTE 13 - 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 14 - 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 15 - 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 16 - SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 31, 2011, the date the financial statements were available to be issued.

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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, 2010
CITY OF DEBARY, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Taxes:				
General property taxes:				
Current ad valorem taxes	\$ 4,186,669	4,186,669	4,160,341	(26,328)
Delinquent ad valorem taxes.....	-	-	13,807	13,807
Local option gas tax.....	240,878	246,956	258,942	11,986
2nd Local option gas tax.....	182,459	187,044	191,096	4,052
Utility service taxes.....	1,116,031	1,225,531	1,448,747	223,216
Communications service taxes.....	789,953	789,953	785,968	(3,985)
Local business taxes.....	10,000	10,000	21,110	11,110
Total taxes.....	<u>6,525,990</u>	<u>6,646,153</u>	<u>6,880,011</u>	<u>233,858</u>
Permits and fees:				
Building permits.....	280,235	232,595	178,218	(54,377)
Other permits and fees.....	-	-	1,057	1,057
Total permits and fees	<u>280,235</u>	<u>232,595</u>	<u>179,275</u>	<u>(53,320)</u>
Intergovernmental Revenue:				
Federal, State, and Local grants.....	2,905,000	531,000	418,714	(112,286)
State Shared Revenues:				
State revenue sharing proceeds.....	305,849	299,849	325,242	25,393
Mobile home licenses.....	16,000	16,000	16,659	659
Alcoholic beverage licenses.....	5,500	5,500	7,890	2,390
Local government half-cent sales tax....	987,760	859,360	760,164	(99,196)
Total intergovernmental revenue.....	<u>4,220,109</u>	<u>1,711,709</u>	<u>1,528,669</u>	<u>(183,040)</u>
Charges for services:				
General government.....	1,000	1,000	9,748	8,748
Public safety.....	3,000	3,000	4,849	1,849
Transportation.....	48,147	48,147	47,939	(208)
Culture/recreation.....	46,500	53,500	49,731	(3,769)
Total charges for services.....	<u>98,647</u>	<u>105,647</u>	<u>112,267</u>	<u>6,620</u>
Fines and forfeitures:				
Court cases	39,000	16,000	17,512	1,512
Local ordinance violations.....	-	-	28,542	28,542
Total fines and forfeitures.....	<u>39,000</u>	<u>16,000</u>	<u>46,054</u>	<u>30,054</u>

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

**Schedule 1
(Continued)**

For the Fiscal Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Miscellaneous Revenue:				
Investment earnings (loss).....	\$ 75,000	43,000	120,288	77,288
Contributions and donations.....	-	11,000	13,485	2,485
Miscellaneous revenues.....	<u>19,000</u>	<u>38,000</u>	<u>51,115</u>	<u>13,115</u>
Total miscellaneous revenue.....	<u>94,000</u>	<u>92,000</u>	<u>184,888</u>	<u>92,888</u>
Total revenue.....	<u>11,257,981</u>	<u>8,804,104</u>	<u>8,931,164</u>	<u>127,060</u>
Expenditures:				
General Government:				
Legislative:				
Personal services	28,390	21,610	19,808	1,802
Operating expenditures.....	69,230	59,170	57,291	1,879
Grants and aids.....	<u>1,000</u>	<u>1,000</u>	<u>925</u>	<u>75</u>
	<u>98,620</u>	<u>81,780</u>	<u>78,024</u>	<u>3,756</u>
Executive:				
Personal services.....	510,191	353,586	279,298	74,288
Operating expenditures.....	44,720	52,425	43,225	9,200
Capital outlay.....	<u>1,700</u>	<u>850</u>	<u>750</u>	<u>100</u>
	<u>556,611</u>	<u>406,861</u>	<u>323,273</u>	<u>83,588</u>
Financial & Administrative:				
Personal services	-	149,530	164,367	(14,837)
Operating expenditures.....	-	65,020	55,417	9,603
Capital outlay.....	<u>-</u>	<u>850</u>	<u>850</u>	<u>-</u>
	<u>-</u>	<u>215,400</u>	<u>220,634</u>	<u>(5,234)</u>
Legal Counsel:				
Operating expenditures.....	<u>127,000</u>	<u>199,000</u>	<u>219,919</u>	<u>(20,919)</u>
Other General Government:				
Personal services.....	39,485	39,215	38,743	472
Operating expenditures.....	447,190	283,040	257,914	25,126
Capital outlay.....	<u>1,242,833</u>	<u>409,500</u>	<u>104,851</u>	<u>304,649</u>
	<u>1,729,508</u>	<u>731,755</u>	<u>401,508</u>	<u>330,247</u>
Total general government.....	<u>2,511,739</u>	<u>1,634,796</u>	<u>1,243,358</u>	<u>391,438</u>

