

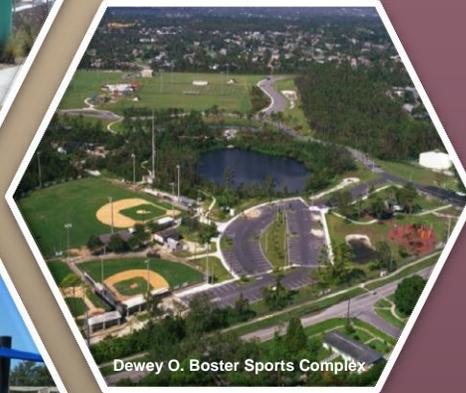
City of Deltona, Florida



Farmers Market



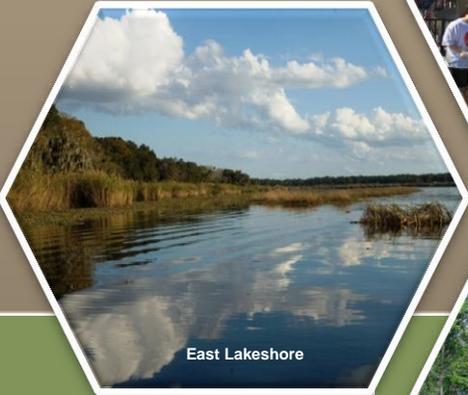
Amphitheatre at Lyonia Preserve



Dewey O. Boster Sports Complex



Splash Pad at Wes Crile Park



East Lakeshore

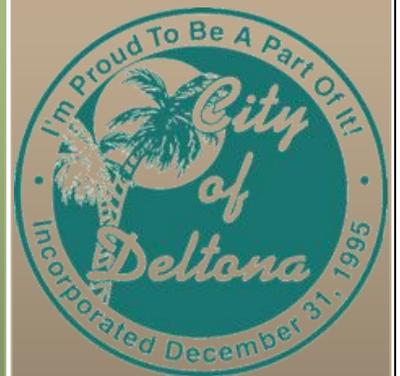


Veterans Memorial Park



Fire Station 65

Comprehensive Annual Financial Report



FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

City of Deltona, Florida

Building Deltona's Future Through Continued Efficiencies and Effectiveness

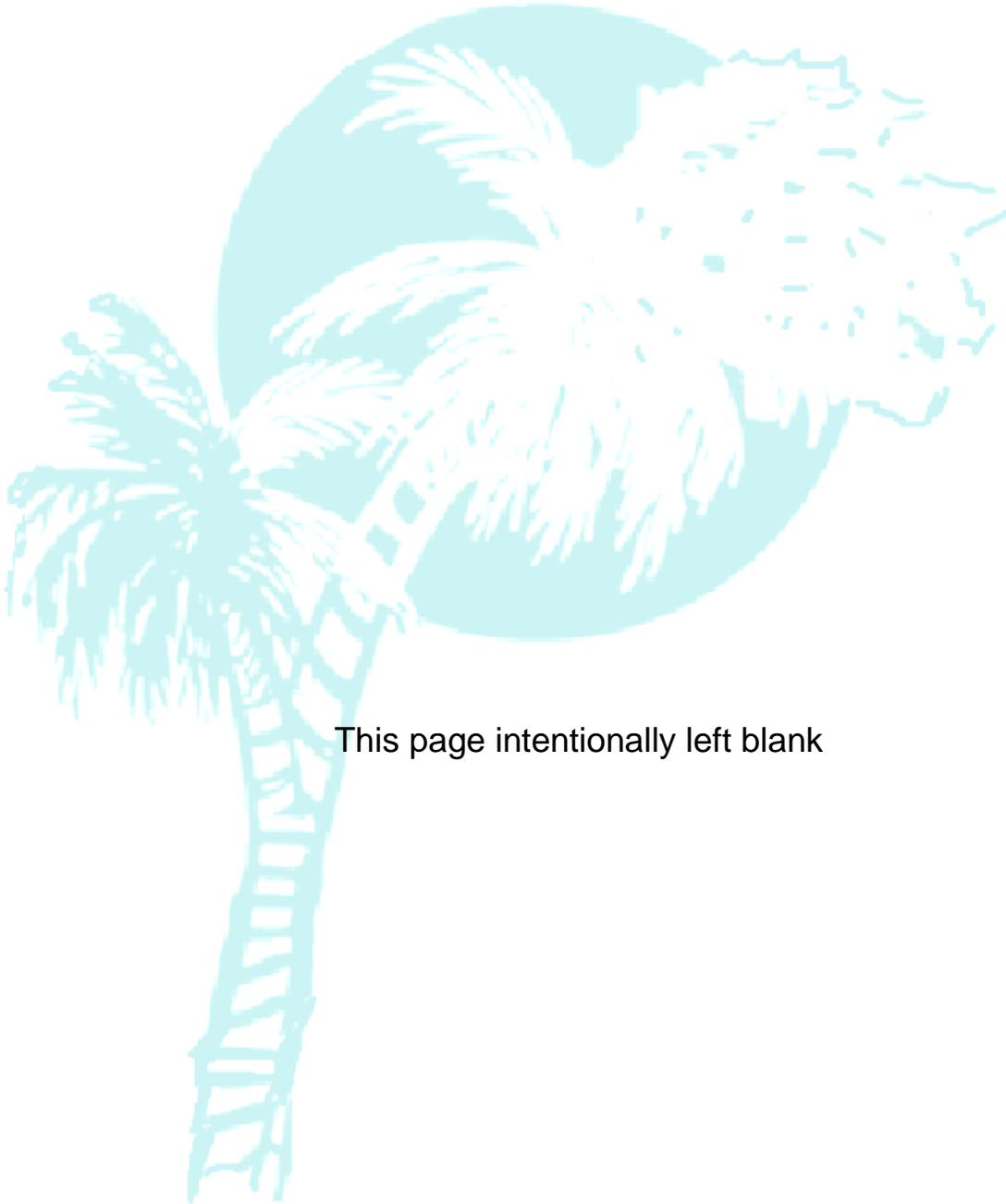


Comprehensive Annual Financial Report

For the year ended
September 30, 2011

Prepared By:
Finance Department

Submitted By:
Faith G. Miller
City Manager



This page intentionally left blank

CITY OF DELTONA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Table of Contents

Introductory Section

Letter of Transmittali
 Certificate of Achievementx
 Organizational Chartxi
 Elected Officialsxii
 Other Officialsxiii

Financial Section

Independent Auditors' Report.....1

Management's Discussion and Analysis.....3

Basic Financial Statements

Government-Wide Financial Statements:

Statement of Net Assets.....19
 Statement of Activities20

Fund Financial Statements:

Balance Sheet – All Governmental Funds21
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets22
 Statement of Revenues, Expenditures, and Changes in Fund
 Balances – All Governmental Funds.....23
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of the Governmental Funds to the
 Statement of Activities.....24
 Statement of Net Assets – Proprietary Funds25
 Statement of Revenues, Expenses, and Changes in Fund Net Assets -
 Proprietary Funds.....27
 Statement of Cash Flows – Proprietary Funds.....28
 Statement of Fiduciary Net Assets – Pension Trust Funds.....30
 Statement of Changes in Fiduciary Net Assets – Pension Trust Funds.....31

Notes to Financial Statements.....32

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund
 Balance - Budget and Actual – General Fund.....67
 Schedule of Revenues, Expenditures, and Changes in Fund
 Balance - Budget and Actual – Solid Waste Fund68
 Schedule of Revenues, Expenditures, and Changes in Fund
 Balance - Budget and Actual – Stormwater Utility Fund.....69

