

CITY OF DeBARY, FLORIDA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011



CITY COUNCIL

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JACK LENZEN, VICE MAYOR

CHRIS CARSON

DAN HUNT

NICK KOVAL

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, 2011, 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, 2011, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund, Solid Waste Fund, Stormwater Management Fund and Franchise Fee Fund 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 21, 2012, 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 other supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplementary 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 other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brent Milliken & Co., P.A.

May 21, 2012

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, 2011. 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 \$30.9 million, compared to \$26.6 million one year earlier. Of this amount, \$10.0 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- During 2011, gross revenues from governmental activities of the City decreased by approximately \$2.2 million to a total of \$14.0 million, compared to a total of \$16.2 million in 2010. Expenses for governmental activities totaled \$9.7 million in 2011 compared to \$10.4 million in 2010.
- The City's governmental funds reported combined ending fund balances of \$11.4 million at the end of the current fiscal year, an increase of \$2.0 million in comparison to a decrease of \$0.7 million reported at the end of the prior fiscal year. Approximately 32.9% of this amount or \$3.8 million is available for spending at the City's discretion (unassigned 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) increased by \$2.03 million in 2011 compared to a decrease of \$754,000 in 2010. This represents an increase of 21.7% above the prior year's net assets.
- At the end of the 2011 fiscal year, unassigned fund balance for the General Fund was \$4.1 million, or 56.8% of the total 2011 General Fund expenditures, which represents 207 days (or 6 $\frac{3}{4}$ months) of excess funds. This represents an increase of \$0.7 million above the amount reported at the end of 2010.

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 34.

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Solid Waste (special revenue) Fund, the Stormwater Management (special revenue) Fund, the Franchise Fees (special revenue) Fund, the Flood Improvement Capital Project Fund, the Stormwater Improvement Capital Projects Fund and the Road Improvement Capital Projects Fund, all of which are considered to be major funds. Data from the eight 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 and budgetary comparisons for the major governmental funds can be found on pages 26 to 38 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 41 to 61 of this report.

Required Supplementary 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. The required supplementary information includes the schedules of funding progress and employer contributions for the City's Other Postemployment Benefits Plan. Required supplementary information can be found on page 65 of this report.

Other Supplementary Information. This section includes the financial information containing the combining and individual fund schedules and budgetary comparisons for the City's major capital projects funds and its other nonmajor governmental funds. Other supplemental information can be found on pages 69 to 85 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 \$26,591,316 to \$30,916,734, which represents an increase of \$4,325,418, or 16.3%, over amounts reported last year. Of this amount, approximately 67.7% 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 \$9,995,487 at the end of 2011.

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

Net Assets		<u>Governmental Activities</u>	
September 30, 2011 and 2010		<u>2011</u>	<u>2010</u>
Assets:			
Current and other assets.....	\$ 12,305,982	\$ 11,490,692	
Capital assets, net.....	<u>30,812,375</u>	<u>29,128,391</u>	
Total assets.....	<u>43,118,357</u>	<u>40,619,083</u>	
Liabilities:			
Long-term liabilities outstanding.....	11,526,931	11,992,400	
Other liabilities.....	<u>674,692</u>	<u>2,035,367</u>	
Total liabilities.....	<u>12,201,623</u>	<u>14,027,767</u>	
Net assets:			
Invested in capital assets, net of related debt.....	19,393,177	17,138,693	
Restricted.....	1,528,070	2,895,679	
Unrestricted.....	<u>9,995,487</u>	<u>6,556,944</u>	
Total net assets.....	<u>\$ 30,916,734</u>	<u>\$ 26,591,316</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 2011, the City's combined net assets increased by \$4,325,418, or 16.3% over the amount reported in the prior year. During this same period, the City's total revenues decreased by \$2,158,148 to a total of \$14,034,883, compared to a total of \$16,193,031 in 2010. This decrease is due primarily to a net decrease in charges for services, operating grants and capital grants/other. In 2011, revenues received from property and other taxes declined \$75,900. During this same period, the combination of revenues received from other governments, franchise fees, investment earnings and earnings from all other sources increased moderately by \$57,663.

During 2011, approximately 29.9% of the City's total revenue came from property taxes, and approximately 53.8 cents (compared to 47.1 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 18.0% of the City's revenues are received in the form of operating grants, capital grants and contributions. Another

17.4% came from fees charged for services, while most of the rest is state and federal shared revenues and other miscellaneous earnings (10.8%).

Expenses incurred to operate the City declined by \$663,046 in 2011, as was anticipated by management in the development of current year budget appropriations. Overall, combined governmental activities expenses totaled \$9.7 million in 2011, compared to \$10.4 million one year earlier. Expense control measures employed in 2011 were realized in virtually all of the City's operational cost centers. Overall individual departmental expenses declined by amounts ranging from a low of 4.9% (culture/recreation) to a high of 8.6% (physical environment) compared to 2010. The largest departmental monetary decrease was recognized in the City's public safety expenses which dropped by \$737,778 in 2011.

The following is a summary of changes in net assets for the year ended September 30, 2011 and 2010:

Changes in Net Assets
For the Years Ended September 30, 2011 and 2010

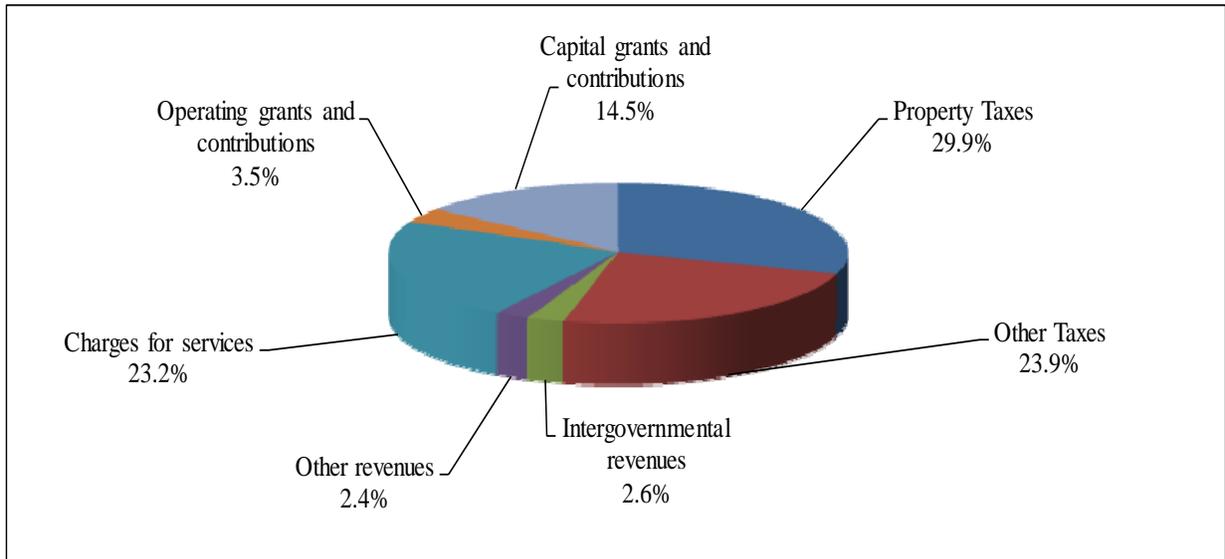
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services.....	\$ 2,436,218	\$ 2,917,332
Operating grants/other.....	489,892	288,114
Capital grants/other.....	2,040,184	3,900,759
General revenues:		
Property taxes.....	4,194,367	4,179,016
Other taxes.....	3,353,666	3,444,917
Franchise fees.....	818,664	877,844
Intergovernmental.....	366,372	349,791
Other revenues.....	<u>335,520</u>	<u>235,258</u>
Total revenues.....	<u>14,034,883</u>	<u>16,193,031</u>
Expenses:		
General government.....	1,385,855	1,299,940
Public safety.....	4,271,656	5,009,434
Physical environment.....	1,743,309	1,604,579
Transportation.....	1,086,708	1,167,249
Culture/recreation.....	766,821	806,540
Interest on long-term debt.....	<u>455,116</u>	<u>484,769</u>
Total expenses.....	<u>9,709,465</u>	<u>10,372,511</u>
Increase (decrease) in net assets.....	4,325,418	5,820,520
Net assets, beginning of year.....	<u>26,591,316</u>	<u>20,770,796</u>
Net assets, end of year.....	<u>\$ 30,916,734</u>	<u>\$ 26,591,316</u>

Governmental Activities

Revenues for the City's governmental activities experienced a decrease during 2011. Overall, the City's governmental revenues totaled \$14,034,883, which represents a decrease of \$2,158,148, or 13.32% under last year's reported governmental revenues totaling \$16,193,031. This decrease was attributable to a decrease in Program Revenues (capital grants/other) in the amount of \$1,860,575 that was relative to ongoing stormwater and infrastructure projects. The City also experienced a slight decrease in property taxes and other taxes of \$75,900, while other revenues remained fairly constant.

