

CITY OF DEBARY, FLORIDA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012



CITY COUNCIL

HONORABLE BOB GARCIA, MAYOR

CHRIS CARSON, VICE MAYOR

LITA HANDY-PETERS

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 (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 as of September 30, 2012, 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 April 23, 2013, on our consideration of the City'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, the budget to actual comparison-major funds (general and special revenue), and the schedule of funding progress listed under required supplementary information 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'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.

April 23, 2013

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, 2012. 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 position) at the close of the most recent fiscal year by \$34.5 million, compared to \$30.9 million one year earlier. Of this amount, \$10.1 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- During 2012, gross revenues from governmental activities of the City decreased by approximately \$0.1 million to a total of \$13.9 million, compared to a total of \$14.0 million in 2011. Expenses for governmental activities totaled \$10.3 million in 2012 compared to \$9.7 million in 2011.
- The City's governmental funds reported combined ending fund balances of \$12.0 million at the end of the current fiscal year, an increase of \$0.6 million over the \$11.4 million from one year earlier, which was a decrease of \$0.7 million reported at the end of the preceding fiscal year. Approximately 33.4% of this amount or \$4.0 million is available for spending at the City's discretion (unassigned fund balance).
- The City's total combined governmental fund net position (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 \$630,692 in 2012 compared to a decrease of \$2.03 million in 2011. This represents an increase of 5.5% above the prior year's net position.
- At the end of the 2012 fiscal year, unassigned fund balance for the General Fund was \$4,415,497, or 60.3% of the total 2012 General Fund expenditures, which represents 220 days (or over 7 months) of excess funds. This represents an increase of \$267,863 above the \$4,147,634 reported at the end of 2011.

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 position and a statement of activities, which are described as follows:

- A statement of net position 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 position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net position increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, 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 position changed during the year. All changes in net position 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 62 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 83 of this report.

Government-Wide Financial Analysis of the City as a Whole

Net position. As noted previously, net position may serve over time as a useful indicator of a government's financial position. This year, the City's combined net position increased from \$30,916,734 to \$34,531,033, which represents an increase of \$3,614,299, or 11.7%, over amounts reported last year. Of this amount, approximately 70.7% 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 position, the part of net position that can be used to finance day-to-day operations without constraints of enabling legislation or other legal requirements, and totaled \$10,117,993 at the end of 2012.

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

Net Position September 30, 2012 and 2011

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Assets:		
Current and other assets.....	\$ 13,442,902	\$ 12,305,982
Capital assets, net.....	<u>33,325,369</u>	<u>30,812,375</u>
Total assets.....	<u>46,768,271</u>	<u>43,118,357</u>
Liabilities:		
Long-term liabilities outstanding.....	10,753,273	11,526,931
Other liabilities.....	<u>1,537,965</u>	<u>674,692</u>
Total liabilities.....	<u>12,291,238</u>	<u>12,201,623</u>
Net position:		
Invested in capital assets, net of related debt.....	22,736,033	19,393,177
Restricted.....	1,677,007	1,528,070
Unrestricted.....	<u>10,117,993</u>	<u>9,995,487</u>
Total net position.....	<u>\$ 34,531,033</u>	<u>\$ 30,916,734</u>

Changes in Net position. While the statement of net position shows a snapshot of the City's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and source of those changes. During 2012, the City's combined net position increased by \$3,614,299, or 11.7% over the amount reported in the prior year. During this same period, the City's total revenues decreased by \$116,651 to a total of \$13,918,232, compared to a total of \$14,034,883 in 2011. This decrease is due primarily to a net decrease in charges for services, operating grants and capital grants/other. In 2012, revenues received from property and other taxes declined \$618,663. During this same period, the combination of revenues received from other governments, franchise fees, investment earnings and earnings from all other sources increased by \$475,172.

During 2012, approximately 29.5% of the City's total revenue came from property taxes, and approximately 49.8 cents (compared to 53.8 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 14.5% of the City's revenues are received in the form of operating grants, capital grants and contributions. Another

21.4% came from fees charged for services, while most of the rest is state and federal shared revenues and other miscellaneous earnings (14.3%).

Expenses incurred to operate the City increased by \$594,468 in 2012, as was anticipated by management in the development of current year budget appropriations. Overall, combined governmental activities expenses totaled \$10.3 million in 2012, compared to \$9.7 million one year earlier. Overall individual departmental expenses increased with exception of cultural/recreation and interest on long-term debt. The largest departmental monetary increase was recognized in the City's general government expenses which rose by \$240,339 in 2012.

The following is a summary of changes in net position for the year:

Changes in Net Position
For the Years Ended September 30, 2012 and 2011

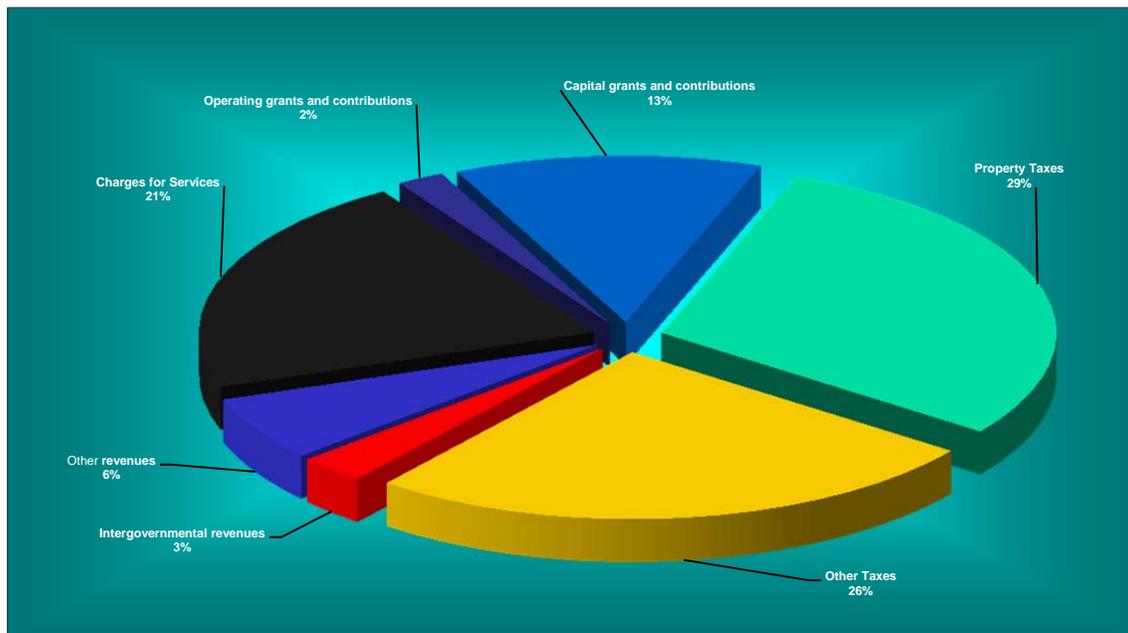
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services.....	\$ 2,971,554	\$ 2,436,218
Operating grants/other.....	269,031	489,892
Capital grants/other.....	1,752,549	2,040,184
General revenues:		
Property taxes.....	4,107,076	4,194,367
Other taxes.....	2,822,294	3,353,666
Franchise fees.....	741,137	818,664
Intergovernmental.....	384,833	366,372
Other revenues.....	<u>869,758</u>	<u>335,520</u>
Total revenues.....	<u>13,918,232</u>	<u>14,034,883</u>
Expenses:		
General government.....	1,626,194	1,385,855
Public safety.....	4,302,999	4,271,656
Physical environment.....	1,958,554	1,743,309
Transportation.....	1,317,415	1,086,708
Culture/recreation.....	663,753	766,821
Interest on long-term debt.....	<u>435,018</u>	<u>455,116</u>
Total expenses.....	<u>10,303,933</u>	<u>9,709,465</u>
Increase (decrease) in net assets.....	3,614,299	4,325,418
Net position, beginning of year.....	<u>30,916,734</u>	<u>26,591,316</u>
Net position, end of year.....	<u>\$ 34,531,033</u>	<u>\$ 30,916,734</u>

Governmental Activities

Revenues for the City's governmental activities experienced another decrease during 2012. Overall, the City's governmental revenues totaled \$13,918,232, which represents a decrease of \$116,651, or less than 1% under last year's reported governmental revenues totaling \$14,034,883. This decrease was attributable to a decrease in Program Revenues (capital grants/other) in the amount of \$508,496 that was relative to ongoing stormwater and infrastructure projects. The City also experienced a slight decrease in property taxes and other taxes of \$618,663, while other revenues showed a net increase of \$534,238. Of this amount, donations of public safety property from Volusia County totaled \$601,375.