CITY OF DELTONA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Table of Contents
(Continued)

Required Supplementary Information (Concluded)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – State Housing Initiative Partnership.....	70
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Transportation Fund	71
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects – Municipal Complex(s) Fund	72
Schedules of Funding Progress and Contributions from Employer and Others.....	73
Notes to the Required Supplementary Information	75

Supplemental Information

Combining Balance Sheet – Nonmajor Governmental Funds.....	78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	79
Schedule of Revenues and Expenditures – Budget and Actual Streetlighting Districts Fund.....	80
Schedule of Revenues and Expenditures – Budget and Actual Fire/Rescue Service Impact Fees Fund	81
Schedule of Revenues and Expenditures – Budget and Actual Law Enforcement Impact Fees Fund	82
Schedule of Revenues and Expenditures – Budget and Actual Park Impact Fees Fund	83
Schedule of Revenues and Expenditures – Budget and Actual Transportation Impact Fees Fund	84
Schedule of Revenues and Expenditures – Budget and Actual Community Development Block Grant Fund	85
Schedule of Revenues and Expenditures – Budget and Actual Neighborhood Stabilization Program Fund	86
Schedule of Revenues and Expenditures – Budget and Actual Tree Replacement Fees Fund.....	87
Schedule of Revenues and Expenditures – Budget and Actual Capital Projects – Park Projects Fund.....	88
Notes to the Supplemental Information	89

Statistical Section (Unaudited)

Financial Trends:

Net Assets by Component.....	94
Changes in Net Assets	96
Fund Balances of Governmental Funds	100
Changes in Fund Balances of Governmental Funds.....	102
Tax Revenues by Source, Governmental Funds	104

CITY OF DELTONA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Table of Contents
(Concluded)

Revenue Capacity:

- Assessed and Estimated Actual Value of Taxable Property 105
- Direct and Overlapping Property Tax Rates 106
- Principal Taxpayers 107
- Property Tax Levies and Collections 108

Debt Capacity:

- Ratios of Outstanding Debt by Type 109
- Direct and Overlapping Governmental Activities Debt 110
- Pledged-Revenue Coverage 111

Demographic and Economic Information:

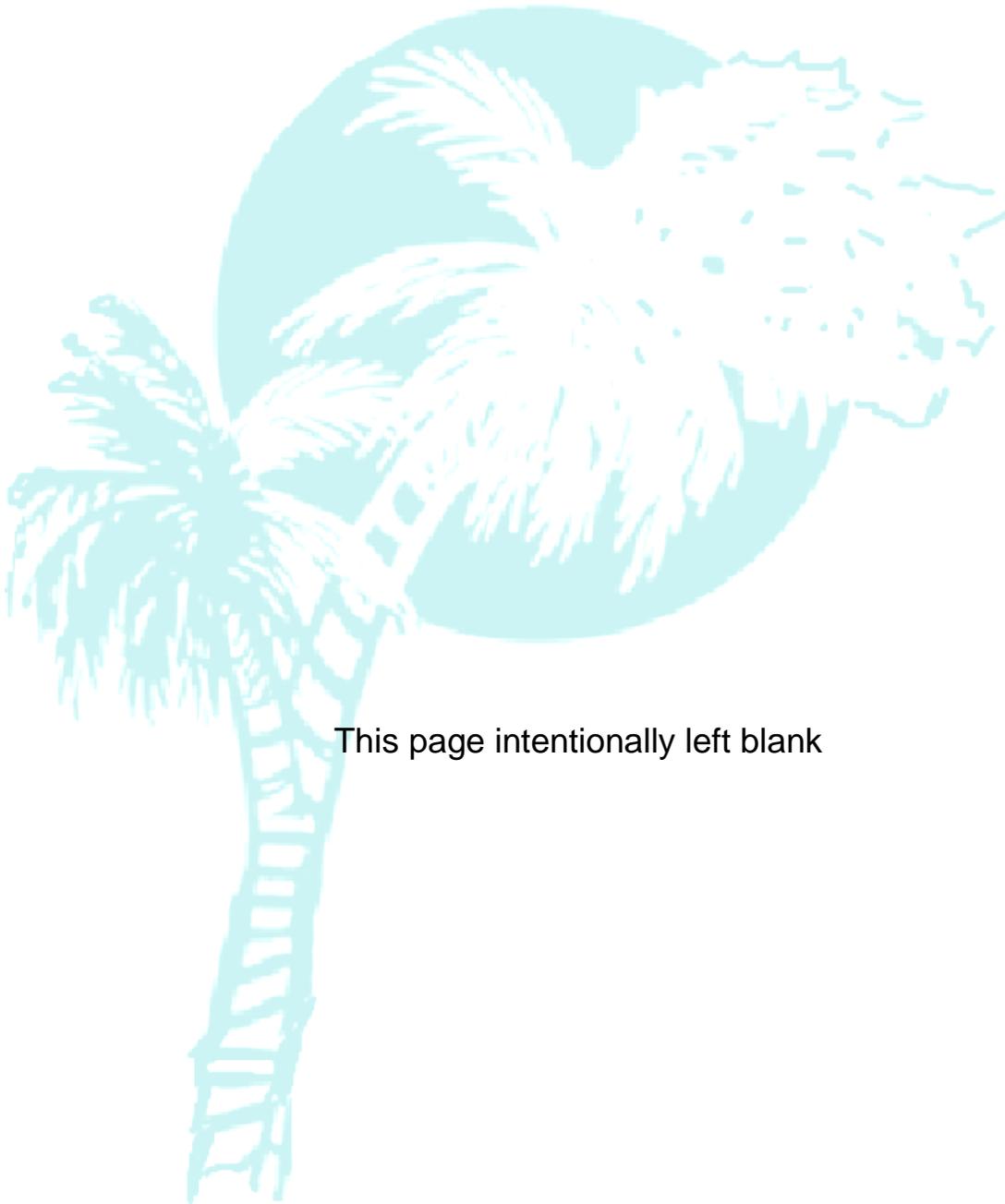
- Demographic and Economic Statistics 113

Operating Information:

- Full-time Equivalent City Government Employees by Function/Program 116
- Various Indicators by Function/Program 118
- Water Sold by Type of Customer 119
- Wastewater Sold by Type of Customer 120
- Principal Employers 121

Additional Elements of Report Prepared in Accordance with *Government Auditing Standards*, Issued by the Comptroller General of the United States and the *Rules of the Auditor General of the State of Florida*

- Schedule of Expenditures of Federal Awards and State Financial Assistance Projects 124
- 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* 127
- Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Financial Assistance Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Florida Department of Financial Services, *State Projects Compliance Supplement* 129
- Schedule of Findings and Questioned Costs – Federal Award Programs and State Financial Assistance Projects 131
- Management Letter 133
- Management Letter Comments 135
- Responses to Management Letter Comments 137



This page intentionally left blank



City of Deltona

March 6, 2012

To the Honorable Mayor and
Members of the City Commission and
Citizens of the City of Deltona, Florida

Ladies and Gentlemen:

State law and local Charter require that every general-purpose local government publish a set of audited financial statements each year. This report is published to fulfill that requirement for the year ended September 30, 2011. The Comprehensive Annual Financial Report (CAFR) of the City of Deltona, for the fiscal year ended September 30, 2011, is hereby submitted pursuant to the City Charter, Florida Statutes, and Chapter 10.550, Rules of the Auditor General of the State of Florida.

Management assumes full responsibility for the reliability and completeness of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the City of Deltona, Florida (the "City").

Purvis, Gray & Company, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Deltona's financial statements for the year ended September 30, 2011. The independent auditors' report is located at the front of the Financial Section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A compliments this letter of transmittal and should be read in conjunction with it.