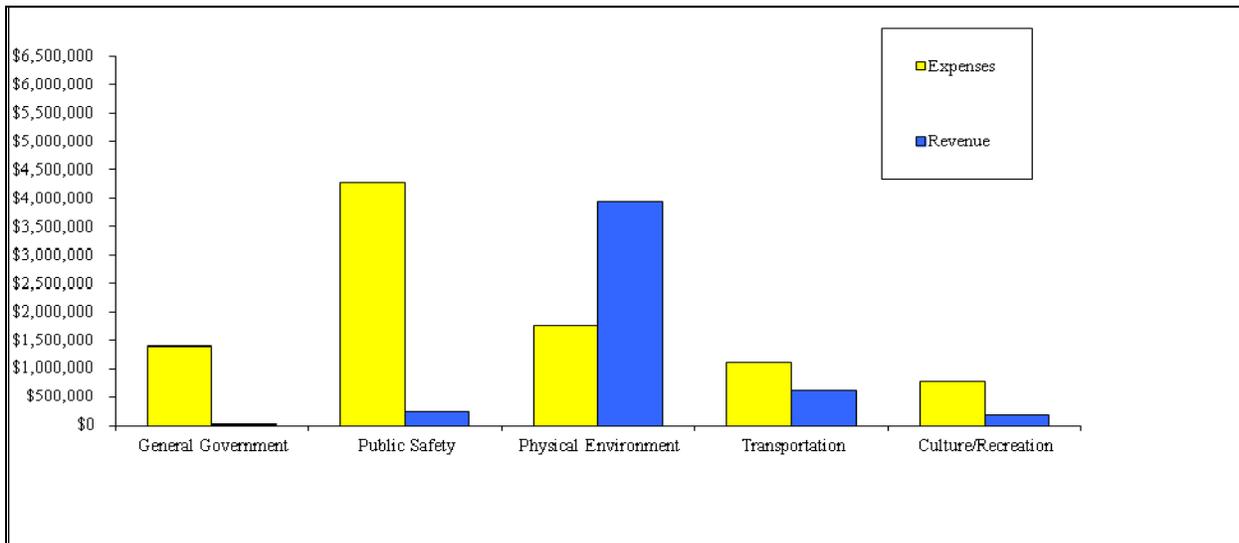
The City's governmental revenues are illustrated by source as follows:

Revenues by Source - Governmental Activities



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

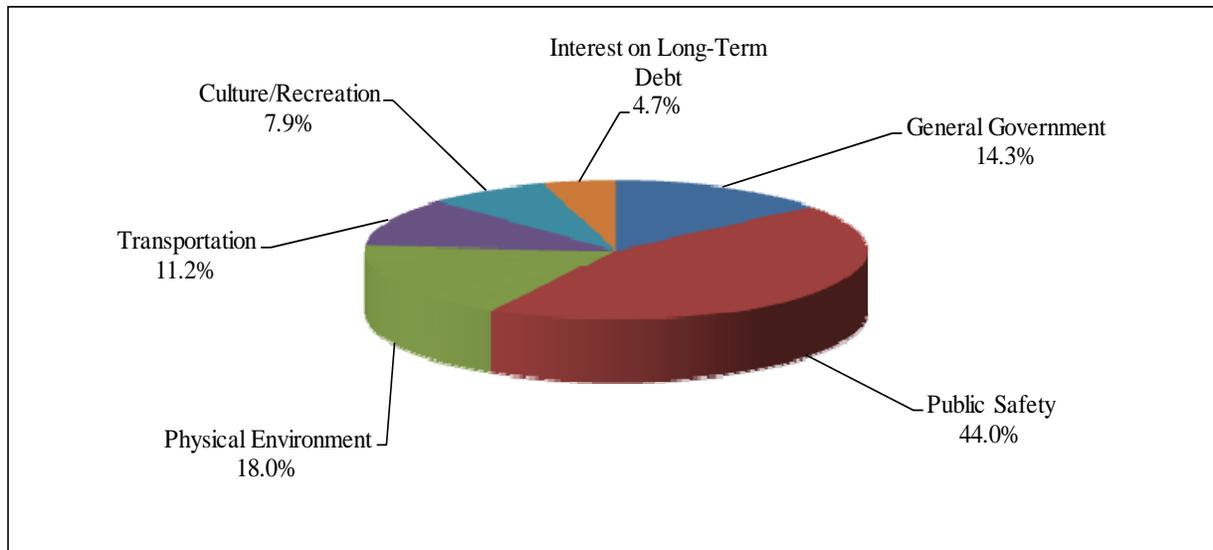
Expenses and Program Revenues - Governmental Activities



Expenses for the City's governmental activities totaled \$9,709,465 for fiscal 2011, which represents a decrease of \$663,046 or 6.4% under last year's reported governmental expenditures totaling \$10,372,511. 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 \$11,399,937 which was \$2,032,212, or 21.7%, greater than the \$9,367,725 reported last year. Approximately 32.9% of this amount (\$3,752,406) constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for spending as follows:

Nonspendable – Net asset amounts totaling \$2,636,368 have been designated as nonspendable since they 1) reflect the costs for payments for prepaid expenses carried over to the subsequent year (\$64,553), and 2) reflect advances to other funds that are long-term in nature (\$2,571,815);

Restricted – Net asset amounts totaling \$1,528,070 have been designated as restricted through externally imposed constraints since they are 1) bond proceeds restricted to finance stormwater improvement projects (\$1,420,504), 2) public safety-building inspection fees that are restricted and can only be used for inspection related activities (\$63,321), 3) impact fees that are restricted

and can only be used for parks and recreation improvement projects (\$17,147), and 4) impact fees that are restricted and can only be used for public building projects (\$27,098);

Committed – Net asset amounts totaling \$2,864,105 have been designated as committed from constraints imposed by the City Council since they can only be used 1) to finance specialized transportation (franchise Fees and Orlandia Heights Neighborhood Improvement District) costs and street lighting district costs (\$2,851,336), and 2) to fund economic opportunity projects (\$12,739) as designated by the Council;

Assigned – Net asset amounts totaling \$619,018 have been designated as assigned based on the City Council’s intent that these funds be used for the specific purpose of 1) financing the operating costs of the City’s solid waste program (\$403,675), stormwater management program (\$111,497), and recycling program, 2) for designated sidewalk improvements (\$1,012), and 3) for a tree preservation program (\$79,097); and

Unassigned – Net asset amounts totaling \$3,752,406 represents all residual amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund.

The general fund is the chief operating fund of the City. As of September 30, 2011, the unassigned fund balance in the general fund totaled \$4,147,634, while total fund balance was \$6,839,656. 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. Unassigned fund balance represents 56.8% of total general fund expenditures (\$7,297,552), while total fund balance represents 93.7% of that same amount. City officials have established a target threshold of 100% in unassigned funds compared to General Fund expenditures. The City failed to meet its target threshold by 6.3%.

General Fund Budgetary Highlights

In fiscal year 2011, 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 grant related reimbursements, due to timing differences and decreases in intergovernmental revenues. Revenue projections were \$509,101 less than the revenues recognized during 2011. Actual expenditures in the General Fund for the current fiscal year were \$7,239,600 less than the budgetary amounts appropriated.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2011, the City had \$30,812,375 invested in a broad range of capital assets, including land, buildings, park facilities, public works infrastructure and general government machinery and equipment, compared to \$29,128,391 one year earlier. During 2011, the significant portion of the net increase was due to stormwater projects being completed and moved from construction in progress to infrastructure.

This overall investment in capital assets, net of depreciation, for all governmental activities is reflected in the following schedule:

Capital Assets September 30, 2011 and 2010

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land.....	\$ 5,908,425	\$ 5,908,425
Construction in progress.....	9,874,300	12,376,930
Buildings.....	3,342,970	3,340,353
Infrastructure.....	14,940,710	10,014,796
Machinery and equipment.....	<u>1,320,902</u>	<u>1,271,998</u>
	35,387,307	32,912,502
Accumulated depreciation.....	<u>(4,574,932)</u>	<u>(3,784,111)</u>
Net investment in capital assets.....	<u>\$ 30,812,375</u>	<u>\$ 29,128,391</u>

General Long-term Debt. At year end, the City had \$11,375,390 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 \$53,483 appearing in the assets.

The following is a summary of the City's general long-term debt at year end:

General Long-Term Debt September 30, 2011 and 2010

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Capital lease obligation.....	\$ 195,390	\$ 239,698
Notes Payable:		
Series 2006 Revenue Note.....	4,805,000	4,875,000
Series 2007 Revenue Note.....	1,525,000	1,875,000
Series 2009 Revenue Note.....	<u>4,850,000</u>	<u>5,000,000</u>
	11,375,390	11,989,698
Other postemployment benefit obligation.....	5,398	2,702
Compensated absences.....	<u>146,143</u>	<u>133,833</u>
General long-term debt.....	<u>\$ 11,526,931</u>	<u>\$ 12,126,233</u>

At year end, the City had a commitment to fund future earned, but unpaid, employee personal leave of \$146,143.

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 10.9% at the end of August 2011, which is slightly lower than the 12.5% rate experienced one year earlier. These estimates are consistent with the State of Florida 10.9% and 12.0% unemployment rates at August 2011 and 2010, respectively.
- Property tax revenue in fiscal year 2012 is expected to be slightly less than the ad valorem taxes collected in fiscal year 2011. Based on state forecasts other state shared revenues are expected to decline due to a severe downward economy and valuation of property.
- 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 2011-2012 year's budget includes appropriations of \$9.1 million for the General Fund, \$4.1 million for the City's nine special revenue funds, and \$4.7 million for the two capital projects funds, for a combined total of \$17.9 million. The City Council continued with a revised ad-valorem tax rate of 2.99 mills (2011 tax levy) in Fiscal 2012, which is less than the rolled-back rate of 3.09 mills.

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.

BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET ASSETS

September 30, 2011

CITY OF DEBARY, FLORIDA

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
<hr/>	
Assets:	
Equity in pooled cash and investments.....	\$ 9,662,075
Investments.....	1,396,382
Receivables, net of allowance for uncollectible accounts.....	277,235
Due from other governments.....	852,254
Prepaid expenses.....	64,553
Unamortized debt issuance costs.....	53,483
Capital assets:	
Land and construction in progress.....	15,782,725
Other capital assets, net of depreciation.....	<u>15,029,650</u>
 Total assets	 <u>43,118,357</u>
Liabilities:	
Accounts payable and accrued liabilities.....	523,950
Customer deposits and unearned income.....	400
Accrued interest payable.....	150,342
Bonds, notes, and other payables:	
Due or payable within one year.....	829,862
Due or payable in more than one year.....	<u>10,697,069</u>
 Total liabilities	 <u>12,201,623</u>
Net assets:	
Invested in capital assets net of related debt	19,393,177
Restricted for:	
Public safety-inspection fees.....	63,321
Bond funds-stormwater improvements.....	1,420,504
Public Buildings Benefit impact fees.....	17,147
Park Benefit impact fees.....	27,098
Other purposes.....	-
Unrestricted	<u>9,995,487</u>
 Total net assets	 <u>\$ 30,916,734</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, 2011

CITY OF DEBARY, FLORIDA

	Expenses	Program Revenue			Primary Government
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government.....	\$ 1,385,855	1,925	-	-	(1,383,930)
Public safety.....	4,271,656	241,017	-	-	(4,030,639)
Transportation.....	1,086,708	39,016	470,342	102,431	(474,919)
Physical environment.....	1,743,309	2,097,500	19,550	1,814,690	2,188,431
Culture/recreation.....	766,821	56,760	-	123,063	(586,998)
Interest on long-term debt	<u>455,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(455,116)</u>
Total primary government.....	<u>\$ 9,709,465</u>	<u>2,436,218</u>	<u>489,892</u>	<u>2,040,184</u>	<u>(4,743,171)</u>
General revenues:					
Property taxes.....					4,194,367
Sales taxes.....					771,921
Local option gas taxes.....					448,135
Public service taxes.....					2,098,468
Other taxes.....					35,142
Franchise fees.....					818,664
State revenue sharing.....					343,182
Other intergovernmental revenues.....					23,190
Investment earnings.....					46,341
Miscellaneous revenue.....					<u>289,179</u>
Total general revenues and transfers.....					<u>9,068,589</u>
Change in net assets.....					4,325,418
Net assets - beginning of year.....					<u>26,591,316</u>
Net assets - ending.....					<u>\$ 30,916,734</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2011
CITY OF DEBARY, FLORIDA

	General	Solid Waste	Stormwater Management	Franchise Fees
Assets:				
Equity in pooled cash and investments.....	\$ 2,559,934	504,836	420,886	2,306,599
Investments.....	1,396,381	-	-	-
Receivables (net).....	175,890	-	-	91,410
Due from other funds.....	-	-	-	-
Advance to other funds.....	2,571,815	-	-	-
Due from other governments.....	242,249	-	-	-
Prepays.....	<u>56,886</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets.....	<u>\$ 7,003,155</u>	<u>504,836</u>	<u>420,886</u>	<u>2,398,009</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities.	\$ 134,042	101,161	8,018	13,829
Deferred revenue.....	27,241	-	301,371	-
Due to other funds.....	2,216	-	-	-
Advance from other funds.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities.....	<u>163,499</u>	<u>101,161</u>	<u>309,389</u>	<u>13,829</u>
Fund Balances:				
Nonspendable:				
Prepaid items.....	56,886	-	-	-
Advances to other funds.....	2,571,815	-	-	-
Restricted:				
Public safety-inspection fees.....	63,321	-	-	-
Bond funds-stormwater improvements....	-	-	-	-
Public buildings benefit impact fees.....	-	-	-	-
Park benefit impact fees.....	-	-	-	-
Committed:				
Franchise fees.....	-	-	-	2,384,180
Street lighting.....	-	-	-	-
Orlandia Heights improvements.....	-	-	-	-
Economic opportunity.....	-	-	-	-
Assigned:				
Solid waste.....	-	403,675	-	-
Stormwater management.....	-	-	111,497	-
Other purposes.....	-	-	-	-
Unassigned.....	<u>4,147,634</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances.....	<u>6,839,656</u>	<u>403,675</u>	<u>111,497</u>	<u>2,384,180</u>
Total liabilities and fund balances ...	<u>\$ 7,003,155</u>	<u>504,836</u>	<u>420,886</u>	<u>2,398,009</u>

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

Flood Improvement	Stormwater Improvement	Road Improvement	Nonmajor Governmental Funds	Total Governmental Funds
1,779,818	1,438,031	-	651,971	9,662,075
-	1	-	-	1,396,382
-	-	-	9,935	277,235
-	2,216	-	-	2,216
-	-	-	-	2,571,815
510,274	-	99,731	-	852,254
-	-	-	7,667	64,553
<u>2,290,092</u>	<u>1,440,248</u>	<u>99,731</u>	<u>669,573</u>	<u>14,826,530</u>
109,507	19,744	103,729	33,920	523,950
-	-	-	-	328,612
-	-	-	-	2,216
<u>2,571,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,571,815</u>
<u>2,681,322</u>	<u>19,744</u>	<u>103,729</u>	<u>33,920</u>	<u>3,426,593</u>
-	-	-	7,667	64,553
-	-	-	-	2,571,815
-	-	-	-	63,321
-	1,420,504	-	-	1,420,504
-	-	-	27,098	27,098
-	-	-	17,147	17,147
-	-	-	-	2,384,180
-	-	-	444,411	444,411
-	-	-	22,745	22,745
-	-	-	12,739	12,739
-	-	-	-	403,675
-	-	-	-	111,497
-	-	-	103,846	103,846
<u>(391,230)</u>	<u>-</u>	<u>(3,998)</u>	<u>-</u>	<u>3,752,406</u>
<u>(391,230)</u>	<u>1,420,504</u>	<u>(3,998)</u>	<u>635,653</u>	<u>11,399,937</u>
<u>2,290,092</u>	<u>1,440,248</u>	<u>99,731</u>	<u>669,573</u>	<u>14,826,530</u>

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

September 30, 2011

CITY OF DEBARY, FLORIDA

Fund balances - total governmental funds		\$ 11,399,937
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.....		30,812,375
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds. They consist of the following:		
Delinquent property taxes receivable.....		21,696
Unamortized debt issuance costs.....		53,483
Revenues deferred in governmental activities are recognized in the period in which they are earned, regardless of the date of their anticipated receipt.....		306,516
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities and other debt related deferred charges consist of the following:		
Bonds and notes payable.....	(11,375,390)	
Accrued interest payable.....	(150,342)	
Actuarially computed other post-employment benefits obligation.....	(5,398)	
Compensated absences.....	(146,143)	<u>(11,677,273)</u>
Net assets of governmental activities.....		<u>\$ 30,916,734</u>

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

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

For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	General	Solid Waste	Stormwater Management	Franchise Fees
Revenue:				
Taxes.....	\$ 6,759,791	-	-	-
Permits and fees.....	191,567	-	817,534	818,664
Intergovernmental.....	1,376,394	-	-	-
Charges for services	130,905	1,275,416	-	-
Fines and forfeitures.....	16,246	-	-	-
Miscellaneous.....	291,191	-	44,324	-
Total revenue.....	8,766,094	1,275,416	861,858	818,664
Expenditures:				
Current:				
General Government:				
Mayor and Council.....	98,482	-	-	-
City Manager.....	375,984	-	-	-
Finance and administration.....	213,792	-	-	-
Legal.....	120,125	-	-	-
Planning/Community Development.....	159,826	-	-	-
Nondepartmental.....	271,426	-	-	-
	<u>1,239,635</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public Safety:				
Law enforcement.....	2,842,947	-	-	-
Fire safety.....	976,025	-	-	-
Protective inspection.....	260,641	-	-	-
Emergency and disaster relief.....	156,629	-	153	-
	<u>4,236,242</u>	<u>-</u>	<u>153</u>	<u>-</u>
Physical environment.....	-	1,320,110	189,912	-
Transportation.....	247,359	-	-	210,854
Culture/recreation	1,108,769	-	-	-
Capital Outlay:				
Transportation.....	-	-	-	-
Physical environment	-	-	-	-
Debt Service:				
Principal retirement	394,308	-	220,000	-
Interest and fiscal charges.....	71,239	-	385,665	-
Total expenditures.....	7,297,552	1,320,110	795,730	210,854

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

Flood Improvement	Stormwater Improvement	Road Improvement	Nonmajor Governmental Funds	Total Governmental Funds
-	-	-	12,739	6,772,530
-	-	-	480,905	2,308,670
1,689,090	-	102,431	-	3,167,915
-	-	-	-	1,406,321
-	-	-	-	16,246
-	3	-	19,550	355,068
<u>1,689,090</u>	<u>3</u>	<u>102,431</u>	<u>513,194</u>	<u>14,026,750</u>
-	-	-	-	98,482
-	-	-	-	375,984
-	-	-	-	213,792
-	-	-	-	120,125
-	-	-	-	159,826
-	-	-	-	271,426
-	-	-	-	1,239,635
-	-	-	-	2,842,947
-	-	-	-	976,025
-	-	-	-	260,641
-	-	-	-	156,782
-	-	-	-	4,236,395
-	-	-	-	1,510,022
-	-	-	463,520	921,733
-	-	-	-	1,108,769
-	-	1,069,606	-	1,069,606
187,345	649,821	-	-	837,166
-	-	-	-	-
-	-	-	-	614,308
-	-	-	-	456,904
<u>187,345</u>	<u>649,821</u>	<u>1,069,606</u>	<u>463,520</u>	<u>11,994,538</u>