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

**Schedule 1
(Continued)**

For the Fiscal Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Public Safety:				
Law Enforcement:				
Operating expenditures.....	\$ 2,845,511	2,856,511	2,855,498	1,013
Fire Protection:				
Operating expenditures.....	1,088,859	1,084,700	1,079,548	5,152
Capital outlay.....	-	58,000	239,698	(181,698)
	<u>1,088,859</u>	<u>1,142,700</u>	<u>1,319,246</u>	<u>(176,546)</u>
Protective Inspections:				
Personal services.....	102,864	130,324	130,752	(428)
Operating expenditures.....	343,893	430,376	352,490	77,886
Capital outlay.....	-	11,000	1,800	9,200
	<u>446,757</u>	<u>571,700</u>	<u>485,042</u>	<u>86,658</u>
Emergency and Disaster Relief Services:				
Personal services.....	56,531	54,556	55,024	(468)
Operating expenditures.....	28,275	37,275	22,497	14,778
	<u>84,806</u>	<u>91,831</u>	<u>77,521</u>	<u>14,310</u>
Other Public Safety:				
Operating expenditures.....	91,124	91,124	91,124	-
Total public safety.....	<u>4,557,057</u>	<u>4,753,866</u>	<u>4,828,431</u>	<u>(74,565)</u>
Transportation:				
Road and Street Facilities:				
Personal services.....	-	7,890	7,233	657
Operating expenditures.....	681,424	329,350	377,340	(47,990)
Capital outlay.....	4,500	4,500	14,550	(10,050)
Total transportation.....	<u>685,924</u>	<u>341,740</u>	<u>399,123</u>	<u>(57,383)</u>
Culture/Recreation:				
Parks and Recreation:				
Personal services.....	463,912	446,849	423,444	23,405
Operating expenditures.....	218,531	223,134	193,958	29,176
Capital outlay.....	8,000	8,050	8,530	(480)
Total culture/recreation.....	<u>690,443</u>	<u>678,033</u>	<u>625,932</u>	<u>52,101</u>

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

**Schedule 1
(Continued)**

For the Fiscal Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Debt Service:				
Principal retirement:				
General government.....	\$ 335,000	335,000	335,000	-
Interest and fiscal charges:				
General government.....	<u>74,245</u>	<u>74,245</u>	<u>74,245</u>	-
Total debt service.....	<u>409,245</u>	<u>409,245</u>	<u>409,245</u>	-
Total expenditures.....	<u>8,854,408</u>	<u>7,817,680</u>	<u>7,506,089</u>	<u>311,591</u>
Excess of revenue over (under) expenditures.....	<u>2,403,573</u>	<u>986,424</u>	<u>1,425,075</u>	<u>438,651</u>
Other Financing Sources (Uses):				
Proceeds of long-term debt	-	-	239,698	239,698
Transfer to other funds.....	-	(1,178,361)	(433,576)	744,785
Appropriated fund balance.....	<u>(2,403,573)</u>	<u>191,937</u>	-	<u>(191,937)</u>
Total other financing sources (uses) ..	<u>(2,403,573)</u>	<u>(986,424)</u>	<u>(193,878)</u>	<u>792,546</u>
Net change in fund balance.....	-	-	1,231,197	1,231,197
Fund balance, beginning of year.....	<u>4,902,071</u>	<u>4,902,071</u>	<u>4,902,071</u>	-
Fund balance, end of year	<u>\$ 4,902,071</u>	<u>4,902,071</u>	<u>6,133,268</u>	<u>1,231,197</u>

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SOLID WASTE (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

Schedule 2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Charges for services:				
Garbage/solid waste services.....	\$ 1,206,348	1,206,348	1,228,265	21,917
Miscellaneous:				
Investment earnings.....	<u>4,200</u>	<u>4,200</u>	-	<u>(4,200)</u>
Total revenue.....	<u>1,210,548</u>	<u>1,210,548</u>	<u>1,228,265</u>	<u>17,717</u>
Expenditures:				
Physical Environment:				
Garbage/Solid Waste:				
Operating expenditures.....	<u>1,224,926</u>	<u>1,224,926</u>	<u>1,218,007</u>	<u>6,919</u>
Total expenditures.....	<u>1,224,926</u>	<u>1,224,926</u>	<u>1,218,007</u>	<u>6,919</u>
Excess of revenue over (under) expenditures.....	(14,378)	(14,378)	10,258	24,636
Other Financing Sources (Uses):				
Appropriated fund balance.....	<u>14,378</u>	<u>14,378</u>	-	<u>(14,378)</u>
Net change in fund balance.....	-	-	10,258	10,258
Fund balance, beginning of year.....	<u>438,111</u>	<u>438,111</u>	<u>438,111</u>	-
Fund balance, end of year.....	<u>\$ 438,111</u>	<u>438,111</u>	<u>448,369</u>	<u>10,258</u>