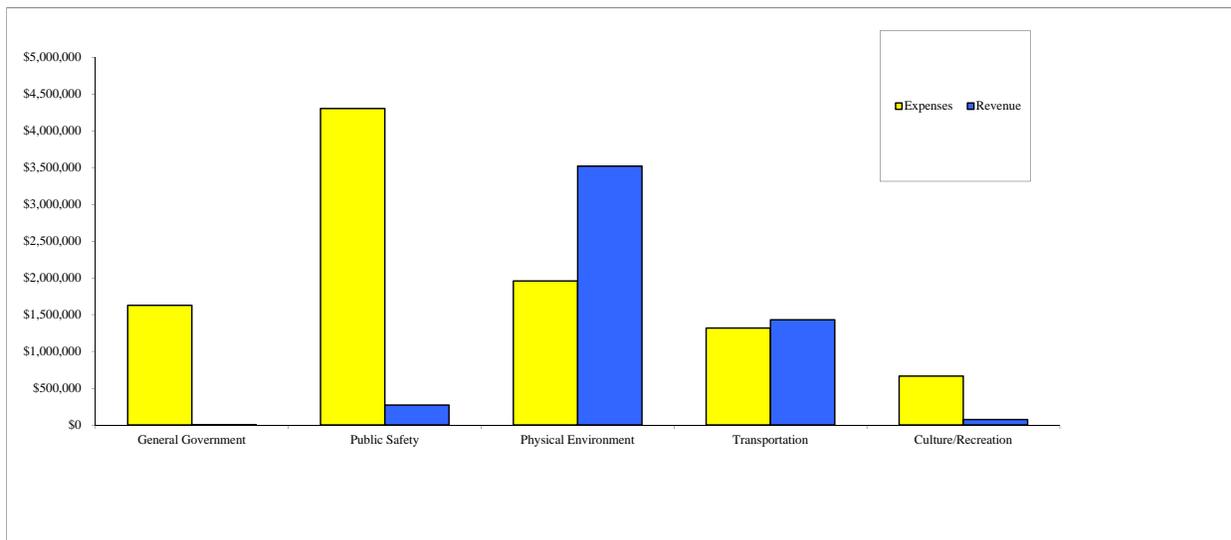
The City's governmental revenues are illustrated by source as follows:

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:

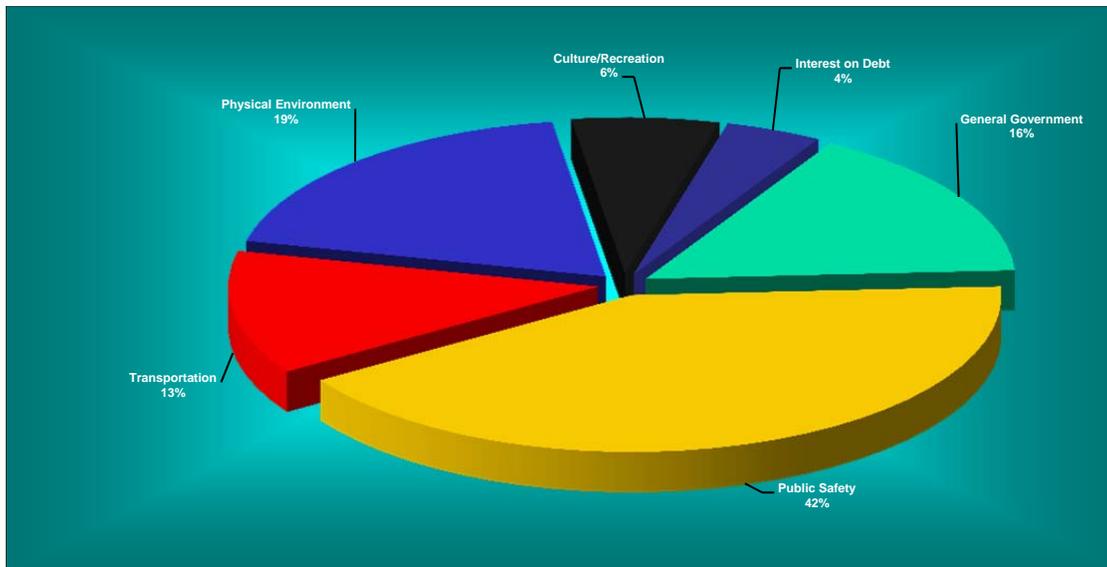
Expenses and Program Revenues - Governmental Activities



Expenses for the City's governmental activities totaled \$10,303,933 for fiscal 2012, which represents an increase of \$594,468 or 6.1% over last year's reported governmental expenditures totaling \$9,709,465. 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 \$12,030,629 which was \$630,692, or 5.5%, greater than the \$11,399,937 reported last year. Approximately 33.4% of this amount (\$4,015,192) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted, committed or assigned to indicate that it is not available for spending as follows:

Non-spendable – Net asset amounts totaling \$2,609,752 have been designated as non-spendable since they 1) reflect the costs for payments for prepaid expenses carried over to the subsequent year (\$37,937), and 2) reflect advances to other funds that are long-term in nature (\$2,571,815);

Restricted – Net asset amounts totaling \$1,677,007 have been designated as restricted through externally imposed constraints since they are 1) bond proceeds restricted to finance stormwater improvement projects (\$1,421,201), 2) public safety-building inspection fees that are restricted and can only be used for inspection related activities (\$216,538), 3) impact fees that are restricted

and can only be used for parks and recreation improvement projects (\$15,360), and 4) impact fees that are restricted and can only be used for public building projects (\$23,908);

Committed – Net asset amounts totaling \$3,250,601 have been designated as committed from constraints imposed by the City Council since they can only be used 1) to finance specialized transportation costs (franchise fees - \$2,681,840), Orlandia Heights Neighborhood Improvement District costs (\$87,586) and street lighting district costs (\$444,872), and 2) to fund economic opportunity projects (\$36,303) as designated by the Council;

Assigned – Net asset amounts totaling \$478,077 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 (\$357,310), and recycling program (\$38,252), and 2) for a tree preservation program (\$82,515); and

Unassigned – Net asset amounts totaling \$4,015,192 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, 2012, the unassigned fund balance in the general fund totaled \$4,415,497, while total fund balance was \$7,237,652. 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 60.3% of total general fund expenditures (\$7,326,193), while total fund balance represents 98.8% 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 1.2%.

General Fund Budgetary Highlights

In fiscal year 2012, the City Council amended the General Fund operating budget for changes in various department appropriations, to increase and decrease amounts for expenditures as changes occurred during the year and for additional operating expenditures and reduced capital expenditures. Unrestricted Reserves were also amended in an amount equal to the total increase in capital expenditures for Council authorized projects. Revenue projections were \$889,456 less than the revenues recognized during 2012. Actual expenditures in the General Fund for the current fiscal year were \$1,601,623 less than the budgetary amounts appropriated.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2012, the City had \$33,325,369 invested in a broad range of capital assets, including land, buildings, park facilities, public works infrastructure and general government machinery and equipment, compared to \$30,812,375 one year earlier. During 2012, 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, 2012 and 2011

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land.....	\$ 6,077,514	\$ 5,908,425
Construction in progress.....	2,168,028	9,874,300
Buildings.....	3,628,320	3,342,970
Infrastructure.....	25,553,746	14,940,710
Machinery and equipment.....	<u>1,462,528</u>	<u>1,320,902</u>
	38,890,136	35,387,307
Accumulated depreciation.....	<u>(5,564,767)</u>	<u>(4,574,932)</u>
Net investment in capital assets.....	<u>\$ 33,325,369</u>	<u>\$ 30,812,375</u>

General Long-term Debt. At year end, the City had \$10,589,336 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 position under the liabilities section and segregated into amounts due within one year and those amounts due in more than one year.

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

General Long-Term Debt
September 30, 2012 and 2011

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Capital lease obligation.....	\$ 149,336	\$ 195,390
Notes Payable:		
Series 2006 Revenue Note.....	4,585,000	4,805,000
Series 2007 Revenue Note.....	1,165,000	1,525,000
Series 2009 Revenue Note.....	<u>4,690,000</u>	<u>4,850,000</u>
	10,589,336	11,375,390
Other postemployment benefit obligation.....	10,112	5,398
Compensated absences.....	<u>153,825</u>	<u>146,143</u>
General long-term debt.....	<u>\$ 10,753,273</u>	<u>\$ 11,526,931</u>

At year end, the City had a commitment to fund future earned, but unpaid, employee personal leave of \$153,825.

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 Information Database Application (FREIDA). This agency estimates a countywide unemployment rate of 8.5% at the end of September 2012, which is slightly lower than the 10.5% rate experienced one year earlier. These estimates are consistent with the State of Florida 8.4% and 10.3% unemployment rates at September 2012 and 2011, 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 2012-2013 year's budget includes appropriations of \$9.3 million for the General Fund, \$3.8 million for the City's ten special revenue funds, and \$4.7 million for the two capital projects funds, for a combined total of \$2.5 million. The City Council continued with a revised ad-valorem tax rate of 3.0935 mills in Fiscal 2013, which is the rolled-back rate.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Office of the City Manager, City of DeBary, Florida, 16 Colomba Road, DeBary, Florida 32713.

BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET POSITION

September 30, 2012

CITY OF DEBARY, FLORIDA

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
<hr/>	
Assets:	
Equity in pooled cash and investments.....	\$ 8,218,604
Investments.....	3,446,744
Receivables, net of allowance for uncollectible accounts.....	236,989
Due from other governments.....	1,459,841
Prepaid expenses.....	37,937
Unamortized debt issuance costs.....	42,787
Capital assets:	
Land and construction in progress.....	8,245,542
Other capital assets, net of depreciation.....	<u>25,079,827</u>
 Total assets	 <u>46,768,271</u>
Liabilities:	
Accounts payable and accrued liabilities.....	952,973
Customer deposits and unearned income.....	386,991
Accrued interest payable.....	144,001
Compensated absences obligation.....	153,825
Other postemployment benefit obligation.....	10,112
Bonds, notes, and other payables:	
Due or payable within one year.....	817,868
Due or payable in more than one year.....	<u>9,771,468</u>
 Total liabilities	 <u>12,237,238</u>
Net position:	
Invested in capital assets net of related debt	22,736,033
Restricted for:	
Public safety-inspection fees.....	216,538
Bond funds-stormwater improvements.....	1,421,201
Public Buildings Benefit impact fees.....	23,908
Park Benefit impact fees.....	15,360
Unrestricted	<u>10,117,993</u>
 Total net position	 <u>\$ 34,531,033</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, 2012