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - (Continued)
For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	General	Solid Waste	Stormwater Management	Franchise Fees
Excess of revenue over (under) expenditures.....	\$ <u>1,468,542</u>	<u>(44,694)</u>	<u>66,128</u>	<u>607,810</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out.....	<u>(762,154)</u>	<u>-</u>	<u>(3,325)</u>	<u>(249,400)</u>
Total other financing sources (uses).	<u>(762,154)</u>	<u>-</u>	<u>(3,325)</u>	<u>(249,400)</u>
Net changes in fund balances.....	706,388	(44,694)	62,803	358,410
Fund balances, beginning of year	<u>6,133,268</u>	<u>448,369</u>	<u>48,694</u>	<u>2,025,770</u>
Fund balances, end of year	<u>\$ 6,839,656</u>	<u>403,675</u>	<u>111,497</u>	<u>2,384,180</u>

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

Flood Improvement	Stormwater Improvement	Road Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<u>1,501,745</u>	<u>(649,818)</u>	<u>(967,175)</u>	<u>49,674</u>	<u>2,032,212</u>
124,677	3,325	963,177	-	1,091,179
<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,300)</u>	<u>(1,091,179)</u>
<u>124,677</u>	<u>3,325</u>	<u>963,177</u>	<u>(76,300)</u>	<u>-</u>
1,626,422	(646,493)	(3,998)	(26,626)	2,032,212
<u>(2,017,652)</u>	<u>2,066,997</u>	<u>-</u>	<u>662,279</u>	<u>9,367,725</u>
<u><u>(391,230)</u></u>	<u><u>1,420,504</u></u>	<u><u>(3,998)</u></u>	<u><u>635,653</u></u>	<u><u>11,399,937</u></u>

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

For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

Net change in fund balances - total governmental funds..... \$ 2,032,212

Differences in amounts reported for governmental activities in the statement of activities are:

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.

Capital outlay expenditures.....	2,478,405
Depreciation expense.....	(794,421)

Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net assets. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net assets. These amounts are as follows:

Principal repayment of general long-term debt.....	614,308
Amortization of loan costs.....	(11,964)

Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds (change in deferred revenue).....	8,132
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:

Change in accrued interest on bonds and notes payable.....	13,752
Change in compensated absences liabilities.....	(12,310)
Change in actuarially computed OPEB obligation.....	<u>(2,696)</u>

Change in net assets of governmental activities.....	<u>\$ 4,325,418</u>
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The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND**
For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Taxes.....	\$ 6,526,379	6,526,379	6,759,791	233,412
Permits, fees and special assessments	188,700	188,700	191,567	2,867
Intergovernmental.....	1,809,474	1,809,474	1,376,394	(433,080)
Charges for services	246,959	246,959	130,905	(116,054)
Fines and forfeitures.....	56,000	56,000	16,246	(39,754)
Miscellaneous.....	<u>447,683</u>	<u>447,683</u>	<u>291,191</u>	<u>(156,492)</u>
Total revenue.....	<u>9,275,195</u>	<u>9,275,195</u>	<u>8,766,094</u>	<u>(509,101)</u>
Expenditures:				
General Government:				
Mayor and Council.....	179,815	179,815	98,482	81,333
City Manager.....	401,505	401,505	375,984	25,521
Finance and administration.....	232,779	232,779	213,792	18,987
Legal.....	198,800	198,800	120,125	78,675
Planning and community development.....	178,605	178,605	159,826	18,779
Nondepartmental.....	<u>6,697,384</u>	<u>6,693,674</u>	<u>271,426</u>	<u>6,422,248</u>
	<u>7,888,888</u>	<u>7,885,178</u>	<u>1,239,635</u>	<u>6,645,543</u>
Public Safety:				
Law enforcement.....	2,845,959	2,845,959	2,842,947	3,012
Fire safety.....	1,205,555	1,205,555	976,025	229,530
Protective inspection.....	265,255	268,965	260,641	8,324
Emergency and disaster relief.....	<u>161,735</u>	<u>161,735</u>	<u>156,629</u>	<u>5,106</u>
	<u>4,478,504</u>	<u>4,482,214</u>	<u>4,236,242</u>	<u>245,972</u>
Transportation.....	<u>531,157</u>	<u>531,157</u>	<u>247,359</u>	<u>283,798</u>
Culture/recreation	<u>1,173,056</u>	<u>1,173,056</u>	<u>1,108,769</u>	<u>64,287</u>
Debt Service:				
Principal retirement	394,308	394,308	394,308	-
Interest and fiscal charges.....	<u>71,239</u>	<u>71,239</u>	<u>71,239</u>	<u>-</u>
	<u>465,547</u>	<u>465,547</u>	<u>465,547</u>	<u>-</u>
Total expenditures.....	<u>14,537,152</u>	<u>14,537,152</u>	<u>7,297,552</u>	<u>7,239,600</u>
Excess of revenue over (under) expenditures.....	<u>(5,261,957)</u>	<u>(5,261,957)</u>	<u>1,468,542</u>	<u>6,730,499</u>
Other Financing Sources (Uses):				
Appropriated fund balance.....	6,347,810	6,347,810	-	(6,347,810)
Transfers out.....	<u>(1,085,853)</u>	<u>(1,085,853)</u>	<u>(762,154)</u>	<u>323,699</u>
Total other financing sources (uses).....	<u>5,261,957</u>	<u>5,261,957</u>	<u>(762,154)</u>	<u>(6,024,111)</u>
Net changes in fund balances.....	-	-	706,388	706,388
Fund balances, beginning of year	<u>6,133,268</u>	<u>6,133,268</u>	<u>6,133,268</u>	<u>-</u>
Fund balances, end of year	<u>\$ 6,133,268</u>	<u>6,133,268</u>	<u>6,839,656</u>	<u>706,388</u>

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

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES BUDGET AND ACTUAL - SOLID WASTE (SPECIAL REVENUE) FUND**
For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Charges for services.....	\$ 1,252,746	1,252,746	1,275,416	22,670
Total revenue.....	1,252,746	1,252,746	1,275,416	22,670
Expenditures:				
Current:				
Physical environment	1,318,890	1,318,890	1,320,110	(1,220)
Total expenditures.....	1,318,890	1,318,890	1,320,110	(1,220)
Excess of revenue over (under) expenditures.....	(66,144)	(66,144)	(44,694)	21,450
Other Financing Sources (Uses):				
Appropriated fund balance.....	66,144	66,144	-	(66,144)
Total other financing sources (uses).	66,144	66,144	-	(66,144)
Net changes in fund balances.....	-	-	(44,694)	(44,694)
Fund balances, beginning of year	448,369	448,369	448,369	-
Fund balances, end of year	\$ 448,369	448,369	403,675	(44,694)

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

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL - STORMWATER MANAGEMENT (SPECIAL REVENUE) FUND**
For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Permits, fees and special assessments	\$ 833,450	833,450	817,534	(15,916)
Miscellaneous.....	<u>-</u>	<u>-</u>	<u>44,324</u>	<u>44,324</u>
Total revenue.....	<u>833,450</u>	<u>833,450</u>	<u>861,858</u>	<u>28,408</u>
Expenditures:				
Public Safety:				
Emergency and disaster relief.....	<u>-</u>	<u>-</u>	<u>153</u>	<u>(153)</u>
Physical environment.....	<u>304,626</u>	<u>304,626</u>	<u>189,912</u>	<u>114,714</u>
Debt Service:				
Principal retirement	220,000	220,000	220,000	-
Interest and fiscal charges.....	<u>385,561</u>	<u>385,561</u>	<u>385,665</u>	<u>(104)</u>
	<u>605,561</u>	<u>605,561</u>	<u>605,665</u>	<u>(104)</u>
Total expenditures.....	<u>910,187</u>	<u>910,187</u>	<u>795,730</u>	<u>114,457</u>
Excess of revenue over (under) expenditures.....	<u>(76,737)</u>	<u>(76,737)</u>	<u>66,128</u>	<u>142,865</u>
Other Financing Sources (Uses):				
Transfers in	20,000	20,000	-	(20,000)
Appropriated fund balance.....	56,737	56,737	-	(56,737)
Transfers out.....	<u>-</u>	<u>-</u>	<u>(3,325)</u>	<u>(3,325)</u>
Total other financing sources (uses).	<u>76,737</u>	<u>76,737</u>	<u>(3,325)</u>	<u>(80,062)</u>
Net changes in fund balances.....	-	-	62,803	62,803
Fund balances, beginning of year	<u>48,694</u>	<u>48,694</u>	<u>48,694</u>	<u>-</u>
Fund balances, end of year	<u>\$ 48,694</u>	<u>48,694</u>	<u>111,497</u>	<u>62,803</u>

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

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES BUDGET AND ACTUAL - FRANCHISE FEES (SPECIAL REVENUE) FUND**
For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Permits, fees and special assessments	\$ 740,000	740,000	818,664	78,664
Total revenue.....	740,000	740,000	818,664	78,664
Expenditures:				
Capital Outlay:				
Transportation.....	635,900	635,900	210,854	425,046
Total expenditures.....	635,900	635,900	210,854	425,046
Excess of revenue over (under) expenditures.....	104,100	104,100	607,810	503,710
Other Financing Sources (Uses):				
Appropriated fund balance.....	103,157	103,157	-	(103,157)
Transfers out.....	(207,257)	(207,257)	(249,400)	(42,143)
Total other financing sources (uses).	(104,100)	(104,100)	(249,400)	(145,300)
Net changes in fund balances.....	-	-	358,410	358,410
Fund balances, beginning of year	2,025,770	2,025,770	2,025,770	-
Fund balances, end of year	\$ 2,025,770	2,025,770	2,384,180	358,410

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, 2011

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, 2011

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, 2011

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/solid waste pickup and removal.

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.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

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.