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING DISTRICT (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

Schedule 3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Permits and fees:				
Special assessments.....	\$ 391,537	391,537	394,436	2,899
Total revenue.....	391,537	391,537	394,436	2,899
Expenditures:				
Transportation:				
Road and Street Facilities:				
Operating expenditures.....	401,568	401,568	328,695	72,873
Total expenditures	401,568	401,568	328,695	72,873
Excess of revenue over (under) expenditures.....	(10,031)	(10,031)	65,741	75,772
Other Financing Sources (Uses):				
Appropriated fund balance.....	10,031	10,031	-	(10,031)
Net change in fund balance.....	-	-	65,741	65,741
Fund balance, beginning of year.....	376,950	376,950	376,950	-
Fund balance, end of year.....	\$ 376,950	376,950	442,691	65,741

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
ORLANDIA HEIGHTS NEIGHBORHOOD IMPROVEMENT
DISTRICT (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

Schedule 4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Permits and fees:				
Special assessments.....	\$ 94,050	118,180	96,422	(21,758)
Total revenue.....	94,050	118,180	96,422	(21,758)
Expenditures:				
Transportation:				
Road and Street Facilities:				
Operating expenditures.....	94,050	118,180	116,135	2,045
Total expenditures.....	94,050	118,180	116,135	2,045
Excess of revenue over (under) expenditures.....	-	-	(19,713)	(19,713)
Fund balance, beginning of year.....	21,357	21,357	21,357	-
Fund balance, end of year.....	\$ 21,357	21,357	1,644	(19,713)

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
STORM WATER MANAGEMENT (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

Schedule 5

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Permits and fees:				
Special assessments.....	\$ 833,450	798,272	827,578	29,306
Intergovernmental Revenue:				
Federal grants.....	-	-	181,484	181,484
Miscellaneous Revenue:				
Miscellaneous revenues.....	-	-	44,324	44,324
Total revenue.....	<u>833,450</u>	<u>798,272</u>	<u>1,053,386</u>	<u>255,114</u>
Expenditures:				
Public Safety:				
Emergency and Disaster Relief Services:				
Personal services.....	-	9,204	8,984	220
Operating expenditures.....	-	70,977	96,824	(25,847)
Total public safety.....	-	80,181	105,808	(25,627)
Physical Environment:				
Flood Control/Stormwater Management:				
Operating expenditures.....	5,500	108,500	179,997	(71,497)
Capital outlay.....	2,000,000	2,068,205	31,039	2,037,166
Total physical environment.....	<u>2,005,500</u>	<u>2,176,705</u>	<u>211,036</u>	<u>1,965,669</u>
Debt Service:				
Principal.....	214,469	214,469	214,469	-
Interest and fiscal charges.....	397,612	397,612	396,844	768
Total debt service.....	<u>612,081</u>	<u>612,081</u>	<u>611,313</u>	<u>768</u>
Total expenditures.....	<u>2,617,581</u>	<u>2,868,967</u>	<u>928,157</u>	<u>1,940,810</u>
Excess of revenue over (under) expenditures.....	(1,784,131)	(2,070,695)	125,229	2,195,924
Other Financing Sources (Uses):				
Transfers from other funds	-	187,018	600	(186,418)
Transfers to other funds.....	-	(30,861)	-	30,861
Appropriated fund balance.....	1,784,131	1,914,538	-	(1,914,538)
Total other financing sources (uses).....	<u>1,784,131</u>	<u>2,070,695</u>	<u>600</u>	<u>(2,070,095)</u>
Net change in fund balance.....	-	-	125,829	125,829
Fund balance, beginning of year.....	(77,135)	(77,135)	(77,135)	-
Fund balance, end of year.....	<u>\$ (77,135)</u>	<u>(77,135)</u>	<u>48,694</u>	<u>125,829</u>

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FRANCHISE FEES (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