DEPARTMENT OF FINANCE & INTERNAL SERVICES

2345 Providence Boulevard, Deltona, Florida 32725

(386) 878-8100 • Fax (386) 878-8551

Webpage: www.deltonafl.gov

Our History

The City of Deltona, Florida is located in the southwest corner of Volusia County, in the eastern central part of the Florida Peninsula. The City is situated along the Interstate 4 corridor approximately 25 miles northeast of Orlando and approximately 25 miles southwest of Daytona Beach. It currently occupies 46 square miles and serves a population of 85,233. The City started as a planned community by the Deltona Corporation in 1962 and was incorporated on December 31, 1995. The unhurried lifestyle, combined with its location, has made the City an ideal choice for living the affordable Florida lifestyle. In general, the population of the City is becoming younger and more diversified in ethnicity.

The first inhabitants of southwest Volusia County were Nomadic Timucuan who found fish and fresh water plentiful in the area. After Florida became a state in 1845, steamboats began to make regular trips up the St. Johns River to Lake Monroe.



St. Johns River tourists, about 1890

Visitors and residents poured into Florida and a community grew up on the shores of Lake Monroe at the steamboat landing. Named Enterprise, the little town soon boasted a schoolhouse, built in 1863, and two churches.

About the same time, Baron Frederick DeBary, a New York agent for Mumm's Champagne, arrived in the area. Baron DeBary bought several hundred acres near Enterprise to use as a hunting and fishing preserve. In 1871 Baron DeBary built a winter home where he entertained such notables as Presidents Grant and Cleveland as well as members of Europe's royalty. Baron DeBary died in 1898 at the age of 84.

Southwest Volusia remained rather quiet from the turn of the century until 1962 when the Mackle Brothers – Elliott, Robert and Frank, Jr. - bought 17,203 acres, filed a planned unit development for a community of 35,143 lots and named the area Deltona.



The Mackle Brothers

Construction started almost immediately and the first Deltonans took up residence in April of 1963. By the end of 1963, Deltona had a population of 180 people comprising of 78 families.

In 1970, the U.S. Census recorded 4,868 inhabitants; by 1980 Deltona's population was 15,710. The growth of the community continued at the amazing rate of about 130 new families per month to reach more than 52,000 people in 1991, cumulating in a population of 85,182 as of the U.S. Census in 2010.

After two failed attempts, one in 1987 and one in 1990, in 1995 the residents of the unincorporated Deltona community voted to incorporate as the City of Deltona. A seven member Commission was elected. As part of the referendum for incorporation, the Deltona Fire District was dissolved as the City provides fire protection services.

Letter of Transmittal

The City has grown to almost 300 employees and continues to contract with the Volusia County Sheriff's Department via an interlocal agreement for law enforcement services in the City.

On November 7, 2003, the City realized the long-term goal of owning its own utility. The City purchased the Deltona water and wastewater system from Florida Water Services after two years of negotiations. This purchase encompassed hiring many former Florida Water Services employees as well as acquiring all of the assets of Florida Water Services.

Profile of the Government

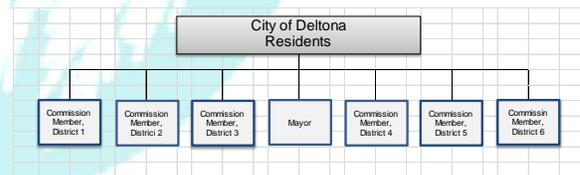
The City of Deltona operates under a Commission-Manager form of government consisting of a seven member Commission. Residents select, through non-partisan elections, a Mayor who represents the City at large and six Commissioners who each represent a specific district of the community.



The term of office for each member of the City Commission, including the Mayor's position, is four (4) years.

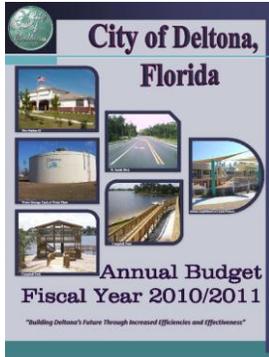
Neither the Mayor nor any other Commission member may serve more than two consecutive four (4) year terms of office.

The City is governed by the City Charter, State and local laws and regulations. The Commission is responsible for the establishment and adoption of City policy and appointing a City Manager and City Attorney. The City Manager serves as the Chief Executive Officer of the City and is responsible for the execution of City policy and oversight of the day-to-day operations of the City.



The City of Deltona provides a full range of services including law enforcement and fire/rescue protection, solid waste management, storm water management, water and sewer service, construction and maintenance of road and street facilities, planning and development services, recreational and cultural activities as well as general administrative services. The financial statements in this report include the funds of all the activities under the jurisdiction of the City Commission. The financial reporting entity includes all the funds of the primary government (i.e., the City of Deltona, Florida as legally defined), as well as all of its component units. The component units are legally separate entities for which the City is financially accountable. Currently, there are no entities outside the primary government that meet the definition of a component unit of the City.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to



submit budget requests to the City Manager. The City Manager uses these requests as the starting point for developing the proposed budget. The City Manager then presents the proposed budget to

the City Commission for review during the month of July of each year. The City Commission is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30th; the close of the City of Deltona's fiscal year. The appropriated budget is prepared by fund and department. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Local economy

The City's economic environment has been declining the last several years, largely attributable to a significant number of foreclosures and residents leaving the City. However, in FY 2008/2009 the City was awarded \$6.6 million in



Neighborhood Stabilization program (NSP) federal funds to purchase, rehabilitate and sell foreclosed homes in the most affected areas of the City.