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.....	\$ 1,626,194	3,344	-	-	(1,622,850)
Public safety.....	4,302,999	270,929	-	-	(4,032,070)
Transportation.....	1,317,415	529,485	269,031	631,798	112,899
Physical environment.....	1,958,554	2,092,937	-	1,120,751	1,255,134
Culture/recreation.....	663,753	74,859	-	-	(588,894)
Interest on long-term debt	435,018	-	-	-	(435,018)
Total primary government.....	<u>\$ 10,303,933</u>	<u>2,971,554</u>	<u>269,031</u>	<u>1,752,549</u>	<u>(5,310,799)</u>

General revenues:

Property taxes.....	4,107,076
Sales taxes.....	841,116
Public service taxes.....	1,952,048
Other taxes.....	29,130
Franchise fees.....	741,137
State revenue sharing.....	360,017
Other intergovernmental revenues.....	24,816
Investment earnings.....	50,954
Miscellaneous revenue.....	<u>818,804</u>
Total general revenues and transfers.....	<u>8,925,098</u>
Change in net position.....	3,614,299
Net position - beginning of year.....	<u>30,916,734</u>
Net position - ending.....	<u>\$ 34,531,033</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2012
CITY OF DEBARY, FLORIDA

	General	Special Revenue Funds		
		Solid Waste	Stormwater Management	Franchise Fees
Assets:				
Equity in pooled cash and investments.....	\$ 1,386,263	458,462	282,383	2,609,512
Investments.....	3,446,743	-	-	-
Receivables (net).....	145,748	-	30	87,858
Due from other funds.....	-	-	-	-
Advance to other funds.....	2,571,815	-	-	-
Due from other governments.....	199,176	9	5	-
Prepays.....	<u>33,802</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets.....	<u>\$ 7,783,547</u>	<u>458,471</u>	<u>282,418</u>	<u>2,697,370</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities.	\$ 428,537	101,161	22,290	15,530
Unearned revenue.....	115,142	-	301,371	-
Due to other funds.....	2,216	-	-	-
Advance from other funds.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities.....	<u>545,895</u>	<u>101,161</u>	<u>323,661</u>	<u>15,530</u>
Fund Balances:				
Nonspendable:				
Prepaid items.....	33,802	-	-	-
Advances to other funds.....	2,571,815	-	-	-
Restricted:				
Public safety-inspection fees.....	216,538	-	-	-
Bond funds-stormwater improvements....	-	-	-	-
Public buildings benefit impact fees.....	-	-	-	-
Park benefit impact fees.....	-	-	-	-
Committed:				
Franchise fees.....	-	-	-	2,681,840
Street lighting.....	-	-	-	-
Orlandia Heights improvements.....	-	-	-	-
Economic opportunity.....	-	-	-	-
Assigned:				
Solid waste.....	-	357,310	-	-
Other purposes.....	-	-	-	-
Unassigned.....	<u>4,415,497</u>	<u>-</u>	<u>(41,243)</u>	<u>-</u>
Total fund balances.....	<u>7,237,652</u>	<u>357,310</u>	<u>(41,243)</u>	<u>2,681,840</u>
Total liabilities and fund balances ...	<u>\$ 7,783,547</u>	<u>458,471</u>	<u>282,418</u>	<u>2,697,370</u>

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

Capital Projects Funds			Nonmajor	Total
Flood Improvement	Stormwater Improvement	Road Improvement	Governmental Funds	Governmental Funds
2,160,133	569,156	-	752,695	8,218,604
-	1	-	-	3,446,744
-	-	-	3,353	236,989
-	2,216	-	-	2,216
-	-	-	-	2,571,815
177,036	1,023,808	59,806	1	1,459,841
-	-	-	4,135	37,937
<u>2,337,169</u>	<u>1,595,181</u>	<u>59,806</u>	<u>760,184</u>	<u>15,974,146</u>
70,939	173,980	113,283	27,253	952,973
-	-	-	-	416,513
-	-	-	-	2,216
<u>2,571,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,571,815</u>
<u>2,642,754</u>	<u>173,980</u>	<u>113,283</u>	<u>27,253</u>	<u>3,943,517</u>
-	-	-	4,135	37,937
-	-	-	-	2,571,815
-	-	-	-	216,538
-	1,421,201	-	-	1,421,201
-	-	-	23,908	23,908
-	-	-	15,360	15,360
-	-	-	-	2,681,840
-	-	-	444,872	444,872
-	-	-	87,586	87,586
-	-	-	36,303	36,303
-	-	-	-	357,310
-	-	-	120,767	120,767
<u>(305,585)</u>	<u>-</u>	<u>(53,477)</u>	<u>-</u>	<u>4,015,192</u>
<u>(305,585)</u>	<u>1,421,201</u>	<u>(53,477)</u>	<u>732,931</u>	<u>12,030,629</u>
<u>2,337,169</u>	<u>1,595,181</u>	<u>59,806</u>	<u>760,184</u>	<u>15,974,146</u>

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

September 30, 2012

CITY OF DEBARY, FLORIDA

Fund balances - total governmental funds		\$ 12,030,629
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.....		33,325,369
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.....		29,522
Unamortized debt issuance costs.....		42,787
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.....	(10,589,336)	
Accrued interest payable.....	(144,001)	
Actuarially computed other post-employment benefits obligation.....	(10,112)	
Compensated absences.....	(153,825)	(10,897,274)
Net position of governmental activities.....		<u>\$ 34,531,033</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, 2012
CITY OF DEBARY, FLORIDA

	General	Special Revenue Funds		
		Solid Waste	Stormwater Management	Franchise Fees
Revenue:				
Taxes.....	\$ 6,506,657	-	-	-
Permits and fees.....	226,653	-	816,479	741,137
Intergovernmental.....	1,264,035	-	-	11,466
Charges for services	140,910	1,276,458	-	-
Fines and forfeitures.....	28,194	-	-	-
Miscellaneous.....	<u>250,451</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue.....	<u>8,416,900</u>	<u>1,276,458</u>	<u>816,479</u>	<u>752,603</u>
Expenditures:				
Current:				
General Government:				
Mayor and Council.....	127,817	-	-	-
City Manager.....	390,754	-	-	-
Finance and administration.....	226,324	-	-	-
Legal.....	127,857	-	-	-
Planning/Community Development.....	132,188	-	-	-
Nondepartmental.....	<u>519,863</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,524,803</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public Safety:				
Law enforcement.....	2,695,635	-	-	-
Fire safety.....	1,095,356	-	-	-
Protective inspection.....	190,953	-	-	-
Code enforcement.....	130,925	-	-	-
Emergency and disaster relief.....	75,364	-	9	-
Animal control.....	<u>78,278</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,266,511</u>	<u>-</u>	<u>9</u>	<u>-</u>
Physical environment.....	-	1,322,823	215,136	-
Transportation.....	335,380	-	-	198,653
Culture/recreation	736,856	-	-	-
Capital Outlay:				
Transportation.....	-	-	-	-
Physical environment	-	-	-	-
Culture/recreation.....	-	-	-	-
Debt Service:				
Principal retirement	406,054	-	380,000	-
Interest and fiscal charges.....	<u>56,589</u>	<u>-</u>	<u>374,074</u>	<u>-</u>
Total expenditures.....	<u>7,326,193</u>	<u>1,322,823</u>	<u>969,219</u>	<u>198,653</u>

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

Capital Projects Funds			Nonmajor	Total
Flood Improvement	Stormwater Improvement	Road Improvement	Governmental Funds	Governmental Funds
-	-	-	23,564	6,530,221
-	-	-	482,860	2,267,129
365,373	1,023,808	439,569	-	3,104,251
-	-	-	-	1,417,368
-	-	-	-	28,194
-	-	-	17,933	268,384
<u>365,373</u>	<u>1,023,808</u>	<u>439,569</u>	<u>524,357</u>	<u>13,615,547</u>
-	-	-	-	127,817
-	-	-	-	390,754
-	-	-	-	226,324
-	-	-	-	127,857
-	-	-	-	132,188
-	-	-	4,943	524,806
-	-	-	4,943	1,529,746
-	-	-	-	2,695,635
-	-	-	-	1,095,356
-	-	-	-	190,953
-	-	-	-	130,925
-	-	-	-	75,373
-	-	-	-	78,278
-	-	-	-	4,266,520
-	-	-	-	1,537,959
-	-	-	414,729	948,762
-	-	-	11,265	748,121
-	-	991,196	-	991,196
279,728	1,023,111	-	-	1,302,839
-	-	442,995	-	442,995
-	-	-	-	786,054
-	-	-	-	430,663
<u>279,728</u>	<u>1,023,111</u>	<u>1,434,191</u>	<u>430,937</u>	<u>12,984,855</u>

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - (Continued)
For the Fiscal Year Ended September 30, 2012
CITY OF DEBARY, FLORIDA

	Special Revenue Funds			
	General	Solid Waste	Stormwater Management	Franchise Fees
Excess of revenue over (under) expenditures.....	\$ 1,090,707	(46,365)	(152,740)	553,950
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out.....	(692,711)	-	-	(256,290)
Total other financing sources (uses).	(692,711)	-	-	(256,290)
Net changes in fund balances.....	397,996	(46,365)	(152,740)	297,660
Fund balances, beginning of year	6,839,656	403,675	111,497	2,384,180
Fund balances, end of year	<u>\$ 7,237,652</u>	<u>357,310</u>	<u>(41,243)</u>	<u>2,681,840</u>

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

Capital Projects Funds			Nonmajor	Total
Flood Improvement	Stormwater Improvement	Road Improvement	Governmental Funds	Governmental Funds
<u>85,645</u>	<u>697</u>	<u>(994,622)</u>	<u>93,420</u>	<u>630,692</u>
-	-	945,143	3,858	949,001
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(949,001)</u>
-	-	945,143	3,858	-
85,645	697	(49,479)	97,278	630,692
<u>(391,230)</u>	<u>1,420,504</u>	<u>(3,998)</u>	<u>635,653</u>	<u>11,399,937</u>
<u>(305,585)</u>	<u>1,421,201</u>	<u>(53,477)</u>	<u>732,931</u>	<u>12,030,629</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, 2012
CITY OF DEBARY, FLORIDA