Road Capital Projects Fund - This is a capital projects fund used to account for special road and other transportation improvement projects throughout the City as approved by the Council, which are funded through federal and state grants

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 Street Lighting District, Orlandia Heights Neighborhood Improvement District, Recycling Fund, Sidewalk Improvement Fund, Tree Preservation Fund, Economic Opportunity 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.

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

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, 2011

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.

All unpaid property taxes receivable at year end are at least 180 days past due, at which time the applicable property is subject to lien, and penalties and interest are assessed.

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. Restricted Assets

Certain proceeds from the imposition of the City’s impact fee requirements and from building permits are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable legal indentures.

5. Capital Assets

Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the City. 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but charged to operating expense as incurred.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

Major outlays for capital assets and improvements are capitalized as projects are constructed. Construction period interest is capitalized net of interest earned on unexpended construction funds and, therefore, depreciated over the remaining useful life of the related asset, when applicable.

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

The Town has historically recorded all easements and rights of way that are determined to have limited useful lives at estimated fair market value on the date received. The City has elected to not retroactively report intangible assets that are determined to have indefinite useful lives. The City does not have any intangible assets previously subjected to amortization that have now been determined to have indefinite useful lives.

6. *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

7. *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.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

8. 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.

9. Fund Equity

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e. when the government to assesses, levies, charges, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Committed - Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned - Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned - Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Town Council through adoption or amendment of the budget pursuant to the provisions of Part I, Article XI, Sections 11.03 and 11.05 of the City Charter as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

10. Use of Estimates

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

11. Reclassifications

Certain amounts for 2010 have been reclassified to conform to the 2011 financial statement presentation.

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.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets for all governmental funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

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

B. Excess of Expenditures over Appropriations

During the year ended September 30, 2011, expenditures exceeded budgetary appropriations in the following funds:

Solid Waste Special Revenue Fund (Major) – actual expenditures exceeded budgetary appropriations by \$1,022, or 0.1% of total approved appropriations. The over-expenditure was the result of unbudgeted expenditures recognized for administration and solid waste removal fees in 2011. This amount was funded in its entirety from prior years' surplus funds, all of which are restricted for these purposes.

Road Capital Projects Fund (Major) – actual expenditures exceeded budgetary appropriations by \$906,559. The over-expenditure was the result of unbudgeted expenditures recognized for significant transportation improvements completed in 2011. This amount was funded from current year budget transfers from other funds with the exception of \$3,998, which is intended to be funded in the next year's operating budget.

Sidewalk Improvement Special Revenue Fund (nonmajor) – actual expenditures exceeded budgetary appropriations by \$17,491. The over-expenditure was the result of unbudgeted expenditures recognized for sidewalk maintenance in 2011. This amount was funded in its entirety from prior years' surplus funds, all of which are restricted for these purposes.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

NOTE 4 - PROPERTY TAX CALENDAR

Under Florida law, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the offices of the County Property Appraiser and County Finance Director. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City was 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												
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												
<table><thead><tr><th><u>Month Paid</u></th><th><u>Discount Percent</u></th></tr></thead><tbody><tr><td>November</td><td>4</td></tr><tr><td>December</td><td>3</td></tr><tr><td>January</td><td>2</td></tr><tr><td>February</td><td>1</td></tr><tr><td>March</td><td>0</td></tr></tbody></table>	<u>Month Paid</u>	<u>Discount Percent</u>	November	4	December	3	January	2	February	1	March	0	
<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												

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

NOTE 5 - DEPOSITS AND INVESTMENTS

Deposits. At September 30, 2011, the carrying value of the City’s cash deposit accounts totaled \$9,661,725 and the bank balance totaled \$9,989,568. 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 \$350 in cash funds on hand at the end of the fiscal year.

Investments. As of September 30, 2011, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (Years)		
		Less Than 1	From 1 - 5	From 6 - 10
Local Government Investment Pool:				
State Board of Administration, Local Government Surplus Trust Fund Investment Pool				
Florida PRIME.....	\$ 1,221,551	1,221,551	-	-
Fund B.....	174,831	-	-	174,831
Totals.....	<u>\$ 1,396,382</u>	<u>1,221,551</u>	<u>-</u>	<u>174,831</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 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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

balances of Fund B) for September 30, 2011. The fair value of the original \$231,002 (at cost) investment in Fund B is \$174,831 as of September 30, 2011, based on the fair value factor of 0.756838 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. Interest rate risk is minimized for all other investments, which are normally held for periods of less than six months.

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, 2011, the WAM of the Florida PRIME is 38 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, 2011, is estimated at 4.82 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life. At the end of June 2011, Stone Tower was appointed the investment manager of the distressed securities. Stone Tower's estimates and assumptions used in the calculation of the WAL differ from the previous investment manager's (i.e. Federated Investors), and have resulted in a lower WAL.

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 of 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, 2011; Fund B is not rated by any nationally recognized statistical rating agency.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

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, 2011, the carrying amount of the City’s deposits in the Local Government Surplus Funds Trust Fund was \$1,396,382, 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.

NOTE 6 - RECEIVABLES

A summary of governmental activities’ receivables at September 30, 2011, is as follows:

Delinquent taxes receivable.....	\$ 21,696	
Franchise fees.....	91,410	
Utility service taxes.....	132,943	
Other miscellaneous receivables.....	<u>31,186</u>	
	277,235	
Less: allowance for doubtful accounts.....	<u>-</u>	
Total governmental activities receivables, net.....		<u>\$ 277,235</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

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, 2011, are comprised of the following:

Fund	Due from/ Advance to	Due to/ Advance from
General:		
Advance to Flood Improvement Capital Project.....	\$ 2,571,815	-
Due to Stormwater Improvement Capital Project.....	-	2,216
Stormwater Improvement Capital Project:		
Due from General.....	2,216	
Flood Improvement Capital Project:		
Advance from General.....	-	<u>2,571,815</u>
Totals.....	<u>\$ 2,574,031</u>	<u>2,574,031</u>

Fund	Transfers From	Transfers To
General:		
Flood Improvement Capital Project.....	\$ -	124,677
Road Improvement Capital Project.....	-	316,721
Solid Waste:		
Road Improvement Capital Project.....	-	76,300
Stormwater Management:		
Stormwater Improvement Capital Project.....	-	3,325
Franchise Fee:		
Road Improvement Capital Project.....	-	249,400
Local Option Gas Tax:		
Road Improvement Capital Project.....	-	320,756
Flood Improvement Capital Project		
General.....	124,677	-
Stormwater Improvement Capital Project:		
Stormwater Management.....	3,325	-
Road Improvement Capital Project:		
General.....	316,721	-
Solid Waste.....	76,300	-
Franchise Fees.....	249,400	-
Local Option Gas Tax.....	<u>320,756</u>	<u>-</u>
Totals.....	<u>\$ 1,091,179</u>	<u>1,091,179</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

NOTE 8 - CAPITAL ASSETS

A summary of the capital assets activity for the year ended September 30, 2011, is as follows:

	Balances 9/30/2010	Additions	Deletions	Balances 9/30/2011
Capital assets not being depreciated:				
Land.....	\$ 5,908,425	-	-	5,908,425
Construction in progress.....	<u>12,376,930</u>	<u>2,396,378</u>	<u>(4,899,008)</u>	<u>9,874,300</u>
Total capital assets not being depreciated.....	<u>18,285,355</u>	<u>2,396,378</u>	<u>(4,899,008)</u>	<u>15,782,725</u>
Capital assets being depreciated:				
Buildings.....	3,340,353	2,617	-	3,342,970
Infrastructure.....	10,014,796	4,925,914	-	14,940,710
Machinery and equipment.....	<u>1,271,998</u>	<u>52,904</u>	<u>(4,000)</u>	<u>1,320,902</u>
Total capital assets being depreciated.....	<u>14,627,147</u>	<u>4,981,435</u>	<u>(4,000)</u>	<u>19,604,582</u>
Less accumulated depreciation for:				
Buildings.....	(386,463)	(119,972)	-	(506,435)
Infrastructure.....	(2,695,070)	(553,542)	-	(3,248,612)
Machinery and equipment.....	<u>(702,578)</u>	<u>(120,907)</u>	<u>3,600</u>	<u>(819,885)</u>
Total accumulated depreciation.....	<u>(3,784,111)</u>	<u>(794,421)</u>	<u>3,600</u>	<u>(4,574,932)</u>
Total capital assets being depreciated, net....	<u>10,843,036</u>	<u>4,187,014</u>	<u>(400)</u>	<u>15,029,650</u>
Total capital assets, net.....	<u>\$ 29,128,391</u>	<u>6,583,392</u>	<u>(4,899,408)</u>	<u>30,812,375</u>

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

Governmental activities:	
General government.....	\$ 149,119
Public safety	28,578
Physical environment	278,146
Transportation.....	164,975
Culture/recreation	<u>173,603</u>
 Total depreciation expense - governmental activities	 <u>\$ 794,421</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

NOTE 9 – GENERAL LONG-TERM DEBT

The City’s long-term debt outstanding at September 30, 2011, 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 \$218,392 as of 9/30/2011.....	\$ 195,390	46,054
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.....	4,805,000	220,000
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.....	1,525,000	360,000
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>4,850,000</u>	<u>160,000</u>
Total leases and notes payable.....	11,375,390	786,054
Other post-employment benefit obligation.....	5,398	-
Compensated absences (current portion estimated).....	<u>146,143</u>	<u>43,808</u>
Total long-term debt.....	<u>\$11,526,931</u>	<u>829,862</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