Schedule 6

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Permits and fees:				
Special assessments.....	\$ 740,000	740,000	877,844	137,844
Total revenue.....	740,000	740,000	877,844	137,844
Expenditures:				
Transportation:				
Road and Street Facilities:				
Operating expenditures.....	230,452	230,452	184,461	45,991
Capital outlay.....	826,500	826,500	13,506	812,994
Total expenditures.....	1,056,952	1,056,952	197,967	858,985
Excess of revenue over (under) expenditures.....	(316,952)	(316,952)	679,877	996,829
Other Financing Sources (Uses):				
Appropriated fund balance.....	316,952	316,952	-	(316,952)
Net change in fund balance.....	-	-	679,877	679,877
Fund balance, beginning of year.....	1,345,893	1,345,893	1,345,893	-
Fund balance, end of year.....	\$ 1,345,893	1,345,893	2,025,770	679,877

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT OBLIGATION
For the Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

Schedule 7

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/1/2010	\$ -	\$ 9,409	\$ 9,409	0.00%	\$ 767,680	1.23%
10/1/2009	-	-	-	-	-	n/a
10/1/2008	-	-	-	-	-	n/a

The Town determined its OPEB obligation from the use of the alternative measurement method for employers with fewer than one hundred plan members, which has not been actuarily determined.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>Other Contribution</u>	<u>Percent Contributed</u>
9/30/2010	\$ 2,702	\$ -	\$ -	0.00%
9/30/2009	-	-	-	0.00%
9/30/2008	-	-	-	0.00%
9/30/2007	-	-	-	0.00%
9/30/2006	-	-	-	0.00%
9/30/2005	-	-	-	0.00%

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010
CITY OF DEBARY, FLORIDA

	Nonmajor Special		
	Recycle	Side Walk Improvement	Tree Preservation
Assets:			
Cash and cash equivalents.....	\$ 76,530	18,503	85,272
Accounts receivable.....	<u>3,957</u>	-	-
Total assets.....	<u>80,487</u>	<u>18,503</u>	<u>85,272</u>
Liabilities and Fund Balances:			
Total liabilities.....	-	-	-
Fund Balances:			
Reserved for:			
Recycling projects.....	80,487	-	-
Transportation improvements.....	-	18,503	-
Tree preservation and replacement.....	-	-	85,272
Parks and recreation improvements.....	-	-	-
Public building projects.....	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances.....	<u>80,487</u>	<u>18,503</u>	<u>85,272</u>
Total liabilities and fund balances.....	<u>\$ 80,487</u>	<u>18,503</u>	<u>85,272</u>

Exhibit A-1

Revenue Funds		
Park Benefit Impact Fee Trust Fund	Public Buildings Benefit Impact Fee Trust Fund	Total Nonmajor Governmental Funds
20,465	13,217	213,987
<u>-</u>	<u>-</u>	<u>3,957</u>
<u>20,465</u>	<u>13,217</u>	<u>217,944</u>
<u>-</u>	<u>-</u>	<u>-</u>
-	-	80,487
-	-	18,503
-	-	85,272
20,465	-	20,465
<u>-</u>	<u>13,217</u>	<u>13,217</u>
<u>20,465</u>	<u>13,217</u>	<u>217,944</u>
<u>20,465</u>	<u>13,217</u>	<u>217,944</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS**
 For the Fiscal Year Ended September 30, 2010
 CITY OF DEBARY, FLORIDA

	Nonmajor Special		
	Recycle	Side Walk Improvement	Tree Preservation
Revenue:			
Permits and fees.....	\$ -	4,500	-
Miscellaneous.....	<u>10,774</u>	<u>8,750</u>	<u>-</u>
Total revenue.....	<u>10,774</u>	<u>13,250</u>	<u>-</u>
Expenditures:			
Current:			
Physical Environment.....	-	-	1,985
Transportation.....	-	176	-
Capital Outlay:			
General government.....	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures.....	<u>-</u>	<u>176</u>	<u>1,985</u>
Excess of revenue over (under) expenditures.....	10,774	13,074	(1,985)
Fund balances, beginning of year.....	<u>69,713</u>	<u>5,429</u>	<u>87,257</u>
Fund balances, end of year.....	<u>\$ 80,487</u>	<u>18,503</u>	<u>85,272</u>