Net change in fund balances - total governmental funds.....	\$ 630,692
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.....	3,606,087
Depreciation expense.....	(1,085,218)
Book value of disposed assets.....	(7,875)
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.....	786,054
Amortization of loan costs.....	(10,696)
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.....	(298,690)
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.....	6,341
Change in compensated absences liabilities.....	(7,682)
Change in actuarially computed OPEB obligation.....	(4,714)
Change in net position of governmental activities.....	<u>\$ 3,614,299</u>

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, 2012
CITY OF DEBARY, FLORIDA

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Taxes.....	\$ 6,479,446	6,479,446	6,506,657	27,211
Permits, fees and special assessments	234,000	234,000	226,653	(7,347)
Intergovernmental.....	1,901,454	1,901,454	1,264,035	(637,419)
Charges for services	104,840	104,840	140,910	36,070
Fines and forfeitures.....	13,000	13,000	28,194	15,194
Miscellaneous.....	<u>573,616</u>	<u>573,616</u>	<u>250,451</u>	<u>(323,165)</u>
Total revenue.....	<u>9,306,356</u>	<u>9,306,356</u>	<u>8,416,900</u>	<u>(889,456)</u>
Expenditures:				
General Government:				
Mayor and Council.....	170,600	144,600	127,817	16,783
City Manager.....	416,585	416,585	390,754	25,831
Finance and administration.....	240,960	240,960	226,324	14,636
Legal.....	191,500	182,000	127,857	54,143
Planning and community development.....	216,115	207,530	132,188	75,342
Nondepartmental.....	<u>1,708,351</u>	<u>1,579,351</u>	<u>519,863</u>	<u>1,059,488</u>
	<u>2,944,111</u>	<u>2,771,026</u>	<u>1,524,803</u>	<u>1,246,223</u>
Public Safety:				
Law enforcement.....	2,702,565	2,702,565	2,695,635	6,930
Fire safety.....	1,179,390	1,179,390	1,095,356	84,034
Protective inspection.....	194,305	194,305	190,953	3,352
Code enforcement.....	132,925	142,425	130,925	11,500
Emergency and disaster relief.....	80,095	80,095	75,364	4,731
Animal control.....	<u>78,280</u>	<u>78,280</u>	<u>78,278</u>	<u>2</u>
	<u>4,367,560</u>	<u>4,377,060</u>	<u>4,266,511</u>	<u>110,549</u>
Transportation.....	<u>576,110</u>	<u>556,290</u>	<u>335,380</u>	<u>220,910</u>
Culture/recreation	<u>732,390</u>	<u>760,795</u>	<u>736,856</u>	<u>23,939</u>
Debt Service:				
Principal retirement	406,055	406,055	406,054	1
Interest and fiscal charges.....	<u>56,590</u>	<u>56,590</u>	<u>56,589</u>	<u>1</u>
	<u>462,645</u>	<u>462,645</u>	<u>462,643</u>	<u>2</u>
Total expenditures.....	<u>9,082,816</u>	<u>8,927,816</u>	<u>7,326,193</u>	<u>1,601,623</u>
Excess of revenue over (under) expenditures.....	<u>223,540</u>	<u>378,540</u>	<u>1,090,707</u>	<u>712,167</u>
Other Financing Sources (Uses):				
Transfers out.....	<u>(223,540)</u>	<u>(378,540)</u>	<u>(692,711)</u>	<u>(314,171)</u>
Total other financing sources (uses).....	<u>(223,540)</u>	<u>(378,540)</u>	<u>(692,711)</u>	<u>(314,171)</u>
Net changes in fund balances.....	-	-	397,996	397,996
Fund balances, beginning of year	<u>6,839,656</u>	<u>6,839,656</u>	<u>6,839,656</u>	<u>-</u>
Fund balances, end of year	<u>\$ 6,839,656</u>	<u>6,839,656</u>	<u>7,237,652</u>	<u>397,996</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, 2012
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Charges for services.....	\$ 1,255,515	1,255,515	1,276,458	20,943
Total revenue.....	1,255,515	1,255,515	1,276,458	20,943
Expenditures:				
Current:				
Physical environment	1,356,420	1,356,420	1,322,823	33,597
Total expenditures.....	1,356,420	1,356,420	1,322,823	33,597
Excess of revenue over (under) expenditures.....	(100,905)	(100,905)	(46,365)	54,540
Other Financing Sources (Uses):				
Appropriated fund balance.....	100,905	100,905	-	(100,905)
Total other financing sources (uses).	100,905	100,905	-	(100,905)
Net changes in fund balances.....	-	-	(46,365)	(46,365)
Fund balances, beginning of year	403,675	403,675	403,675	-
Fund balances, end of year	\$ 403,675	403,675	357,310	(46,365)

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, 2012
 CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Permits, fees and special assessments	\$ 833,450	833,450	816,479	(16,971)
Miscellaneous.....	-	-	-	-
Total revenue.....	<u>833,450</u>	<u>833,450</u>	<u>816,479</u>	<u>(16,971)</u>
Expenditures:				
Public Safety:				
Emergency and disaster relief.....	-	-	9	(9)
Physical environment.....	<u>179,173</u>	<u>179,173</u>	<u>215,136</u>	<u>(35,963)</u>
Debt Service:				
Principal retirement	380,000	380,000	380,000	-
Interest and fiscal charges.....	<u>373,708</u>	<u>373,708</u>	<u>374,074</u>	<u>(366)</u>
	<u>753,708</u>	<u>753,708</u>	<u>754,074</u>	<u>(366)</u>
Total expenditures.....	<u>932,881</u>	<u>932,881</u>	<u>969,219</u>	<u>(36,338)</u>
Excess of revenue over (under) expenditures.....	<u>(99,431)</u>	<u>(99,431)</u>	<u>(152,740)</u>	<u>(53,309)</u>
Other Financing Sources (Uses):				
Transfers in	1,137,928	1,137,928	-	(1,137,928)
Appropriated fund balance.....	319,458	319,458	-	(319,458)
Contingency.....	<u>(1,357,955)</u>	<u>(1,357,955)</u>	<u>-</u>	<u>1,357,955</u>
Total other financing sources (uses).	<u>99,431</u>	<u>99,431</u>	<u>-</u>	<u>(99,431)</u>
Net changes in fund balances.....	-	-	(152,740)	(152,740)
Fund balances, beginning of year	<u>111,497</u>	<u>111,497</u>	<u>111,497</u>	<u>-</u>
Fund balances, end of year	<u>\$ 111,497</u>	<u>111,497</u>	<u>(41,243)</u>	<u>(152,740)</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, 2012
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Permits, fees and special assessments	\$ 870,000	870,000	741,137	(128,863)
Intergovernmental	-	-	11,466	11,466
Total revenue.....	<u>870,000</u>	<u>870,000</u>	<u>752,603</u>	<u>(117,397)</u>
Expenditures:				
Capital Outlay:				
Transportation.....	<u>715,900</u>	<u>715,900</u>	<u>198,653</u>	<u>517,247</u>
Total expenditures.....	<u>715,900</u>	<u>715,900</u>	<u>198,653</u>	<u>517,247</u>
Excess of revenue over (under) expenditures.....	<u>154,100</u>	<u>154,100</u>	<u>553,950</u>	<u>399,850</u>
Other Financing Sources (Uses):				
Appropriated fund balance.....	122,800	315,205	-	(315,205)
Transfers out.....	<u>(276,900)</u>	<u>(469,305)</u>	<u>(256,290)</u>	<u>213,015</u>
Total other financing sources (uses).	<u>(154,100)</u>	<u>(154,100)</u>	<u>(256,290)</u>	<u>(102,190)</u>
Net changes in fund balances.....	-	-	297,660	297,660
Fund balances, beginning of year	<u>2,384,180</u>	<u>2,384,180</u>	<u>2,384,180</u>	-
Fund balances, end of year	<u>\$ 2,384,180</u>	<u>2,384,180</u>	<u>2,681,840</u>	<u>297,660</u>

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, 2012

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 Position 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 position 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 position 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, 2012

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, unless accrued for grant reimbursements of costs previously funded by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and 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, 2012

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.

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, 2012

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 Position 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, 2012

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. The cost of prepaid items is recorded as expenditures/ expenses when consumed rather than when purchased.

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 position 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.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2012

CITY OF DEBARY, FLORIDA

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. 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 City 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. *Accrued Payroll and Compensated Absences*

The portion of employees' payroll costs paid subsequent to year-end attributable to services performed prior to year-end is recorded and recognized as a current liability.

The City's personnel policy permits employees to accumulate earned but unused personal leave benefits, which are eligible for payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences included salary related benefits, where applicable.

7. *Unearned Revenue*

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

8. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Debt issuance costs, when incurred, are charged to expense in the fund receiving debt proceeds.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2012

CITY OF DEBARY, FLORIDA

9. Net Position/Fund Balance

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.

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 City 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).

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2012

CITY OF DEBARY, FLORIDA

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 2011 have been reclassified to conform to the 2012 financial statement presentation.

E. New Accounting Standards

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is intended to enhance usefulness of GASB codification by incorporating guidance which previously could only be found in FASB or American Institute of Certified Public Accountants (AICPA) pronouncements. The statement is effective for periods beginning after December 15, 2011. This statement incorporates existing generally accepted accounting guidance into GASB authoritative literature and is not expected to have a material impact on the City's financial position.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement is intended to provide guidance for reporting deferred outflows of resources, deferred inflow of resources, and net position in a statement of financial position and related disclosures. The adoption of this statement requires the City to modify the balance sheets and replace the statements of revenues, expenses and changes in net assets with a statement of revenues, expenses and changes in net position, when applicable. There is no material impact to the City's financial position as a result of this statement.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions -- an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The statement is effective for financial statements for periods beginning after June 15, 2011 and is not expected to have a material impact on the City's financial position because it is not a party to any hedging activities.