At the end of FY 2009/2010 the City had purchased 2 vacant lots and 51 foreclosed homes. During FY 2010/2011 the City assigned to Habitat for Humanity two vacant lots and one of the homes purchased for their redevelopment program. The remaining 50 homes were completely rehabilitated in FY 2010/2011 and 21 of those have been sold. This program has generated almost \$1,000,000 in program income to be reinvested into the purchase and rehabilitation of additional homes. In FY 2010/2011 the City was awarded \$1.9 million from the Neighborhood Stabilization Program, Phase 3 (NSP3) to continue the purchase, rehabilitation and sale of foreclosed properties in a target area of Deltona.

The City's economic outlook is largely impacted by the State and regional economy with a great deal of reliance placed on surrounding communities for work, shopping and entertainment. Area employment consists predominately of service-related activities, retail trade, manufacturing, government and construction. Unemployment figures for the area have been trending higher than both State and national rates but have decreased recently. Deltona's unemployment rate dropped 1.3% from the 3rd quarter of 2010 to the 3rd quarter of 2011, to 11.5%. Deltona experienced a net gain of 75 new jobs in 2011, quite a success in this current economic climate.



In the past several years, the regional economy has suffered and with it the City experienced lower levels of building activity while population remained essentially unchanged over the previous year. The City's land use is almost entirely residential with over 3/4th of available land being built out. New construction permits for single-

family residential housing show a slow down for the eighth year in a row from FY 2002/2003.

Population in the City increased by 41% between the years 2000 and 2007 with 4.3% of that increase occurring between 2005 and 2007. The City's population remained virtually flat from FY 2008/2009 to FY 2010/2011 while experiencing a significant decrease in property values over the same time period.

Property tax revenue for FY 2010/2011 was \$895,505 or 7.1% less than in the prior fiscal year. Additionally, property tax revenue for FY 2010/2011 was \$1,109,457 less than that collected in FY 2006/2007, the City's peak year for property tax collection. The decrease in FY 2010/2011 was anticipated due to the City Commission having made the decision to adopt a millage rate less than the roll-back millage rate in the FY 2010/2011 Budget in an effort to recognize the fact that many residents are struggling financially.

Preliminary estimates from the Volusia County Property Appraiser indicate additional declines in property values of up to 10% in FY 2012/2013 which means that ad-valorem revenues will decline a comparable percentage unless the "rolled back" rate is adopted by the City Commission. We are, however, hopeful that the housing market will finally have reached bottom so that future revenues will level off. We expect only very minimal growth in new construction in FY 2011/2012.

While residents enjoy the quiet suburban lifestyle of this community and public sentiment is to maintain and preserve its residential character, the City's tax base, because it is almost exclusively residential, will continue to present a significant financial challenge to the City's government with respect to all aspects of service delivery in the coming years unless

significant commercial development occurs in the very near future.

In an effort to promote nonresidential development activity, the City hired a Business Development Administrator in FY 2010/2011 to help advance sustainable economic growth for the purpose of achieving a more balanced residential-to-nonresidential tax base and to provide more job opportunities with higher wages.

During FY 2010/2011 Deltona's Office of Economic Development assisted with the following:

- Groundbreaking, construction start and development and grand opening ceremonies for Deltona Village's Epic Theater.
- Start of construction and development of the Shops of DuPont Lakes
- Start of construction and redevelopment of the Lohman Funeral Home.

The objective for the Office of Economic Development in 2011 was to in-fill and redevelop existing retail space. While new development was always a work-in-progress, it was determined that new development would be hindered by excessive vacant retail space within the City. Therefore, in 2011, the majority of jobs and business openings were the result of redevelopment and retail in-fill.

While in-fill and redevelopment will continue to be a part of Deltona's economic development, in 2012 Deltona is starting to see new construction projects and is moving forward with preparation for construction and construction phases for a large number of facilities. While some of these are in the planning stages and some may never happen, job creation and ad valorem

revenue increases are the City's primary goals for these projects.

Long-term financial planning

In September, 2011 the City Commission adopted a Resolution creating a minimum fund balance policy. This policy is



comprised of two components: 1) a Natural Disaster reserve equal to \$6,000,000 for the purpose of providing the means to respond to public emergencies and/or natural disasters and; 2) an operating reserve equal to two (2) months of General Fund annual operating expenditures for the purpose of providing the City with the fiscal means to respond to unexpected operational changes, legislative impacts, or other economic events affecting the City's operations that could not have easily been anticipated at the time the budget was prepared.

As of September 30, 2011, the total fund balance of the General Fund is \$17,968,267. With the adoption of GASB 54, as of September 30, 2011 the City designed certain portions of fund balance as Restricted, Committed or Assigned with the remaining amount being Unassigned and able to be used for any legal purpose. Of the total \$17,968,267 fund balance, no funds are designated as Restricted. \$10,948,884 is designated as Committed - \$6,000,000 for natural disasters, \$4,911,000 for an operating reserve and \$37,884 for wetland mitigation in the Environmental Improvement Trust Fund. \$2,584,986 is designated as Assigned and is to be used for equipment in the Capital Equipment Fund. The remaining fund balance of \$4,434,397 is unassigned and may be used for any legal general purpose.