Exhibit A-2

Revenue Funds		
Park Benefit Impact Fee Trust Fund	Public Buildings Benefit Impact Fee Trust Fund	Total Nonmajor Governmental Funds
4,296	3,129	11,925
<u>-</u>	<u>-</u>	<u>19,524</u>
<u>4,296</u>	<u>3,129</u>	<u>31,449</u>
-	-	1,985
-	-	176
<u>-</u>	<u>11,885</u>	<u>11,885</u>
<u>-</u>	<u>11,885</u>	<u>14,046</u>
4,296	(8,756)	17,403
<u>16,169</u>	<u>21,973</u>	<u>200,541</u>
<u>20,465</u>	<u>13,217</u>	<u>217,944</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR RECYCLE (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2010
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.....	\$ 17,000	17,000	10,774	(6,226)
Investment earnings.....	<u>400</u>	<u>400</u>	<u>-</u>	<u>(400)</u>
Total revenue.....	<u>17,400</u>	<u>17,400</u>	<u>10,774</u>	<u>(6,626)</u>
Total expenditures.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over (under) expenditures.....	17,400	17,400	10,774	(6,626)
Other Financing Sources (Uses):				
Appropriated fund balance.....	<u>(17,400)</u>	<u>(17,400)</u>	<u>-</u>	<u>17,400</u>
Net change in fund balance.....	-	-	10,774	10,774
Fund balance, beginning of year.....	<u>69,713</u>	<u>69,713</u>	<u>69,713</u>	<u>-</u>
Fund balance, end of year.....	<u>\$ 69,713</u>	<u>69,713</u>	<u>80,487</u>	<u>10,774</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR SIDE WALK IMPROVEMENT (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

Exhibit B-2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Permits and fees:				
Planning development fees.....	\$ -	-	4,500	4,500
Miscellaneous Revenue:				
Miscellaneous revenue.....	-	-	8,750	8,750
Total revenue.....	-	-	13,250	13,250
Expenditures:				
Transportation:				
Road and Street Facilities:				
Operating expenditures.....	-	-	176	(176)
Total expenditures.....	-	-	176	(176)
Excess of revenue over (under) expenditures.....	-	-	13,074	13,426
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>18,503</u>	<u>13,426</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR TREE PRESERVATION (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2010
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.....	-	-	1,985	(1,985)
Total expenditures.....	-	-	1,985	(1,985)
Excess of revenue over (under) expenditures.....	-	-	(1,985)	(1,985)
Fund balance, beginning of year.....	<u>87,257</u>	<u>87,257</u>	<u>87,257</u>	-
Fund balance, end of year.....	<u>\$ 87,257</u>	<u>87,257</u>	<u>85,272</u>	<u>(1,985)</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR PARK BENEFIT IMPACT FEE TRUST (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

Exhibit B-4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Permits and fees:				
Impact fees.....	\$ -	3,006	4,296	1,290
Total revenue.....	-	3,006	4,296	1,290
Expenditures:				
Physical Environment:				
Conservation & Resource Management:				
Operating expenditures.....	-	7,504	-	7,504
Total expenditures.....	-	7,504	-	7,504
Excess of revenue over (under) expenditures.....	-	(4,498)	4,296	8,794
Other Financing Sources (Uses):				
Appropriated fund balance.....	-	4,498	-	(4,498)
Net change in fund balance.....	-	-	4,296	4,296
Fund balance, beginning of year.....	16,169	16,169	16,169	-
Fund balance, end of year.....	<u>\$ 16,169</u>	<u>16,169</u>	<u>20,465</u>	<u>4,296</u>

**BUDGETARY COMPARISON SCHEDULE
NONMAJOR PUBLIC BUILDINGS BENEFIT IMPACT FEE
TRUST (SPECIAL REVENUE) FUND**

Exhibit B-5

For the Fiscal Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Permits and fees:				
Impact fees.....	\$ -	1,530	3,129	1,599
Total revenue.....	-	1,530	3,129	1,599
Expenditures:				
General Government:				
Other General Government:				
Capital outlay.....	-	11,000	11,885	(885)
Total expenditures.....	-	11,000	11,885	(885)
Excess of revenue over (under) expenditures.....	-	(9,470)	(8,756)	714
Other Financing Sources (Uses):				
Appropriated fund balance.....	-	9,470	-	(9,470)
Net change in fund balance.....	-	-	(8,756)	(8,756)
Fund balance, beginning of year.....	21,973	21,973	21,973	-
Fund balance, end of year.....	<u>\$ 21,973</u>	<u>\$ 21,973</u>	<u>\$ 13,217</u>	<u>\$ (8,756)</u>

BUDGETARY COMPARISON SCHEDULE
FLOOD IMPROVEMENT CAPITAL PROJECT FUND
For the Fiscal Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

Exhibit C-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Intergovernmental Revenue:				
Federal grants.....	\$ -	5,676,743	4,313,453	(1,363,290)
Total revenue.....	-	5,676,743	4,313,453	(1,363,290)
Expenditures:				
Physical Environment:				
Flood Control/Stormwater Management:				
Capital outlay.....	-	6,668,086	5,242,668	1,425,418
Total expenditures.....	-	6,668,086	5,242,668	1,425,418
Excess of revenue over (under) expenditures.....	-	(991,343)	(929,215)	62,128
Other Financing Sources (Uses):				
Transfers from other funds.....	-	991,343	432,976	(558,367)
Net change in fund balance.....	-	-	(496,239)	(496,239)
Fund balance, beginning of year.....	(1,521,413)	(1,521,413)	(1,521,413)	-
Fund balance, end of year.....	<u>\$ (1,521,413)</u>	<u>\$ (1,521,413)</u>	<u>\$ (2,017,652)</u>	<u>\$ (496,239)</u>