In April 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. This statement is effective for periods beginning after December 15, 2012 and is not expected to have a material impact on the City's financial position.

In April 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. This statement amends GASB No. 10 by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. As a result, governments would base their decisions about governmental fund type

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2012

CITY OF DEBARY, FLORIDA

usage for risk financing activities on the definitions in Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement also amends GASB No. 62 by modifying the specific guidance on accounting for certain operating lease payments, loan transactions, and loan servicing fees. The statement is effective for financial statements for periods beginning after December 15, 2012 and is not expected to have a material impact on the City's financial position.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. This Statement replaces the requirements of GASB No. 25 and GASB No. 50 as they relate to pension plans that are administered through trusts or equivalent arrangements. This statement is not applicable to the City.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement establishes new accounting and financial reporting standards for governments that provide their employees with pension plans in which a government's contributions to the trust used to administer a pension plan are irrevocable, restricted to paying pension benefits, and are beyond the reach of creditors. Under the new standards, governments will be required to report the amount of unfunded pension obligations in their balance sheets. The liability that must be recognized (net pension obligation) is the total pension liability less the amount of plan assets formally set aside for payment of benefits as of the reporting date. Annual pension expense will be based on a comprehensive measurement of the annual cost of pension benefits, rather than on required funding amounts. Governments participating in multi-employer cost-sharing plans will be required to report a liability equivalent to their proportionate share of the collective net pension liability of the plan. The proportion would essentially equal the government's long-term expected contributions to the plan divided by those of all governments in the plan. Each cost-sharing employer will also be required to recognize its estimated allocated share of the plan's collective pension expense. This statement, which is effective for financial statements for periods beginning after June 15, 2013, is expected to have a material future impact on the City's net position. However, the City's proportionate share of its net pension liability associated with the Florida Retirement System has not yet been determined.

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 position:

Following the governmental fund balance sheet is a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. 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 position 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, 2012

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 fiscal 2012, the Stormwater Management (major) special revenue fund reported actual expenditures that exceeded budgetary appropriations by \$35,963, or 3.9% of total approved appropriations. The over-expenditure was the result of unbudgeted expenditures recognized on a paving rehabilitation program in 2012. This amount will be funded in entirety from future period surplus funds, all of which are restricted for these purposes.

During fiscal 2012, the Road Improvement (major) capital projects fund reported actual expenditures that exceeded budgetary appropriations by \$863,246. The over-expenditure was the result of unbudgeted expenditures recognized for significant transportation improvements completed in 2012. This amount is expected to be funded from future year budget transfers from other funds in the next year's operating budget.

During fiscal 2012, the Sidewalk Improvement (Nonmajor) special revenue fund reported actual expenditures that exceeded budgetary appropriations by \$4,870. The over-expenditure was the result of unbudgeted expenditures recognized for sidewalk maintenance in 2012. 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, 2012

CITY OF DEBARY, FLORIDA

C. Deficit Fund Balances

At September 30, 2012, the Stormwater Management (major) special revenue fund had an accumulated fund balance deficit of \$41,243. The fund balance deficit recognized in this fund, which is not considered to be material, is expected to be received in its entirety in the subsequent fiscal year.

At September 30, 2012, the Flood Improvement capital projects fund had an accumulated fund balance deficit of \$305,585. The fund balance deficit recognized in this fund represents accumulated grant matching amounts that have not been reimbursed from the General Fund. This amount is expected to be received in its entirety in the subsequent fiscal year.

At September 30, 2012, the Road Improvement capital projects fund had an accumulated fund balance deficit of \$53,477. The fund balance deficit recognized in this fund represents accumulated grant matching amounts that have not been charged to the General Fund. This amount is expected to be received in its entirety in the subsequent fiscal year.

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 2.9900 mills (2011 levy collected in the year ended September 30, 2012). 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

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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2012

CITY OF DEBARY, FLORIDA

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

NOTE 5 - DEPOSITS AND INVESTMENTS

Deposits. At September 30, 2012, the carrying value of the City’s cash deposit accounts totaled \$8,218,254 and the bank balance totaled \$8,314,211. All 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, 2012, 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.....	\$ 3,266,337	3,266,337	-	-
Fund B.....	<u>180,407</u>	-	-	<u>180,407</u>
Totals.....	<u>\$ 3,446,744</u>	<u>3,266,337</u>	<u>-</u>	<u>180,407</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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2012

CITY OF DEBARY, FLORIDA

investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the “1940 Act”). Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions.

The SBA’s interpretation of GASB 31 is that the Florida PRIME is currently considered an SEC 2a-7 like fund, thus your account balance should also be considered the fair value of your investment. The SBA’s interpretation in regards to Fund B is that it does not meet the requirements of an SEC 2a-7 like fund; therefore, SBA is providing a fair value factor (i.e. total net asset value of Fund B divided by total participant balances of Fund B) for September 30, 2012. The fair value of the remaining \$190,107 (at cost) investment in Fund B is \$180,407 as of September 30, 2012, based on the fair value factor of 0.94896811 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, 2012, the WAM of the Florida PRIME is 39 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, 2012, is estimated at 4.08 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

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 obligation bonds (subject to rating restrictions), direct obligations of the U.S. Government, obligations of U.S. Government agencies, backed by the full faith and credit if the U.S. Government, authorized intergovernmental investment pools,

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2012

CITY OF DEBARY, FLORIDA

securities and obligations of U.S. Government agencies, not backed by the full faith and credit of the U.S. Government.

Credit Quality. The Florida PRIME is rated by Standard and Poors, with a rating of AAAM as of September 30, 2012; Fund B is not rated by any nationally recognized statistical rating agency.

Concentrations of Credit Risk. The City’s investment policy limits concentration of investments as follows:

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, 2012, the carrying amount of the City’s deposits in the Local Government Surplus Funds Trust Fund was \$3,446,744, all of which was covered by collateral securities in accordance with the Act. All remaining deposits were adequately covered by federal depository insurance and/or the statutory provisions of the Act.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2012

CITY OF DEBARY, FLORIDA

NOTE 6 – DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables: Amounts are aggregated into single accounts receivable (net of allowance for uncollectible accounts) lines for certain funds and aggregated columns. Below is a detail of receivables for the governmental activities anticipated to be collected within an operating cycle:

Delinquent taxes receivable	\$ 29,522	
Utility service taxes.....	125,686	
Franchise fees.....	87,858	
Other miscellaneous receivables	<u>3,672</u>	
	246,738	
Less: allowance for doubtful accounts.....	<u>(9,749)</u>	
Total governmental activities receivables, net		<u>\$ 236,989</u>

Payables: Amounts are aggregated into single accounts payable and accrued liabilities lines for certain funds and aggregated columns. Below is a detail of payables for the governmental activities anticipated to be paid within an operating cycle:

Accounts payable	\$ 774,777	
Contract retentions	140,425	
Accrued wages	17,930	
Accrued employee benefits.....	1,372	
Other miscellaneous payables.....	<u>18,469</u>	
Total governmental activities payables		<u>\$ 952,973</u>

NOTE 7 - INTERFUND ACCOUNTS

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. Individual fund interfund receivables and payables at September 30, 2012, 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>-</u>	<u>2,571,815</u>
Totals.....	<u>\$ 2,574,031</u>	<u>2,574,031</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2012

CITY OF DEBARY, FLORIDA

Individual fund transfers made during the year ended September 30, 2012, are comprised of the following:

Fund	Transfers From	Transfers To
General:		
Road Improvement Capital Project.....	\$ -	692,711
Franchise Fee:		
Sidewalk Improvement.....	-	3,858
Road Improvement Capital Project.....	-	252,432
Sidewalk Improvement:		
Franchise Fees.....	3,858	-
Road Improvement Capital Project:		
General.....	692,711	-
Franchise Fees.....	<u>252,432</u>	<u>-</u>
Totals.....	<u>\$ 949,001</u>	<u>949,001</u>

NOTE 8 - CAPITAL ASSETS

A summary of the capital assets activity for the year ended September 30, 2012, is as follows:

	Balances 9/30/2011	Additions	Deletions	Balances 9/30/2012
Capital assets not being depreciated:				
Land.....	\$ 5,908,425	174,005	(4,916)	6,077,514
Construction in progress.....	<u>9,874,300</u>	<u>2,710,572</u>	<u>(10,416,844)</u>	<u>2,168,028</u>
Total capital assets not being depreciated.....	<u>15,782,725</u>	<u>2,884,577</u>	<u>(10,421,760)</u>	<u>8,245,542</u>
Capital assets being depreciated:				
Buildings.....	3,342,970	285,350	-	3,628,320
Infrastructure.....	14,940,710	10,621,528	(8,492)	25,553,746
Machinery and equipment.....	<u>1,320,902</u>	<u>231,476</u>	<u>(89,850)</u>	<u>1,462,528</u>
Total capital assets being depreciated.....	<u>19,604,582</u>	<u>11,138,354</u>	<u>(98,342)</u>	<u>30,644,594</u>
Less accumulated depreciation for:				
Buildings.....	(506,437)	(133,097)	-	(639,534)
Infrastructure.....	(3,248,611)	(817,274)	5,784	(4,060,101)
Machinery and equipment.....	<u>(819,884)</u>	<u>(134,847)</u>	<u>89,599</u>	<u>(865,132)</u>
Total accumulated depreciation.....	<u>(4,574,932)</u>	<u>(1,085,218)</u>	<u>95,383</u>	<u>(5,564,767)</u>
Total capital assets being depreciated, net....	<u>15,029,650</u>	<u>10,053,136</u>	<u>(2,959)</u>	<u>25,079,827</u>
Total capital assets, net.....	<u>\$ 30,812,375</u>	<u>12,937,713</u>	<u>(10,424,719)</u>	<u>33,325,369</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2012