The City Commission and the City Manager continue to develop a vision for the City's

future and have created goals and objectives toward that vision. The plan looks to respond to the needs of the community, while at the same time meeting those needs in a cost-effective and efficient manner.

The Vision

Deltona is a premier City that takes pride in our neighborhoods and embraces the diversity of our residents. The caring community provides a high quality of life where people live, work and play in a safe and secure environment.

The City's location along the St. John's River, along with an appreciation for our history, insures a sustainable future through the careful stewardship of our resources.

The Mission

It is the mission of the City's Government to anticipate and provide for the needs of its residents with quality service, innovation and leadership for today and in the future.

The Goals and Objectives

Goal & Objective # 1 – Overall Development

- Assure a variety of housing options in the City
- Create an overall development plan for the City, including a strategic plan with citizen input
- Develop a financially feasible strategic capital projects list

Goal & Objective # 2 – Infrastructure

- Develop plans for City-wide expansion of the sewer system
- Build a sewer treatment plant
- Continue road program improvements and build new roads

Goal & Objective # 3 – Financial Sustainability

- Develop strategies to kick-start development of activity centers
- Review the budget process for possible improvements

Goal & Objective # 4 – Internal and External Communication

- Protect home rule powers
- Improve proactive efforts to get information to the public, media, etc.

Goal & Objective # 5 – Economic Development and Redevelopment

- Redevelopment plans for Deltona Blvd. and Saxon Blvd.
- Develop overall economic development plan
- Expansion of medical facilities on east side (SR 415)

Goal & Objective # 6 – Public Services

- Develop additional parks and recreational facilities
- Assess social service needs and appropriate role of the City in provision of them
- Build a public safety complex

Goal & Objective # 7 – Beautification

- Develop a comprehensive, City-wide beautification plan

We expect many difficult financial challenges in the next few years as the economy continues to slow down and the slump in the real estate market slowly recovers. The City will continue to face these financial challenges even as the real estate market improves because of the “Save Our Homes” provision which limits the maximum annual increase in taxable value of a homesteaded home to 3.0%. For the fourth year in a row, the FY 2011/2012 budget experienced a decline in our tax base and as mentioned above we



expect to see this decline continue into the 2012/2013 budget year.

In the FY 2010/2011 budget, the City increased operating expenditures by a mere \$130,070 or less than one-half percent. Over the previous two years General Fund operating expenditures were reduced by nearly \$8 million saving the residents of Deltona nearly \$80 million per decade. Approximately 94% of this savings came from General Government and not Public Safety in keeping with public and Commission priorities. A large part of the reduction in operating expenditures over the previous two years is attributable to a reduction in staff in various departments due to attrition and/or elimination of open positions.

General Fund transfers out to capital project funds decreased by over \$800,000 as \$2.6 million of funding for Fire Station 65 was transferred in the prior year while only \$1,750,000 was transferred to the transportation fund for road widening of Ft. Smith Boulevard from Rookery Avenue to Stallings Avenue in the current year.

The Comprehensive Policy Plan Amendment, known also as the EAR-Based Amendments, was adopted by the Department of Community Affairs (DCA) and they issued a Notice of Intent (NOI) to the City on October 25, 2010, making their adoption official. The DCA is now the Department of Economic Affairs (DEO) and the approved Comprehensive Plan will remain in effect through that change. The Unified Land Development Code (ULDC) effort has been altered into an amendment of the existing Land Development Code (LDC), using elements from the provided ULDC document. The first part of that process was completed in-house and was brought to the Commission and adopted in 2011. Staff will now be working solely in-house with the City Attorney to rewrite the LDC and will not be contracting this work to

Letter of Transmittal

outside sources. The completion date for an amended LDC is not anticipated until early 2013.

Recreation programs continue to be important to the residents of the City. A Parks and Recreation Master Plan was completed in FY 2007/2008. This Plan includes a 10 year growth plan relating to this function of the City. The City purchased the historical Thornby property and the all-inclusive playground project on the property was completed in February, 2011.



Planning for increased demands on public safety requirements and improving efficiency for the delivery of these services is demonstrated through the \$7.6 million purchase of land for a future Public Safety Complex and now includes a 5th Fire Station (FS65).



The land purchase was finalized in FY 2009/2010 and Fire Station 65 was completed in FY 2010/2011. The Public Safety Complex has been put on indefinite hold as a result of the failing economy and may be built at an undetermined future date with the expectation to debt finance the construction costs at that time. In addition to initial construction costs, the City of Deltona will likely incur significant additional operating costs to operate and maintain the new facility. Due to a recognized need in the City and the realization that the City's ratio of police officers to residents is well below acceptable levels, the City added 3 Sergeants and one Deputy in FY 2010/2011 and three additional Deputies in the FY 2011/2012 budget, as directed by the Commission.

The demand on the City's roadways continues to increase. In FY 2011/2012, the City has \$6.58 million appropriated to continue road resurfacing and to continue the Ft. Smith widening project. \$365,800 of this funding is in the form of a budget transfer from the General Fund to fund resurfacing a 2.5 miles stretch of Elckam Boulevard from Normandy to Providence Boulevard as directed by the Commission.