BUDGETARY COMPARISON SCHEDULE
STORMWATER IMPROVEMENTS CAPITAL PROJECTS FUND
For the Fiscal Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

Exhibit C-2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Miscellaneous Revenue:				
Investment earnings.....	\$ -	-	7	7
Total revenue.....	-	-	7	7
Expenditures:				
Physical Environment:				
Flood Control/Stormwater Management:				
Capital outlay.....	-	2,614,135	2,368,413	245,722
Total expenditures.....	-	2,614,135	2,368,413	245,722
Excess of revenue over (under) expenditures.....	-	(2,614,135)	(2,368,406)	245,729
Other Financing Sources (Uses):				
Appropriated fund balance.....	-	2,614,135	-	(2,614,135)
Net change in fund balance.....	-	-	(2,368,406)	(2,368,406)
Fund balance, beginning of year.....	4,435,403	4,435,403	4,435,403	-
Fund balance, end of year.....	4,435,403	4,435,403	2,066,997	(2,368,406)

SUPPLEMENTAL AUDIT REPORTS

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended September 30, 2010

CITY OF DEBARY, FLORIDA

Federal Agency/ Pass-through Entity/ Federal Program	CFDA/ No.	Agency or Pass-through Grant No.	Expenditures
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>\$ 66,094</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	4,941
Nine Home Buyout.....	97.029	09FM-46-06-74-02-449	12,306
Hazard Mitigation Grant:			
West Side Project - Phase I (Note 4).....	97.039	07HM-4@-06-74-02-021	* 336,194
West Side Project - Phase II.....	97.039	10HM-12-06-74-02-008	* 3,471,114
Lakeside Gravity Outfall Project.....	97.039	10HM-88-06-74-02-001	* 29,574
Homeland Security Grant Program:			
CERT Program.....	97.067	09-CI-49-06-74-02-234	155
CERT Program.....	97.067	10-CI-43-09-46-02-287	<u>3,549</u>
Total U.S. Department of Homeland Security.....			<u>3,857,833</u>
Total Expenditures of Federal Awards.....			<u>\$ 3,923,927</u>

* Designates a major program

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2010

CITY OF DEBARY, FLORIDA

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activities 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 had no loan balances outstanding at September 30, 2010 from federal funding sources.

3. SUBRECIPIENTS

The City provided no federal awards to subrecipients for the fiscal year ended September 30, 2010.

4. PRIOR YEAR EXPENDITURES (U.S. DEPARTMENT OF HOMELAND SECURITY)

Subsequent to the fiscal year ended September 30, 2010, the State of Florida, Division of Emergency Management reviewed and approved the awarding of a supplemental grant contract amendment for HGMP DR-1545-079-R (State Project Number 1545-103), City of DeBary, Volusia County, Emergency Flood Management System, Phase I, Contract Modification #2. Under the supplemental modification of the subgrant agreement, the original agreement (which expired on January 31, 2008) was reinstated as though it had never expired and provides an administrative extension to reinstate the Agreement and retroactive Phase I Period of Performance to April 22, 2009. The administrative extension period of performance ends May 23, 2011.

Under the contract extension, eligible expenditures totaling \$445,303, that were incurred in previous fiscal years (FY 2008 and 2009), were retroactively approved as qualifying program expenditures. The Obligated Federal share of these eligible costs totaled \$333,977. An additional administrative allowance of \$2,217 was also included in the modification. As a result of this approved modification, expenditures totaling \$336,194 are included in the accompanying schedule of expenditures of federal awards.

5. CONTINGENCY

The grant revenues received are subject to audit and adjustment. If any expenditure is disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the City. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Compliance

We have audited City of DeBary, Florida's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2010. The City's major federal programs are identified in the summary of auditor's 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 the City's management. Our responsibility is to express an opinion on the City'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 the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

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

Internal Control over Compliance

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

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

to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program 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.

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

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, 2010, and have issued our report thereon dated May 31, 2011, 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 accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133, 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 the Mayor, City Council, management, and 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.