CITY OF DEBARY, FLORIDA

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

Governmental activities:	
General government.....	\$ 144,398
Public safety	72,715
Physical environment	492,122
Transportation.....	206,294
Culture/recreation	<u>169,689</u>
 Total depreciation expense - governmental activities	 <u>\$ 1,085,218</u>

NOTE 9 – GENERAL LONG-TERM DEBT

The City’s long-term debt outstanding at September 30, 2012, 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 \$202,412 as of 9/30/2012.....	\$ 149,336	47,868
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.....	4,585,000	230,000
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.....	1,165,000	375,000
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>4,690,000</u>	<u>165,000</u>
Total leases and notes payable.....	10,589,336	817,868
Other post-employment benefit obligation.....	10,112	-
Compensated absences (current portion estimated).....	<u>153,825</u>	<u>32,406</u>
Total long-term debt.....	<u>\$10,753,273</u>	<u>850,274</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2012

CITY OF DEBARY, FLORIDA

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

	Balances 9/30/2011	Additions	Deletions	Balances 9/30/2012
Capital Lease Obligations:				
\$239,698 capital lease dated 1/8/2010.....	\$ 195,390	-	(46,054)	149,336
Notes Payable:				
3.845% Series 2006 Revenue Note.....	4,805,000	-	(220,000)	4,585,000
3.635% Series 2007 Revenue Note.....	1,525,000	-	(360,000)	1,165,000
4.050% Series 2009 Revenue Note.....	4,850,000	-	(160,000)	4,690,000
	11,375,390	-	(786,054)	10,589,336
Other post-employment benefit obligation....	5,398	4,714	-	10,112
Compensated absences.....	146,143	97,939	(90,257)	153,825
Totals.....	<u>\$ 11,526,931</u>	<u>102,653</u>	<u>(876,311)</u>	<u>10,753,273</u>

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

Fiscal Year	Capital Lease Obligations		Revenue Notes	
	Principal	Interest	Principal	Interest
September 30, 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.....	-	-	4,270,000	210,961
September 30, 2018 through 2022.....	-	-	1,510,000	481,074
September 30, 2023 through 2027.....	-	-	1,825,000	157,805
Totals.....	<u>\$ 149,336</u>	<u>11,920</u>	<u>10,440,000</u>	<u>2,238,345</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2012

CITY OF DEBARY, FLORIDA

Pledged Revenues. The primary source of pledged revenues for all Revenue Note's held by the City at September 30, 2012, are the City's stormwater utility assessments; however to the extent that the stormwater utility assessments are insufficient to pay amounts due on the notes, the City has covenanted to budget and appropriate non-ad valorem revenues. Total pledged revenues and annual debt requirements are as follows:

Pledged Revenues:

Stormwater Utility Assessments	\$ 816,479
Non-ad valorem revenues (excludes grant funds).....	<u>6,629,288</u>
Totals.....	<u>\$ 7,445,767</u>

Annual Debt Requirements:

Series 2006 Revenue Note.....	\$ 398,924
Series 2007 Revenue Note.....	410,532
Series 2009 Revenue Note.....	<u>351,604</u>
Totals.....	<u>\$ 1,161,060</u>

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.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2012

CITY OF DEBARY, FLORIDA

The following table shows the components of the City’s annual OPEB for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the Plan based on a the most recent actuarial valuation dated October 1, 2010:

	<u>09/30/2011</u>	<u>09/30/2012</u>
Annual required contribution (ARC)	\$ 8,461	8,185
Interest on net OPEB obligation	0	243
Adjustment to annual required contribution	<u>0</u>	<u>(329)</u>
Annual OPEB cost	8,461	8,099
Estimated net contributions made	<u>(3,063)</u>	<u>(3,385)</u>
Increase (decrease) in net OPEB obligation	5,398	4,714
Net OPEB obligation-beginning of year	<u>0</u>	<u>5,398</u>
Net OPEB obligation-end of year	<u>\$ 5,398</u>	<u>10,112</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Actual</u> <u>Contribution</u>	<u>Percent</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
09/30/12	\$ 8,099	\$ 3,385	41.79%	\$10,112
09/30/11	8,461	3,063	36.20%	5,398
09/30/10	n/a	n/a	n/a	n/a

Funded Status and Funding Progress. Based on the October 1, 2010 actuarial valuation, the funded status of the OPEB Plan was as follows:

Actuarial accrued liability (AAL)	\$ 27,389
Actuarial value of plan assets.....	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 27,389</u>
Funded ratio (actuarial value of plan assets/AAL).....	0.0%
Covered payroll (annual payroll of active employees covered by the plan).....	\$ 879,485
UAAL as a percentage of covered payroll	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.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2012

CITY OF DEBARY, FLORIDA

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 7% percent in 2012, 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.

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, 2012, the City's total payroll for all employees was \$986,571 and its covered payroll was \$936,663. Employer contributions, including forfeitures, to the plan were \$93,665, \$90,129, and \$75,865, for the years ended September 30, 2012, 2011, and 2010, 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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2012

CITY OF DEBARY, FLORIDA

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, 2012, employee contributions to the Plan totaled \$46,075.

NOTE 13 - LEGAL MATTERS

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

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies in current and prior years are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by general liability insurance. Commercial insurance policies are also obtained for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in either of the last three years.

NOTE 16 - SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 23, 2013, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT OBLIGATION
For the Year Ended September 30, 2012
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>
9/30/2012	\$ 8,099	\$ 3,385	\$ -	0.00%
9/30/2011	\$ 8,461	\$ 3,063	\$ -	0.00%
9/30/2010	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, 2012
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Intergovernmental	\$ 2,004,864	2,004,864	365,373	(1,639,491)
Total revenue.....	2,004,864	2,004,864	365,373	(1,639,491)
Expenditures:				
Capital Outlay:				
Physical environment.....	2,009,728	2,009,728	279,728	1,730,000
Total expenditures.....	2,009,728	2,009,728	279,728	1,730,000
Excess of revenue over (under) expenditures.....	(4,864)	(4,864)	85,645	90,509
Other Financing Sources (Uses):				
Appropriated fund balance.....	4,864	4,864	-	(4,864)
Total other financing sources (uses).	4,864	4,864	-	(4,864)
Net changes in fund balances.....	-	-	85,645	85,645
Fund balances, beginning of year	(391,230)	(391,230)	(391,230)	-
Fund balances, end of year	\$ (391,230)	(391,230)	(305,585)	85,645

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL - STORMWATER IMPROVEMENTS CAPITAL PROJECTS FUND**
 For the Fiscal Year Ended September 30, 2012
 CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Intergovernmental	\$ 254,883	254,883	1,023,808	768,925
Total revenue.....	254,883	254,883	1,023,808	768,925
Expenditures:				
Capital Outlay:				
Physical environment.....	1,495,370	1,495,370	1,023,111	472,259
Total expenditures.....	1,495,370	1,495,370	1,023,111	472,259
Excess of revenue over (under) expenditures.....	(1,240,487)	(1,240,487)	697	1,241,184
Other Financing Sources (Uses):				
Transfers in	223,540	223,540	-	(223,540)
Appropriated fund balance.....	2,154,875	2,154,875	-	(2,154,875)
Transfers out.....	(1,137,928)	(1,137,928)	-	1,137,928
Total other financing sources (uses).	1,240,487	1,240,487	-	(1,240,487)
Net changes in fund balances.....	-	-	697	697
Fund balances, beginning of year	1,420,504	1,420,504	1,420,504	-
Fund balances, end of year	\$ 1,420,504	1,420,504	1,421,201	697

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL - ROAD CAPITAL PROJECTS FUND**
 For the Fiscal Year Ended September 30, 2012
 CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Intergovernmental	\$ -	-	439,569	439,569
Total revenue.....	-	-	439,569	439,569
Expenditures:				
Capital Outlay:				
Transportation.....	-	-	991,196	(991,196)
Culture/Recreation.....	-	570,945	442,995	127,950
Total expenditures.....	-	570,945	1,434,191	(863,246)
Excess of revenue over (under) expenditures.....	-	(570,945)	(994,622)	(423,677)
Other Financing Sources (Uses):				
Transfers in	-	570,945	945,143	374,198
Net changes in fund balances.....	-	-	(49,479)	(49,479)
Fund balances, beginning of year	(3,998)	(3,998)	(3,998)	-
Fund balances, end of year	<u>\$ (3,998)</u>	<u>(3,998)</u>	<u>(53,477)</u>	<u>(49,479)</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2012
CITY OF DEBARY, FLORIDA

Nonmajor

	Street Lighting Districts	Orlandia Heights Neighborhood Improvement District	Recycling	Sidewalk Improvement
Assets:				
Cash and cash equivalents.....	\$ 472,124	87,586	34,899	-
Receivables (net):	-	-	-	-
Accounts receivable.....	-	-	3,353	-
Prepays.....	-	4,135	-	-
Total assets.....	<u>\$ 472,125</u>	<u>91,721</u>	<u>38,252</u>	<u>-</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities...	\$ 27,253	-	-	-
Total liabilities.....	<u>27,253</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable.....	-	4,135	-	-
Restricted.....	-	-	-	-
Committed.....	444,872	87,586	-	-
Assigned.....	-	-	38,252	-
Unassigned.....	-	-	-	-
Total fund balances.....	<u>444,872</u>	<u>91,721</u>	<u>38,252</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 472,125</u>	<u>91,721</u>	<u>38,252</u>	<u>-</u>