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

	Balances 9/30/2010	Additions	Deletions	Balances 9/30/2011
Capital Lease Obligations:				
\$239,698 capital lease dated 1/8/2010.....	\$ 239,698	-	(44,308)	195,390
Notes Payable:				
3.845% Series 2006 Revenue Note.....	4,875,000	-	(70,000)	4,805,000
3.635% Series 2007 Revenue Note.....	1,875,000	-	(350,000)	1,525,000
4.050% Series 2009 Revenue Note.....	5,000,000	-	(150,000)	4,850,000
	11,989,698	-	(614,308)	11,375,390
Other post-employment benefit obligation....	2,702	2,696	-	5,398
Compensated absences.....	133,833	93,048	(80,738)	146,143
Totals.....	\$ 12,126,233	95,744	(695,046)	11,526,931

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, 2012.....	\$ 46,054	7,698	740,000	419,779
September 30, 2013.....	47,868	5,884	770,000	391,059
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.....	-	-	440,000	305,923
September 30, 2017 through 2021.....	-	-	5,455,000	619,781
September 30, 2022 through 2026.....	-	-	1,755,000	227,528
September 30, 2027.....	-	-	395,000	2,532
Totals.....	\$ 195,390	19,618	11,180,000	2,658,125

Pledged Revenues. The primary source of pledged revenues for all Revenue Note’s held by the City at September 30, 2011, 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:

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

Pledged Revenues:

Stormwater Utility Assessments	\$ 817,534
Non- Ad Valorem Revenues.....	<u>9,018,431</u>

Totals..... \$ 9,835,965

Annual Debt Requirements:

Series 2006 Revenue Note.....	\$ 256,102
Series 2007 Revenue Note.....	411,795
Series 2009 Revenue Note.....	<u>349,564</u>

Totals..... \$ 1,017,461

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. City of DeBary, Florida, Other Postemployment Benefits Plan (the “OPEB Plan”) is a single-employer healthcare plan administered by the City. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the OPEB 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 one of the pension plans sponsored by the City. Under certain conditions, eligible individuals also include spouses and dependent children. The OPEB Plan does not issue a publicly available financial report.

Funding Policy. The contribution requirements of plan members and the City 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), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. 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 a the most recent actuarial valuation dated October 1, 2010:

Annual required contribution (ARC)	\$ 8,461
Interest on net OPEB obligation	0
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost	8,461
Estimated net contributions made	<u>(3,063)</u>
Increase (decrease) in net OPEB obligation.....	5,398
Net OPEB obligation-beginning of year	<u>0</u>
Net OPEB obligation-end of year	<u>\$ 5,398</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/11	\$14,083	\$ 8,583	60.95%	\$ 5,500
09/30/10	n/a	n/a	n/a	n/a
09/30/09	n/a	n/a	n/a	n/a

Funded Status and Funding Progress. As of October 1, 2010, the most recent actuarial valuation date, the plan was not funded. The projected actuarial accrued liability for benefits was \$27,389, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$27,389. The covered payroll (annual payroll of active employees covered under the plan) was \$879,485 and the ratio of the UAAL to the covered payroll was 3.1%.

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, 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.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2010 actuarial valuation, the Entry Age Normal Cost Method was used. The actuarial assumptions included a 4.5% funding interest rate, an annual (pre- and post-Medicare) healthcare inflation cost trend rate of 8% percent in 2011, reduced by 1% annual decreases to an ultimate rate of 5% in 2014. If, and when, funded, the actuarial value of assets will be determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll (closed amortization over 30 years) with payroll growth/inflation assumed to be 0.0%.

Employee Contribution Information. Retirees participating in the group insurance plans offered by the City are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The premiums for the Dental, Vision, and Life Insurances are anticipated to cover the full cost of the benefit.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

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, 2011, the City's total payroll for all employees was \$947,487 and its covered payroll was \$901,220. Employer contributions, including forfeitures, to the plan were \$90,129, \$75,865, and \$86,053, for the years ended September 30, 2011, 2010, and 2009, respectively. The City has the power to amend plan provisions at any time.

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, 2011, employee contributions to the Plan totaled \$28,375.

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.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011

CITY OF DEBARY, FLORIDA

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 – DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

Major Fund. The Flood Improvement Capital Projects Fund continues to report a fund balance deficit of \$391,230 at September 30, 2011. This deficit originally resulted in prior years from the recognition of extensive flood improvement program costs which were anticipated to be repaid through a combination of federal and state grants. At year end, all unpaid amounts remaining will be reimbursed through additional grants approved in the 2011-2012 year, or from match payments received from the General Fund subsequent to year end.

Major Fund. The Road Capital Projects Fund reported a fund balance deficit of \$3,998 at September 30, 2011. This immaterial deficit resulted from the recognition of transportation costs that were anticipated to be reimbursed through federal and state grants. All amounts remaining will be funded from matching payments received from the General Fund subsequent to year end.

NOTE 17 - SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 21, 2012, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT OBLIGATION
For the Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

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	\$ -	\$ 27,389	\$ 27,389	0.00%	\$ 879,485	3.11%
10/1/2009	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2008	N/A	N/A	N/A	N/A	N/A	N/A

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>
9/30/2011	\$ 8,461	\$ -	\$ -	0.00%
9/30/2010	N/A	N/A	N/A	0.00%
9/30/2009	N/A	N/A	N/A	0.00%

Actuarial Valuation Dated: October 1, 2010

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OTHER SUPPLEMENTARY INFORMATION

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SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES BUDGET AND ACTUAL - FLOOD IMPROVEMENTS CAPITAL PROJECTS FUND
For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Intergovernmental	\$ <u>623,657</u>	<u>623,657</u>	<u>1,689,090</u>	<u>1,065,433</u>
Total revenue.....	<u>623,657</u>	<u>623,657</u>	<u>1,689,090</u>	<u>1,065,433</u>
Expenditures:				
Capital Outlay:				
Physical environment.....	<u>1,247,314</u>	<u>1,247,314</u>	<u>187,345</u>	<u>1,059,969</u>
Total expenditures.....	<u>1,247,314</u>	<u>1,247,314</u>	<u>187,345</u>	<u>1,059,969</u>
Excess of revenue over (under) expenditures.....	(623,657)	(623,657)	1,501,745	2,125,402
Other Financing Sources (Uses):				
Transfers in	<u>623,657</u>	<u>623,657</u>	<u>124,677</u>	<u>(498,980)</u>
Total other financing sources (uses).	<u>623,657</u>	<u>623,657</u>	<u>124,677</u>	<u>(498,980)</u>
Net changes in fund balances.....	-	-	1,626,422	1,626,422
Fund balances, beginning of year	<u>(2,017,652)</u>	<u>(2,017,652)</u>	<u>(2,017,652)</u>	-
Fund balances, end of year	<u>\$ (2,017,652)</u>	<u>(2,017,652)</u>	<u>(391,230)</u>	<u>1,626,422</u>

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL - STORMWATER IMPROVEMENTS CAPITAL PROJECTS FUND
For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Miscellaneous	\$ -	-	3	3
Total revenue.....	-	-	3	3
Expenditures:				
Capital Outlay:				
Physical environment.....	2,085,666	2,085,666	649,821	1,435,845
Total expenditures.....	2,085,666	2,085,666	649,821	1,435,845
Excess of revenue over (under) expenditures.....	(2,085,666)	(2,085,666)	(649,818)	1,435,848
Other Financing Sources (Uses):				
Transfers in	264,737	264,737	3,325	(261,412)
Appropriated fund balance.....	1,820,929	1,820,929	-	(1,820,929)
Total other financing sources (uses).	2,085,666	2,085,666	3,325	(2,082,341)
Net changes in fund balances.....	-	-	(646,493)	(646,493)
Fund balances, beginning of year	2,066,997	2,066,997	2,066,997	-
Fund balances, end of year	\$ 2,066,997	2,066,997	1,420,504	(646,493)

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL - ROAD CAPITAL PROJECTS FUND**
 For the Fiscal Year Ended September 30, 2011
 CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Intergovernmental	\$ -	-	102,431	102,431
Total revenue.....	-	-	102,431	102,431
Expenditures:				
Capital Outlay:				
Transportation.....	163,047	163,047	1,069,606	(906,559)
Total expenditures.....	163,047	163,047	1,069,606	(906,559)
Excess of revenue over (under) expenditures.....	(163,047)	(163,047)	(967,175)	(804,128)
Other Financing Sources (Uses):				
Transfers in	163,047	163,047	963,177	800,130
Net changes in fund balances.....	-	-	(3,998)	(3,998)
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	-	(3,998)	(3,998)

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2011
CITY OF DEBARY, FLORIDA

	Street Lighting District	Orlandia Heights Neighborhood Improvement District	Recycling
Assets:			
Cash and cash equivalents.....	\$ 471,508	24,893	16,277
Receivables (net):	-	-	-
Accounts receivable.....	-	2,475	7,460
Prepays.....	-	7,667	-
Total assets.....	<u>\$ 471,508</u>	<u>35,035</u>	<u>23,737</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities.....	\$ 27,097	4,623	-
Total liabilities.....	<u>27,097</u>	<u>4,623</u>	<u>-</u>
Fund Balances:			
Nonspendable.....	-	7,667	-
Restricted.....	-	-	-
Committed.....	444,411	22,745	-
Assigned.....	-	-	23,737
Unassigned.....	-	-	-
Total fund balances.....	<u>444,411</u>	<u>30,412</u>	<u>23,737</u>
Total liabilities and fund balances	<u>\$ 471,508</u>	<u>35,035</u>	<u>23,737</u>