Relevant financial policies

The City implemented GASB Statement No. 53 "Accounting and Reporting for Derivative Instruments" during the fiscal year ended September 30, 2010. The City engages a Financial Consultant on an annual basis to provide the required Mark-to-market calculations GASB 53 Effectiveness Test in order to comply with this statement. The findings are presented in the Notes section of this document.

The City implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions" during the fiscal year ended September 30, 2009. The City engaged an actuary to provide estimates of the potential liability the City is required to disclose. The estimated total unfunded actuarial accrued liability as of March 1, 2011 was \$1,934,000 for all governmental and enterprise funds combined. Of that total approximately 60%, or \$1,162,000, is attributable to Fire & Rescue Services.

Major initiatives

The State legislation enacted new regulations relating to property tax reform, effective for FY 2008/2009. The passage of Amendment 1 added a second \$25,000 homestead exemption to homesteaded property as well as adding portability to the "Save Our Homes" benefit in certain circumstances. The City passed an ordinance for the FY 2010/2011 tax year

Letter of Transmittal

granting low income seniors an additional \$25,000 homestead exemption. This resulted in a \$96,800 reduction in property tax revenue in the first year the exemption was implemented.

Awards and acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Deltona, Florida, for its Comprehensive Annual Financial Report for the fiscal year ending September 30, 2010. This was the eleventh consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements.



A Certificate of Achievement is valid for a period of one year only. We believe this

CAFR continues to meet the Certificate of Achievement Program's requirements and we intend to submit it to the GFOA to determine its eligibility for another certificate.

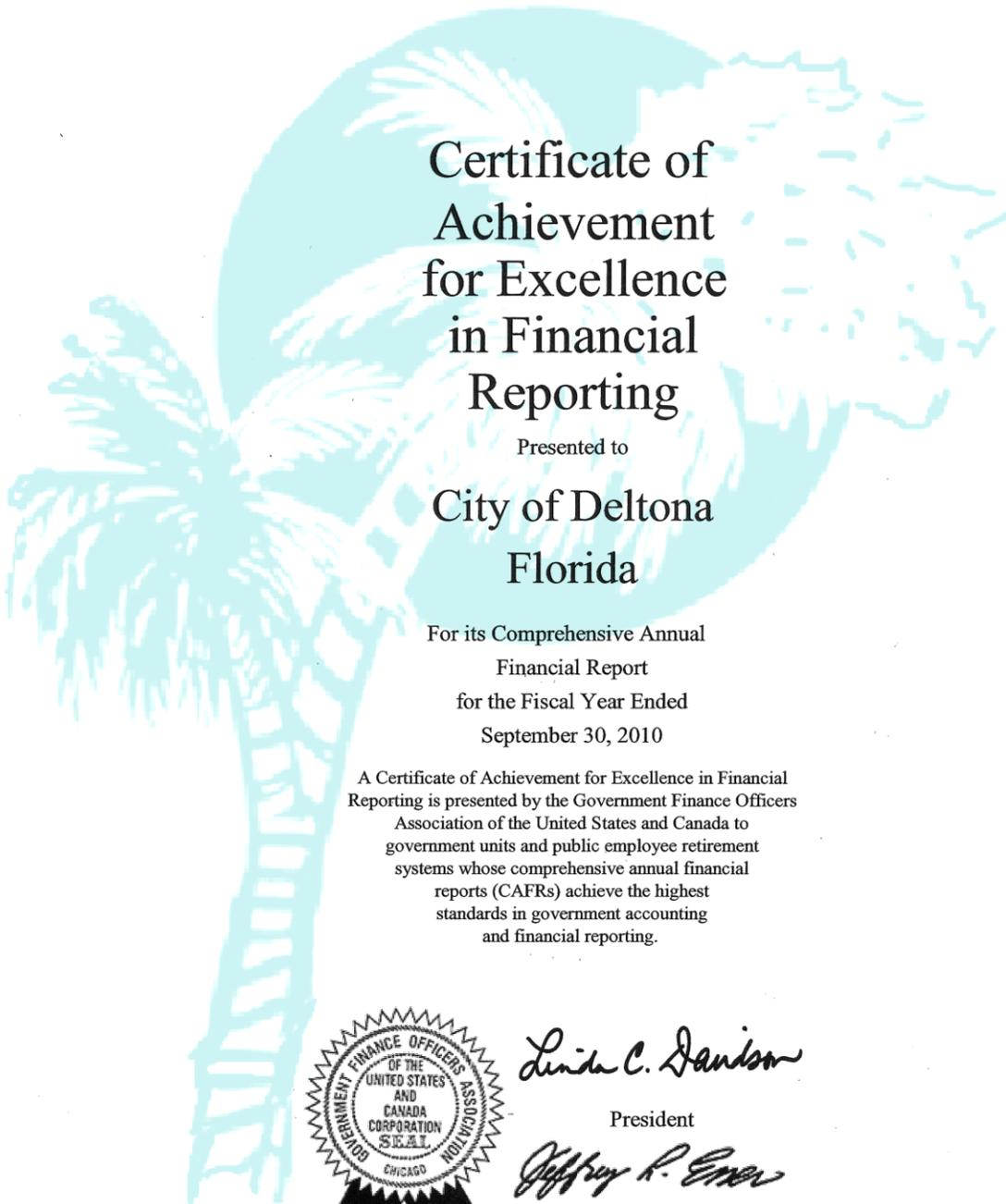
In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended September 30, 2011. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and Commission for their unflinching support for maintaining the highest standards of professionalism in the management of the City of Deltona's finances.