May 31, 2011

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS PROGRAMS
 Year Ended September 30, 2010
 CITY OF DEBARY, FLORIDA**

Part I — Summary of Auditor’s Results

Financial statements section

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> no

Federal awards section

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> none reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133

<u> </u> Yes	<u> X </u> no
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The programs/projects tested as major programs/projects included the following:

Federal Programs:	<u>Federal CFDA No.</u>
U.S. Department of Homeland Security Hazard Mitigation Grant	97.039

Dollar threshold used to distinguish between Type A and Type B programs:

Federal programs	<u>\$300,000</u>
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Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> no
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS PROGRAMS – (continued)**
Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

Part II — Financial Statement Findings Section

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards require reporting in a Circular A-133 audit.

No matters were identified.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS PROGRAMS – (continued)**
Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

Part III — Federal Award Findings and Questioned Costs Section

This section identifies the audit findings required to be reported by Circular A-133 section .510(a) (for example, material weaknesses, significant deficiencies, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program. Where practical, findings should be organized by federal agency or pass-through entity.

No matters were identified.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND CORRECTIVE ACTION PLAN**

Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

Part I - Prior Year Findings and Questioned Costs - Major Federal Programs

This section reports the status of any audit findings included in the prior audit’s schedule of findings and questioned costs relating to federal awards and state financial assistance, if applicable. This section also includes audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected or no longer valid or not warranting further action.

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

Condition and Context: Due to prior year testing and findings, we limited our examination to thirteen of the sixteen active Project Worksheets (PW) as found on the Florida Division of Emergency Management’s (the “Division”) website at 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.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND CORRECTIVE ACTION PLAN – (continued)**
Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

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.

Current Status: During the 2010 fiscal year, FEMA completed their audits and noted all discrepancies. Should the City have any future disasters, it will incorporate an event tracking system by setting up separate funds and/or general ledger accounts to facilitate the tracking of these event costs. This matter has been appropriately resolved.

08-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

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. On one PW (#1990 – 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.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND CORRECTIVE ACTION PLAN – (continued)**
Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

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.

Current Status: During the 2010 fiscal year, FEMA completed their audits and noted all discrepancies. Should the City have any future disasters, it will incorporate an event tracking system by setting up separate funds and/or general ledger accounts to facilitate the tracking of these event costs. This matter has been appropriately resolved.

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

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: This matter has been appropriately resolved.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND CORRECTIVE ACTION PLAN – (continued)**
Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

Part II – Corrective Action Plan

There are no audit findings for the year ended September 30, 2010 relative to federal programs that require corrective action on the part of the auditee.

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CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of DeBary, Florida (the "City"), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 31, 2011. 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 the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated May 31, 2011.

This report is intended solely for the information and use of the Mayor, City Council, management, others within the entity, the State of Florida Auditor General, and 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.

May 31, 2011

BM&C

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

MANAGEMENT LETTER

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

We have audited the financial statements of City of DeBary, Florida (the "City"), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated May 31, 2011.

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 Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditors' Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Federal Program and On Internal Control Over Compliance In Accordance With OMB Circular A-133, and On The Schedule Of Expenditures Of Federal Awards, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated May 31, 2011, 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 governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's 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. Findings and recommendations reported in the preceding annual financial report have been addressed or are no longer relevant.

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 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, we did not have any such findings.

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

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, we have reported any such recommendations in the accompanying pages under the headings *Prior Year Matters* and *Current Year Matters*.

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

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, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

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'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. As part of our assessment, we evaluated the results of financial indicators developed by the Office of the Auditor General for quantitative analysis. Of 13 financial indicators analyzed, we determined that 2 were favorable, 9 were unfavorable, and 2 were inconclusive. The results required further follow-up and qualitative analysis. The City has been deliberate in its efforts to cut costs and work within budget constraints. The City has elected to ratably increase ad valorem taxes to cover shortfalls while simultaneously implement programs to reduce personal service costs, operating costs, and capital expenditures. These actions have been employed to establish a more stable financial position, reduce reliance on debt, and to better manage the City's available non-ad valorem revenues. The City continues to monitor its liquidity and financial position.

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.



May 31, 2011

MANAGEMENT LETTER COMMENTS

Year Ended September 30, 2010
CITY OF DEBARY, FLORIDA

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:

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.*

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 each of the past three years, capital project costs incurred were in excess of the amount of revenues generated. As a result of these excess project costs, the Flood Improvement Capital Project Fund has developed a cumulative deficit net assets balance (\$2,017,652) 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 continue to recommend that you should consider performing a separate analysis of these construction expenditures to determine the amount of exposure (in the form of unreimbursed grant matching costs) the General Fund has incurred to date. To the extent these amounts can be determined, you should consider budgeting transfers from the participating funds sufficient to cover all costs until expected reimbursements can be determined in order to negate the current deficit.