Nonmajor Special Revenue Funds

Sidewalk Improvement	Tree Preservation	Economic Opportunity Fund	Park Benefit Impact Fee Fund	Public Buildings Benefit Impact Fee Fund	Total Nonmajor Governmental Funds
3,212	79,097	12,739	27,098	17,147	651,971
-	-	-	-	-	-
-	-	-	-	-	9,935
-	-	-	-	-	<u>7,667</u>
<u>3,212</u>	<u>79,097</u>	<u>12,739</u>	<u>27,098</u>	<u>17,147</u>	<u>669,573</u>
<u>2,200</u>	-	-	-	-	<u>33,920</u>
<u>2,200</u>	-	-	-	-	<u>33,920</u>
-	-	-	-	-	7,667
-	-	-	27,098	17,147	44,245
-	-	12,739	-	-	479,895
1,012	79,097	-	-	-	103,846
-	-	-	-	-	-
<u>1,012</u>	<u>79,097</u>	<u>12,739</u>	<u>27,098</u>	<u>17,147</u>	<u>635,653</u>
<u>3,212</u>	<u>79,097</u>	<u>12,739</u>	<u>27,098</u>	<u>17,147</u>	<u>669,573</u>

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

For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	Nonmajor			
	Street Lighting District	Orlandia Heights Neighborhood Improvement District	Recycling	Sidewalk Improvement
Revenue:				
Taxes.....	\$ -	-	-	-
Permits, fees and special assessments	374,888	95,454	-	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>19,550</u>	<u>-</u>
Total revenue.....	<u>374,888</u>	<u>95,454</u>	<u>19,550</u>	<u>-</u>
Expenditures:				
Current:				
Transportation.....	<u>373,168</u>	<u>66,686</u>	<u>-</u>	<u>17,491</u>
Total expenditures.....	<u>373,168</u>	<u>66,686</u>	<u>-</u>	<u>17,491</u>
Excess of revenue over (under) expenditures.....	<u>1,720</u>	<u>28,768</u>	<u>19,550</u>	<u>(17,491)</u>
Other Financing Sources (Uses):				
Transfers out.....	<u>-</u>	<u>-</u>	<u>(76,300)</u>	<u>-</u>
Total other financing sources (uses)...	<u>-</u>	<u>-</u>	<u>(76,300)</u>	<u>-</u>
Net changes in fund balances.....	1,720	28,768	(56,750)	(17,491)
Fund balances, beginning of year	<u>442,691</u>	<u>1,644</u>	<u>80,487</u>	<u>18,503</u>
Fund balances, end of year	<u>\$ 444,411</u>	<u>30,412</u>	<u>23,737</u>	<u>1,012</u>

Special Revenue Funds

Tree Preservation	Economic Opportunity Fund	Park Benefit Impact Fee Fund	Public Buildings Benefit Impact Fee Fund	Total Nonmajor Governmental Funds
-	12,739	-	-	12,739
-	-	6,633	3,930	480,905
-	-	-	-	19,550
-	12,739	6,633	3,930	513,194
6,175	-	-	-	463,520
6,175	-	-	-	463,520
(6,175)	12,739	6,633	3,930	49,674
-	-	-	-	(76,300)
-	-	-	-	(76,300)
(6,175)	12,739	6,633	3,930	(26,626)
85,272	-	20,465	13,217	662,279
79,097	12,739	27,098	17,147	635,653

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES-BUDGET AND ACTUAL
STREET LIGHTING DISTRICT FUND**
For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Permits, fees and special assessments.....	\$ 369,061	369,061	374,888	5,827
Total revenue.....	369,061	369,061	374,888	5,827
Expenditures:				
Current:				
Transportation.....	399,660	399,660	373,168	26,492
Total expenditures.....	399,660	399,660	373,168	26,492
Excess of revenue over (under) expenditures.....	(30,599)	(30,599)	1,720	32,319
Other Financing Sources (Uses):				
Appropriated fund balance.....	30,599	30,599	-	(30,599)
Total other financing sources (uses).	30,599	30,599	-	(30,599)
Net changes in fund balances.....	-	-	1,720	1,720
Fund balances, beginning of year	442,691	442,691	442,691	-
Fund balances, end of year	\$ 442,691	442,691	444,411	1,720

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES-BUDGET AND ACTUAL
ORLANDIA HEIGHTS NEIGHBORHOOD IMPROVEMENT DISTRICT FUND**
For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Permits, fees and special assessments.....	\$ 93,813	93,813	95,454	1,641
Total revenue.....	<u>93,813</u>	<u>93,813</u>	<u>95,454</u>	<u>1,641</u>
Expenditures:				
Current:				
Transportation.....	<u>93,813</u>	<u>93,813</u>	<u>66,686</u>	<u>27,127</u>
Total expenditures.....	<u>93,813</u>	<u>93,813</u>	<u>66,686</u>	<u>27,127</u>
Excess of revenue over (under) expenditures.....	-	-	28,768	28,768
Fund balances, beginning of year	<u>1,644</u>	<u>1,644</u>	<u>1,644</u>	-
Fund balances, end of year	<u>\$ 1,644</u>	<u>1,644</u>	<u>30,412</u>	<u>28,768</u>

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES-BUDGET AND ACTUAL
RECYCLING SPECIAL REVENUE FUND**
For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Miscellaneous	\$ 3,195	3,195	19,550	16,355
Total revenue.....	3,195	3,195	19,550	16,355
Expenditures:				
Current:				
Physical environment.....	-	-	-	-
Total expenditures.....	-	-	-	-
Excess of revenue over (under) expenditures.....	3,195	3,195	19,550	16,355
Other Financing Sources (Uses):				
Appropriated fund balance.....	73,105	73,105	-	(73,105)
Transfers out.....	(76,300)	(76,300)	(76,300)	-
Total other financing sources (uses).	(3,195)	(3,195)	(76,300)	(73,105)
Net changes in fund balances.....	-	-	(56,750)	(56,750)
Fund balances, beginning of year	80,487	80,487	80,487	-
Fund balances, end of year	<u>\$ 80,487</u>	<u>80,487</u>	<u>23,737</u>	<u>(56,750)</u>

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES-BUDGET AND ACTUAL
SIDEWALK IMPROVEMENTS SPECIAL REVENUE FUND**
For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Permits, fees and special assessments.....	\$ -	-	-	-
Total revenue.....	-	-	-	-
Expenditures:				
Current:				
Transportation.....	14,179	14,179	17,491	(3,312)
Total expenditures.....	14,179	14,179	17,491	(3,312)
Excess of revenue over (under) expenditures.....	(14,179)	(14,179)	(17,491)	(3,312)
Other Financing Sources (Uses):				
Appropriated fund balance.....	14,179	14,179	-	(14,179)
Total other financing sources (uses).	14,179	14,179	-	(14,179)
Net changes in fund balances.....	-	-	(17,491)	(17,491)
Fund balances, beginning of year	18,503	18,503	18,503	-
Fund balances, end of year	<u>\$ 18,503</u>	<u>18,503</u>	<u>1,012</u>	<u>(17,491)</u>

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES-BUDGET AND ACTUAL
TREE PRESERVATION SPECIAL REVENUE FUND**
For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Miscellaneous	\$ -	-	-	-
Total revenue.....	-	-	-	-
Expenditures:				
Current:				
Physical environment.....	25,000	25,000	6,175	18,825
Total expenditures.....	25,000	25,000	6,175	18,825
Excess of revenue over (under) expenditures.....	(25,000)	(25,000)	(6,175)	18,825
Other Financing Sources (Uses):				
Appropriated fund balance.....	25,000	25,000	-	(25,000)
Total other financing sources (uses).	25,000	25,000	-	(25,000)
Net changes in fund balances.....	-	-	(6,175)	(6,175)
Fund balances, beginning of year	85,272	85,272	85,272	-
Fund balances, end of year	<u>\$ 85,272</u>	<u>85,272</u>	<u>79,097</u>	<u>(6,175)</u>

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES-BUDGET AND ACTUAL
ECONOMIC OPPORTUNITY SPECIAL REVENUE FUND**
For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Taxes.....	\$ -	-	12,739	12,739
Total revenue.....	<u>-</u>	<u>-</u>	<u>12,739</u>	<u>12,739</u>
Expenditures:				
Current:				
Economic environment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over (under) expenditures.....	-	-	12,739	12,739
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>-</u>	<u>12,739</u>	<u>12,739</u>

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES-BUDGET AND ACTUAL
PARK BENEFIT IMPACT FEE SPECIAL REVENUE FUND**
For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Permits, fees and special assessments	\$ 4,001	4,001	6,633	2,632
Total revenue.....	4,001	4,001	6,633	2,632
Expenditures:				
Current:				
Culture/recreation	24,466	24,466	-	24,466
Total expenditures.....	24,466	24,466	-	24,466
Excess of revenue over (under) expenditures.....	(20,465)	(20,465)	6,633	27,098
Other Financing Sources (Uses):				
Appropriated fund balance.....	20,465	20,465	-	(20,465)
Total other financing sources (uses).	20,465	20,465	-	(20,465)
Net changes in fund balances.....	-	-	6,633	6,633
Fund balances, beginning of year	20,465	20,465	20,465	-
Fund balances, end of year	<u>\$ 20,465</u>	<u>20,465</u>	<u>27,098</u>	<u>6,633</u>

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES-BUDGET AND ACTUAL
PUBLIC BUILDINGS BENEFIT IMPACT FEE SPECIAL REVENUE FUND**
For the Fiscal Year Ended September 30, 2011
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Permits, fees and special assessments	\$ 1,999	1,999	3,930	1,931
Total revenue.....	1,999	1,999	3,930	1,931
Expenditures:				
Current:				
General Government:				
Nondepartmental.....	37,676	37,676	-	37,676
Total expenditures.....	37,676	37,676	-	37,676
Excess of revenue over (under) expenditures.....	(35,677)	(35,677)	3,930	39,607
Other Financing Sources (Uses):				
Appropriated fund balance.....	35,677	35,677	-	(35,677)
Total other financing sources (uses).	35,677	35,677	-	(35,677)
Net changes in fund balances.....	-	-	3,930	3,930
Fund balances, beginning of year	13,217	13,217	13,217	-
Fund balances, end of year	<u>\$ 13,217</u>	<u>13,217</u>	<u>17,147</u>	<u>3,930</u>

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SUPPLEMENTAL AUDIT REPORTS

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SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 For the Fiscal Year Ended September 30, 2011
 CITY OF DEBARY, FLORIDA

State Agency/ Pass-through Entity/ State Project	CFDA/ No.	Agency or Pass-through Grant No.	Expenditures
Florida Department of Environmental Protection:			
Statewide Surface Water Restoration and Wastewater Projects:			
Westside Emergency Flood Management System.....	37.039	LP6712	(*) \$ 500,000
Florida Recreation Development Assistance Program:			
Rob Sullivan Park Improvements.....	37.017	A9152	<u>112,500</u>
Total Florida Department of Environmental Protection.....			<u>612,500</u>
Total Expenditures of State Financial Assistance.....			<u>\$ 612,500</u>

(*) Designates a major program

NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the Year Ended September 30, 2011

CITY OF DEBARY, FLORIDA

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes the state 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, 2011 from federal funding sources.