Special Revenue Funds

Tree Preservation	Economic Opportunity Fund	Park Benefit Impact Fee Fund	Public Buildings Benefit Impact Fee Fund	Total Nonmajor Governmental Funds
82,515	36,303	23,908	15,360	752,695
-	-	-	-	-
-	-	-	-	3,353
-	-	-	-	4,135
<u>82,515</u>	<u>36,303</u>	<u>23,908</u>	<u>15,360</u>	<u>760,184</u>
-	-	-	-	27,253
-	-	-	-	27,253
-	-	-	-	4,135
-	-	23,908	15,360	39,268
-	36,303	-	-	568,761
82,515	-	-	-	120,767
-	-	-	-	-
<u>82,515</u>	<u>36,303</u>	<u>23,908</u>	<u>15,360</u>	<u>732,931</u>
<u>82,515</u>	<u>36,303</u>	<u>23,908</u>	<u>15,360</u>	<u>760,184</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	376,011	95,618	-	-
Miscellaneous	-	-	14,515	-
Total revenue.....	<u>376,011</u>	<u>95,618</u>	<u>14,515</u>	<u>-</u>
Expenditures:				
Current:				
General Government:				
Nondepartmental.....	-	-	-	-
Transportation.....	375,550	34,309	-	4,870
Culture/recreation	-	-	-	-
Total expenditures.....	<u>375,550</u>	<u>34,309</u>	<u>-</u>	<u>4,870</u>
Excess of revenue over (under) expenditures.....	<u>461</u>	<u>61,309</u>	<u>14,515</u>	<u>(4,870)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	3,858
Total other financing sources (uses)...	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,858</u>
Net changes in fund balances.....	461	61,309	14,515	(1,012)
Fund balances, beginning of year	<u>444,411</u>	<u>30,412</u>	<u>23,737</u>	<u>1,012</u>
Fund balances, end of year	<u>\$ 444,872</u>	<u>91,721</u>	<u>38,252</u>	<u>-</u>

Special Revenue Funds

Tree Preservation	Economic Opportunity Fund	Park Benefit Impact Fee Fund	Public Buildings Benefit Impact Fee Fund	Total Nonmajor Governmental Funds
-	23,564	-	-	23,564
-	-	8,075	3,156	482,860
<u>3,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,933</u>
<u>3,418</u>	<u>23,564</u>	<u>8,075</u>	<u>3,156</u>	<u>524,357</u>
-	-	-	4,943	4,943
-	-	-	-	414,729
<u>-</u>	<u>-</u>	<u>11,265</u>	<u>-</u>	<u>11,265</u>
<u>-</u>	<u>-</u>	<u>11,265</u>	<u>4,943</u>	<u>430,937</u>
<u>3,418</u>	<u>23,564</u>	<u>(3,190)</u>	<u>(1,787)</u>	<u>93,420</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,858</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,858</u>
3,418	23,564	(3,190)	(1,787)	97,278
<u>79,097</u>	<u>12,739</u>	<u>27,098</u>	<u>17,147</u>	<u>635,653</u>
<u>82,515</u>	<u>36,303</u>	<u>23,908</u>	<u>15,360</u>	<u>732,931</u>

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES-BUDGET AND ACTUAL
STREET LIGHTING DISTRICT FUND**
For the Fiscal Year Ended September 30, 2012
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Permits, fees and special assessments.....	\$ 369,685	369,685	376,011	6,326
Total revenue.....	369,685	369,685	376,011	6,326
Expenditures:				
Current:				
Transportation.....	406,025	406,025	375,550	30,475
Total expenditures.....	406,025	406,025	375,550	30,475
Excess of revenue over (under) expenditures.....	(36,340)	(36,340)	461	36,801
Other Financing Sources (Uses):				
Appropriated fund balance.....	36,340	36,340	-	(36,340)
Total other financing sources (uses).	36,340	36,340	-	(36,340)
Net changes in fund balances.....	-	-	461	461
Fund balances, beginning of year	444,411	444,411	444,411	-
Fund balances, end of year	\$ 444,411	444,411	444,872	461

**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, 2012
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Permits, fees and special assessments.....	\$ 93,813	93,813	95,618	1,805
Total revenue.....	93,813	93,813	95,618	1,805
Expenditures:				
Current:				
Transportation.....	94,050	94,050	34,309	59,741
Total expenditures.....	94,050	94,050	34,309	59,741
Excess of revenue over (under) expenditures.....	(237)	(237)	61,309	61,546
Other Financing Sources (Uses):				
Appropriated fund balance.....	237	237	-	(237)
Total other financing sources (uses).	237	237	-	(237)
Net changes in fund balances.....	-	-	61,309	61,309
Fund balances, beginning of year	30,412	30,412	30,412	-
Fund balances, end of year	<u>\$ 30,412</u>	<u>30,412</u>	<u>91,721</u>	<u>61,309</u>

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES-BUDGET AND ACTUAL
RECYCLING SPECIAL REVENUE FUND**
For the Fiscal Year Ended September 30, 2012
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Miscellaneous	\$ 10,000	10,000	14,515	4,515
Total revenue.....	10,000	10,000	14,515	4,515
Expenditures:				
Current:				
Physical environment.....	10,480	10,480	-	10,480
Total expenditures.....	10,480	10,480	-	10,480
Excess of revenue over (under) expenditures.....	(480)	(480)	14,515	14,995
Other Financing Sources (Uses):				
Appropriated fund balance.....	480	480	-	(480)
Total other financing sources (uses).	480	480	-	(480)
Net changes in fund balances.....	-	-	14,515	14,515
Fund balances, beginning of year	23,737	23,737	23,737	-
Fund balances, end of year	<u>\$ 23,737</u>	<u>23,737</u>	<u>38,252</u>	<u>14,515</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, 2012
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Permits, fees and special assessments.....	\$ -	-	-	-
Total revenue.....	-	-	-	-
Expenditures:				
Current:				
Transportation.....	-	-	4,870	(4,870)
Total expenditures.....	-	-	4,870	(4,870)
Excess of revenue over (under) expenditures.....	-	-	(4,870)	(4,870)
Other Financing Sources (Uses):				
Transfers in	-	-	3,858	3,858
Total other financing sources (uses).	-	-	3,858	3,858
Net changes in fund balances.....	-	-	(1,012)	(1,012)
Fund balances, beginning of year	1,012	1,012	1,012	-
Fund balances, end of year	<u>\$ 1,012</u>	<u>1,012</u>	<u>-</u>	<u>(1,012)</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, 2012
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Miscellaneous	\$ -	-	3,418	3,418
Total revenue.....	-	-	3,418	3,418
Expenditures:				
Current:				
Physical environment.....	25,000	25,000	-	25,000
Total expenditures.....	25,000	25,000	-	25,000
Excess of revenue over (under) expenditures.....	(25,000)	(25,000)	3,418	28,418
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.....	-	-	3,418	3,418
Fund balances, beginning of year	79,097	79,097	79,097	-
Fund balances, end of year	<u>\$ 79,097</u>	<u>79,097</u>	<u>82,515</u>	<u>3,418</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, 2012
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Taxes.....	\$ 34,000	34,000	23,564	(10,436)
Total revenue.....	34,000	34,000	23,564	(10,436)
Expenditures:				
Current:				
Economic environment	34,000	34,000	-	34,000
Total expenditures.....	34,000	34,000	-	34,000
Excess of revenue over (under) expenditures.....	-	-	23,564	23,564
Fund balances, beginning of year	12,739	12,739	12,739	-
Fund balances, end of year	\$ 12,739	12,739	36,303	23,564

**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, 2012
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Permits, fees and special assessments	\$ 25,367	25,367	8,075	(17,292)
Total revenue.....	25,367	25,367	8,075	(17,292)
Expenditures:				
Current:				
Culture/recreation	25,367	25,367	11,265	14,102
Total expenditures.....	25,367	25,367	11,265	14,102
Excess of revenue over (under) expenditures.....	-	-	(3,190)	(3,190)
Fund balances, beginning of year	27,098	27,098	27,098	-
Fund balances, end of year	\$ 27,098	27,098	23,908	(3,190)

**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, 2012
CITY OF DEBARY, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		
Revenue:				
Permits, fees and special assessments	\$ 16,533	16,533	3,156	(13,377)
Total revenue.....	16,533	16,533	3,156	(13,377)
Expenditures:				
Current:				
General Government:				
Nondepartmental.....	16,533	16,533	4,943	11,590
Total expenditures.....	16,533	16,533	4,943	11,590
Excess of revenue over (under) expenditures.....	-	-	(1,787)	(1,787)
Fund balances, beginning of year	17,147	17,147	17,147	-
Fund balances, end of year	\$ 17,147	17,147	15,360	(1,787)