Auditee Response: *The City is currently considering implementing comprehensive budget transfers representing 100% of 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.*

MANAGEMENT LETTER COMMENTS – (continued)

Year Ended September 30, 2010

CITY OF DEBARY, FLORIDA

Fund Equity and Reserves

During the prior year, the City incurred approximately \$5.5 million in unexpected and unanticipated expenditures directly related to responding to the unanticipated damages of a tropical storm and from the subsequent cleanup, pumping and displacement of storm waters through January 2009. In addition, the City entered into several grants during the prior 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 will ultimately be responsible for funding the difference through internally designated reserves. At the present time, 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.*

MANAGEMENT LETTER COMMENTS – (continued)

Year Ended September 30, 2010

CITY OF DEBARY, FLORIDA

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:

Other Postemployment Benefit Obligation

While the provisions of Governmental Accounting Standards Board Statement No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* were required to be implemented in the 2010 fiscal year, the City did not obtain an independent actuarial valuation to determine the OPEB obligation due to its potential estimated cost. In the absence of a professionally prepared actuarial study, it is difficult or impossible to estimate all of the potential liabilities created by this new requirement.

This new requirement has the potential for creating 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. Under state law, the City is required to permit retired employees to continue participation in the City's employee health insurance program, even though the participant must reimburse the City for 100% of the premium. Because a statutory composite rate is employed, an employer expense under the new GASB rules may be realized from the implicit rate subsidy that exists for retirees, which the GASB considers to be an OPEB

Recommendation: We recommend that management should consult with an OPEB actuary to determine what effect, if any, this Statement has 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 used the alternative measurement method available to employers with fewer than 100 plan members for the purpose of estimating this liability for the current year's audit. The City expects to consult with an independent actuary about the City's options in the future.

Uniform Accounting System Manual

During the past several years, the Florida Department of Financial Services, Bureau of Local Government has continued to revise the Uniform Accounting System Manual for Florida Municipalities. As a result, many of the mandatory general ledger account codes (which the City is required to follow) have been changed by the Department to promote financial reporting consistency among the state's local

MANAGEMENT LETTER COMMENTS – (continued)

Year Ended September 30, 2010

CITY OF DEBARY, FLORIDA

government reporting entities. This year, we noted that several of the City's accounting codes are not consistent with the provisions of the UAS Manual. The use of inconsistent account numbers and descriptions leads to extra time and effort needed in the preparation of all financial reports and in preparation of the Annual Financial Reports required to be submitted to the State. This also hampers the State's ability to make comparisons of the City's financial information with other local government units.

This condition is further complicated by the expanded use of multiple operating funds which are ultimately consolidated and rolled-up into other major operating funds for financial reporting purposes. The use of multiple funds, many of which are for insignificant financial activities, severely complicates the budgetary and financial reporting processes throughout the year, and especially at year-end.

Recommendation: We recommend that the Finance Department perform a comprehensive review of the City's individual fund general ledger chart of accounts to identify all nonconforming accounts to ensure that the City is in substantial conformance with the UAS Manual.

Auditee Response: The City has completed a comprehensive review of its chart of accounts and account codings to be in complete compliance with the UAS Manual.

Debt Compliance

In conjunction with several different Loan Agreements underlying the issuance of the City's general long-term debt, the City has covenanted to provide a copy of the audited financial statements for the preceding fiscal year to those institutional lenders at periods that range from no later than 180 days to 270 days from the end of the previous fiscal year. During the prior year, the City did not provide copies of the audited financial statements to the lenders in the time periods specified.

Recommendation: We recommend that the City should consider taking steps to ensure that it meets these debt covenant requirements in the future.

Auditee Response: The City will provide the necessary copies to its lenders within the time periods specified in the future.

Accrued Compensation (Personal Leave Time)

In accordance with the applicable provisions of the City's Personnel Policies and Procedures Manual, all City employees are required to use annually a minimum number of personal leave days, all of which are dependent on the individual's length of employment with the City. During the audit, we noted that five employees did not take the minimum amount of time off during the fiscal year, thereby increasing the City's liability for accrued compensatory time. As a result, accrued compensatory time that is carried over to subsequent years is increasing at a rate greater than the amount authorized and established by the City Council.

Recommendation: We recommend that the City should address this issue for the purpose of revising this policy, or consider taking steps to ensure compliance in the future.

Auditee Response: The City has implemented changes to its policies that require all employees to take their annual personal leave time, or forfeit it if not used by the end of the fiscal year.

MANAGEMENT LETTER COMMENTS – (continued)

Year Ended September 30, 2010

CITY OF DEBARY, FLORIDA

New Accounting Pronouncements

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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