3. SUBRECIPIENTS

The City provided no federal/state awards to subrecipients for the fiscal year ended September 30, 2011.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2011

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? Yes X no

Significant deficiency(ies) identified? Yes X none reported

Noncompliance material to financial statements noted? Yes X no

Federal awards section

Internal control over major programs:

Material weakness(es) identified? Yes X no

Significant deficiency(ies) identified? Yes X 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 Yes X no

The programs/projects tested as major programs/projects included the following:

<u>State Project:</u>	<u>State CSFA No.</u>
Florida Department of Environmental Protection Statewide Surface Water Restoration and Wastewater Projects	37.039

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

State Projects \$300,000

Auditee qualified as low-risk auditee? Yes X no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (continued)
Year Ended September 30, 2011
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.

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.

Prior Year Audit Findings Section

No findings were reported.

Corrective Action Plan

There are no audit findings for the year ended September 30, 2011 relative to state projects that require a corrective action on the part of the auditee.

BM&C

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
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133, AND ON THE SCHEDULE
OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

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*, and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of the City's major state projects for the year ended September 30, 2011. The City's major state projects 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 state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2011

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 state projects.

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

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 state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the 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, 2011, and have issued our report thereon dated May 21, 2012. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for the purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, 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 specific legislative and regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.



May 21, 2012

BM&C

BRENT MILLIKAN & COMPANY, P.A.
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, 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 21, 2012. 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 have reported to management of the City in a separate letter dated May 21, 2012, in accordance with Section 10.550, Rules of the Auditor General.

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

Brent Milliken & Co., P.A.

May 21, 2012

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, 2011, and have issued our report thereon dated May 21, 2012.

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 State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated May 21, 2012, 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, as summarized in the accompanying *Management Letter Comments*.

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 *Management Letter Comments*.

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.

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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 *Management Letter Comments*.

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 met one of the conditions described in Section 218.503(1)(e), Florida Statutes, specifically regarding fund balance deficits, or total or unrestricted net assets deficits. The City reports two major capital projects funds with a net deficit equity position in its financial statements as of September 30, 2011, and discloses them individually in Note 16 in the notes to the financial statements. While the combined deficits may reflect a deteriorating financial position, the City has positive and sufficient local unrestricted net assets in its other funds that are available to cover current fund deficits. More specifically, the City expects to recover all costs associated with the deficits through a combination of federal and state grants, or it is anticipated that such amounts will be funded through internal transfers from the General Fund.

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, 2011, 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, 2011. 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. The following matters were specifically noted in the assessment procedures:

As part of our assessment, we evaluated the results of financial indicators developed by the Office of the Auditor General for quantitative analysis. Of the 13 applicable financial indicators analyzed, we determined that 5 were favorable, 6 were unfavorable, and 2 were inconclusive. These results showed significant improvements in 2011 and positive trends, when compared to the prior year.

We noted in our 5-year trend analysis that many of the significant financial indicators were negatively impacted in prior years as a result of the City's unanticipated recognition of significant storm and flood remediation related expenditures. These prior year expenditures were composed of significant and unanticipated operating and capital

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(infrastructure) expenditures, many of which were subsequently recovered through federal and state disaster mitigation and recovery grants. Even with the installation of extensive stormwater removal and infrastructure systems, due to its physical and geographical attributes, it appears that the City continues to possess a high level of exposure to unanticipated storm and flood remediation costs.

We also continued to note that the City has deliberately and effectively employed procedures to cut operating costs and work within budget constraints. The City has also elected to ratably increase ad valorem taxes to cover shortfalls while simultaneously implementing 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.

Brent Milliken & Co., P.A.

May 21, 2012

MANAGEMENT LETTER COMMENTS

Year Ended September 30, 2011
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.

The following table summarizes the status of the prior year findings and management letter comments issued by the external auditor in fiscal year 2010:

	Corrective Action Not Yet Complete	Comment Has Been Addressed Or Is No Longer Relevant	Prior Year Reference Number
Written Policies and Procedures	x		2010-01
Deficit Fund Balance-Flood Improvement Capital Project Find	x		2010-02
Fund Equity and Reserves		x	2010-03
Other Postemployment Benefit Obligation		x	2010-04
Uniform Accounting System Manual		x	2010-05
Debt Compliance		x	2010-06
Accrued Compensation (Personal Leave Time)		x	2010-07
New Accounting Pronouncements		x	2010-08

The following is a summary of the status of items for which corrective action is not yet completed:

2010-01 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 for the last two years. A Purchasing Manual has recently been completed and is being prepared for submission to the City Council for approval. It is anticipated that this will be completed during Fiscal Year 2012.*

MANAGEMENT LETTER COMMENTS – (continued)

Year Ended September 30, 2011

CITY OF DEBARY, FLORIDA

2010-02 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. For the period from 2007 through and including 2010, 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 reported a cumulative deficit net assets balance of \$2,017,652 at September 30, 2010. While approximately \$1.5 million of this deficit was collected in FY 2011 from additional federal and state grant funding, the amount of the cumulative deficit was reduced to a reported \$391,230 at September 30, 2011. The City is continuing in its efforts to receive additional federal and state grant funding for these unanticipated costs in the next fiscal year. 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 2011 fiscal year, the City successfully received a state grant of \$1.5 million to specifically supplement the City for disaster related costs that were incurred in prior years that were not reimbursed through other federal and state grant programs. The City is currently working with its engineers to determine if any additional grant funding is available for the remaining costs. In the event that no additional funding is available, the City is prepared to transfer funds from the General Fund sufficient to supplement the fund for these additional costs.*

MANAGEMENT LETTER COMMENTS – (continued)

Year Ended September 30, 2011
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:

2011-01 Interfund Transfers, Advances and Obligations

During the conduct of the audit, we noted that the City made numerous interfund transfers that had not been budgeted or approved by the Council.

Recommendation: We recommend that all permanent transfers of capital between the City's operating funds should be separately examined and approved by the City Council as an integral part of the budgetary approval or amendment process. When it is determined that borrowing fund has the ability to repay the loan, we recommend that you should consider treating temporary borrowing as an interfund due to/ from, in which case the funds would not have to be budgeted for.

Auditee Response: *As a routine part of its operations, the City recognizes cross-fund financial transactions that may affect more than one fund with each event. If immediate cash funds are not available in one fund to finance these transactions when they occur, one of two alternative accounting options are used to ensure that the City's purchase commitments are timely met. When this occurs, the City may make temporary interfund cash advances from one fund to another that are sufficient to meet its immediate liquidity requirements. If it is determined that the borrowing fund is unable to satisfactorily repay the primary fund financing the commitment, it is customary to recognize the shifting of resources from one fund to another as an interfund transfer. The City will take steps to ensure that Council approval is documented in the event it is necessary recognize an interfund transfer.*

2011-02 Recognition of Contract Retention Liability

At any given time, the City may be participating in several long-term construction contract commitments associated with its various capital expansion programs. When these commitments exist, it is typically the policy of the City to withhold (or retain) a portion of contractor draw requests from current payments, all of which are repaid to the contractor at the end of the contract period subsequent to formal acceptance of the constructed assets. During our review of one of your construction commitments, we noted that the retention of construction costs incurred was not appropriately recognized by the City until the final payments were processed and paid. As a result, a contractor was temporarily advance-funded on its contract draws throughout the entirety of the construction period because the retainage was not appropriately recorded or recognized throughout the extended construction process.

Recommendation: We recommend that you should periodically review your ongoing construction commitments to ensure that all of your construction costs, including contract retention, are fully recognized and reported in your accounting records.

MANAGEMENT LETTER COMMENTS – (continued)

Year Ended September 30, 2011

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Auditee Response: All contractor periodic payment draws on each of the City's long-term contracts are separately reviewed and approved by the City Engineer prior to being processed for payment. Because the City's financial statements are presented to the Council on the cash basis, contract retention amounts are not reported unless the contracts remain outstanding at the end of the fiscal year, at which time the full retention amounts are recognized. With specific respect to the advance funding of the contract in question, the reduction in the amount of contract retention occurred as a result of the approval of a contract change order that significantly reduced the overall contract cost. As a condition of the change order, the City temporarily advanced these funds to the contractor until its final draw, at which time the advance was recovered in its entirety.

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