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SUPPLEMENTAL AUDIT REPORTS

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended September 30, 2012

CITY OF DEBARY, FLORIDA

Federal Grantor/ Pass-through Grantor/ Federal Program or Cluster Title	Federal CFDA/ No.	Agency or Pass-through Entity Identifying Number	Federal Expenditures
Other Programs:			
U.S. Department of Homeland Security:			
Indirect Pass-through Programs:			
Florida Division of Emergency Management:			
Homeland Security Grant Program:			
CERT Program.....	97.067	10-CI-43-09-46-02-287	\$ 300
CERT Program.....	97.067	11-CI-A6-06-74-02-355	<u>500</u>
Total-Homeland Security Grant Program.....			<u>800</u>
Florida Division of Emergency Management:			
Hazard Mitigation Grant Program:			
Westside Emergency Flood Management System.....	97.039	10HM-12-06-74-02-008 *	1,346,885
Lakeside Gravity Outfall Project.....	97.039	10HM-88-06-74-02-001 *	68,664
Naranja Road and 2nd Street Drainage Improvements.....	97.039	11HM-3H-06-74-02-001 *	<u>60,285</u>
Total-Hazard Mitigation Grant Program.....			<u>1,475,834</u>
Total-U.S. Department of Homeland Security.....			<u>1,476,634</u>
U.S. Department of Transportation:			
Indirect Pass-through Programs:			
Florida Department of Transportation:			
Highway Planning and Construction:			
Local Agency Program-Naranja Sidewalk.....	20.205	APJ42 *	298,030
Local Agency Program-Highbanks Signal.....	20.205	AQD57 *	11,466
Local Agency Program-Highbanks Sidewalk.....	20.205	AQF67 *	<u>141,539</u>
Total-Highway Planning and Construction.....			<u>451,035</u>
Total-U.S. Department of Transportation.....			<u>451,035</u>
U.S. Department of Housing and Urban Development:			
Indirect Programs:			
Passed through County of Volusia, Florida:			
Community Development Block Grants/Entitlements:			
2010-2011 Entitlement.....	14.218	n/a	15,666
2011-2012 Entitlement.....	14.218	n/a	<u>10,428</u>
Total-Community Development Block Grant/Entitlements.....			<u>26,094</u>
Total-U.S. Department of Housing and Urban Development.....			<u>26,094</u>
Total Expenditures of Federal Awards.....			<u>\$ 1,953,763</u>

* Designates a major program

NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 For the Year Ended September 30, 2012
 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, 2012 from federal funding sources.

3. SUBRECIPIENTS

The City provided no federal/state awards to subrecipients for the fiscal year ended September 30, 2012.

4. RETROACTIVE GRANT PROGRAM EXTENSIONS

During the fiscal year ended September 30, 2012, and subsequent thereto, the City received notification and approval from the U.S. Department of Homeland Security for the continued extension of two of its Hazard Mitigation Grant Programs. These extensions specifically provide that the City may revise its current Draw requests on a retroactive basis to include certain now-eligible costs that were incurred in prior years, providing they were not reimbursed with any other federal program funds. These costs will now be eligible for recovery with program funds.

In addition, the Department notified the City that the federal portion of certain eligible program costs incurred by the City in its (FEMA 1545-079-R) program has been increased from 50% to 75%, and that the revised rate may be retroactively applied to costs incurred in prior years for which recovery was made at the original 50% amount. In response to these changes during 2012, the City reimbursed the Department \$26,369 for previously eligible total costs of \$52,738 incurred in the (FEMA 1785-006-R) program, which were determined to be eligible for recovery at the revised 75% rate in the (FEMA 1545-079-R) program.

As a result of the program revisions providing for the retroactive recovery of program costs incurred in prior years, the following amounts (and recovery years) were included in subsequent draw requests:

	<u>FEMA</u> <u>1545-079-R</u>	<u>FEMA</u> <u>1785-006-R</u>	<u>FEMA</u> <u>1840-009-R</u>
2009	\$ 148,603	-	-
2010	78,058	(25,167)	9,907
2011	<u>285,078</u>	<u>(1,202)</u>	<u>24,887</u>
Total	<u>\$ 511,739</u>	<u>(26,369)</u>	<u>34,794</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2012
CITY OF DEBARY, FLORIDA

Part I — Summary of Auditor’s Results

Financial statements section

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

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

Federal awards section

Internal control over major programs:

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

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

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

<u> </u> Yes	<u> X </u> no
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Identification of Major Federal Programs:

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

<u>Name of Federal Program(s):</u>	<u>CFDA No.</u>
U.S. Department of Homeland Security: Hazard Mitigation Grant Program	97.039
U.S. Department of Transportation Highway Planning and Construction	20.205

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

State Projects	<u>\$300,000</u>
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Auditee qualified as low-risk auditee? X Yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (continued)
Year Ended September 30, 2012
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, 2012 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
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the City of DeBary, Florida's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control over Compliance

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

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

purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2012, and have issued our report thereon dated April 23, 2013. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Mayor, City Council, management, and specific legislative and regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Brent Milliken & Co., P.A.

April 23, 2013

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 the City of DeBary, Florida (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 23, 2013. 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

Management of the City is responsible for establishing and maintaining effective 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 April 23, 2013, 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.

April 23, 2013

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, 2012, and have issued our report thereon dated April 23, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated April 23, 2013, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below under the heading Prior Year Matters.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City 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 in the accompanying pages under the headings Current Year Matters.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings, except as noted in the accompanying pages under the heading Current Year Matters.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority is disclosed in the notes to the 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 City of DeBary, Florida, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2012, 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, 2012. 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.
- Section 10.558(1) Rules of the Auditor General, requires the local government to provide a written statement of explanation or rebuttal concerning the auditor's findings and recommendations, including corrective action to be taken which must be filed with the governing body of the local governmental entity and included in the auditor's reports or management letter prepared pursuant to Section 218.39(4), Florida Statutes. The City's statements of explanation or rebuttal are described herein in the "Auditee Response" section, which follows each of the auditor's findings and recommendations. We did not audit the City's response and, accordingly, we express no opinion on it.

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.

April 23, 2013

MANAGEMENT LETTER COMMENTS

Year Ended September 30, 2012
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 2011:

	Corrective Action Not Yet Complete	Comment Has Been Addressed Or Is No Longer Relevant	Prior Year Reference Number
Written Policies and Procedures (Comment originated in FY 2008 – 2008-ML-02)		x	2010-01
Deficit Fund Balance-Flood Improvement Capital Project Fund (Comment originated in FY 2009 – 2009-ML-08)	x		2010-02
Interfund Transfers, Advances and Obligations		x	2011-01
Recognition of Contract Retention Liability		x	2011-02

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

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 \$305,585 at September 30, 2012. 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: *During 2012, and early 2013, the City was notified that it could obtain additional retroactive reimbursements of federal funds for certain eligible expenditures that were originally made in this fund in prior years. In addition, a change was approved to increase the amount of external funding from 50% to 75% of eligible costs. These recoveries are expected to be finalized in the next fiscal year, at which time the City anticipates closing this project account and truing up all remaining amounts due from or to other funds representing other fund matching requirements.*

MANAGEMENT LETTER COMMENTS – (continued)

Year Ended September 30, 2012

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:

2012-01 Documentation of Small Purchase Procedures

The City has developed an established and formal purchasing system (Chapter 2, Administration, Article IV, Finance, Division 2, Purchases) which governs all procurements made by the City, including small purchase procedures. While formal Purchase Orders are not required for making many of the City's procurements, they are generated to supplement each vendor purchase and voucher package. During our review of the City's procurement controls and procedures, we noted a significant number of the City's Purchase Orders were prepared subsequent to the actual purchase and receipt of goods and services. When this occurred, we also noted that the voucher packages retained by the City for purchases in excess of \$3,000, but less than \$8,000, did not always include documentation which supports that at least three competitive quotes were solicited prior to the purchase. This procedure may indicate that the supervisory authority to make the purchase was potentially bypassed, or that the documentation is simply not readily available or retained in the City's procurement records. We also noted that the invoices presented for payment are not marked as "paid" to reduce the likelihood that they can be reprocessed intentionally or unintentionally.

Recommendation: We recommend that you should consider exploring the expanded possibilities of implementing and utilizing your present automated Purchase Order system to support all aspects of compliance with the City's formal Purchasing requirements.

Auditee Response: *At the present time, all vendor documentation gathered by City personnel to support competitive pricing is presently maintained by the procuring department. We will consider changing our internal file retention procedures to ensure that the documentation is maintained as "readily available" or we will request that it be maintained in the vendor's accounts payable files at City Hall.*

2012-02 Grant Revenue Recognition

Throughout the last several years, the City has been extensively involved in the planning, design, construction and implementation of numerous capital projects and programs to assist in the mitigation and/or elimination of affected areas in the City that are prone to seasonal flooding, or those that simply require extensive additional stormwater management efforts. The overall costs incurred by the City in its response to these problems have not only been significant, but continue to be a material portion of each successive year's fiscal spending requirements. Throughout this period, the City has been fortunate in its efforts to apply for, and receive, significant financial assistance in the form of grants from the federal and state governments. However, these revenues are not typically recognized or received until after the City has incurred and funded the expenditures. Due to the large number of grant program-eligible transactions, and the inherent complexities associated with the individual grant contracts, the City has experienced significant delays in processing its requests for grant reimbursements for periods of up to six months after

MANAGEMENT LETTER COMMENTS – (continued)

Year Ended September 30, 2012

CITY OF DEBARY, FLORIDA

the expenses were incurred. As a result, it is extremely difficult for the City's finance personnel to receive timely information that is necessary to support the recognition and reporting of approved grant recoveries in the same year that the actual eligible costs were incurred, which is required in accordance with generally accepted accounting principles.

Recommendation: We recommend that the City should recognize all contract related revenues and costs as they occur and that more attention should be given to ensuring that timely Reimbursement Requests are submitted to the federal agencies for the programs in question. While we recognize that many of the City's grants have been modified and approved to provide for the retroactive reimbursement of significant unanticipated additional costs that were borne by the City in several previous years, we also recommend that you should consider establishing separate activity funds for each federal grant program. These funds could be used to report all related grant and spending activities to ensure that all costs associated with a particular grant activity are isolated and reported in a separate fund to enhance the ability to provide a detailed and complete accounting for the project funds, and to ensure that the costs are not mistakenly charged to more than one federal program.

Auditee Response: *During the 2013 fiscal year, the City will explore the options of establishing separate financial funds for all grant programs that will include summaries of all project costs, and all related grant revenues and associated matching requirements.*

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