Respectfully submitted,


Faith G. Miller, MMC, MPA
City Manager


Robert Clinger, CPA
Finance Director



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Deltona
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



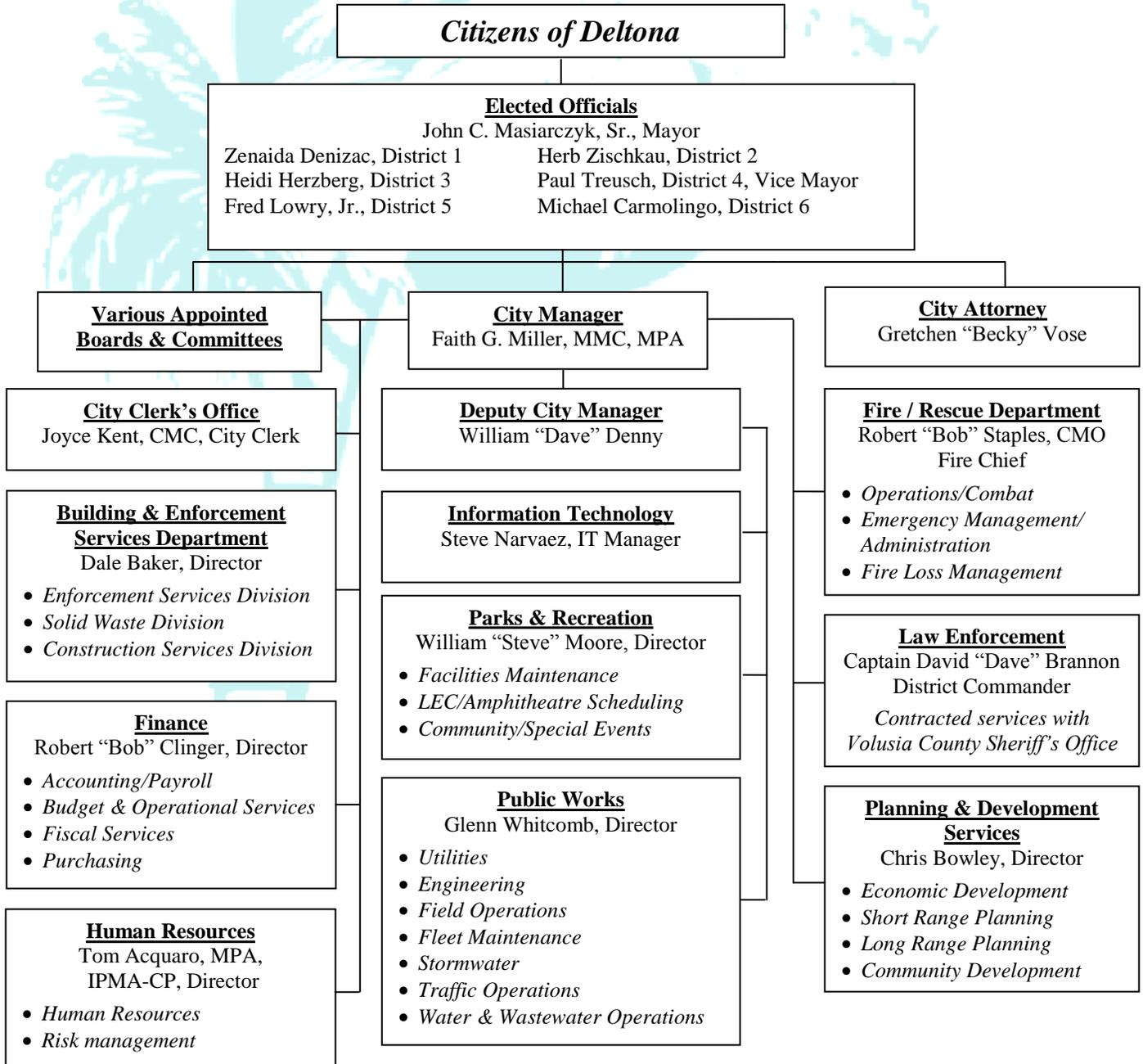
Linda C. Danison

President

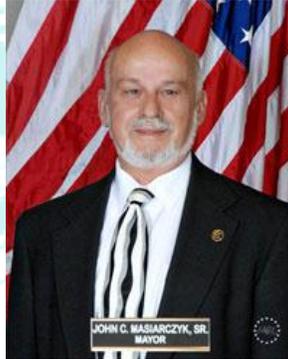
Jeffrey R. Emer

Executive Director

ORGANIZATIONAL CHART



**Elected Officials
As of September 30, 2011**



John C. Masiarczyk
Mayor



Paul Treusch
Vice Mayor
District 4



Zenaida Denizac
District 1



Herb Zischkau
District 2



Heidi Herzberg
District 3



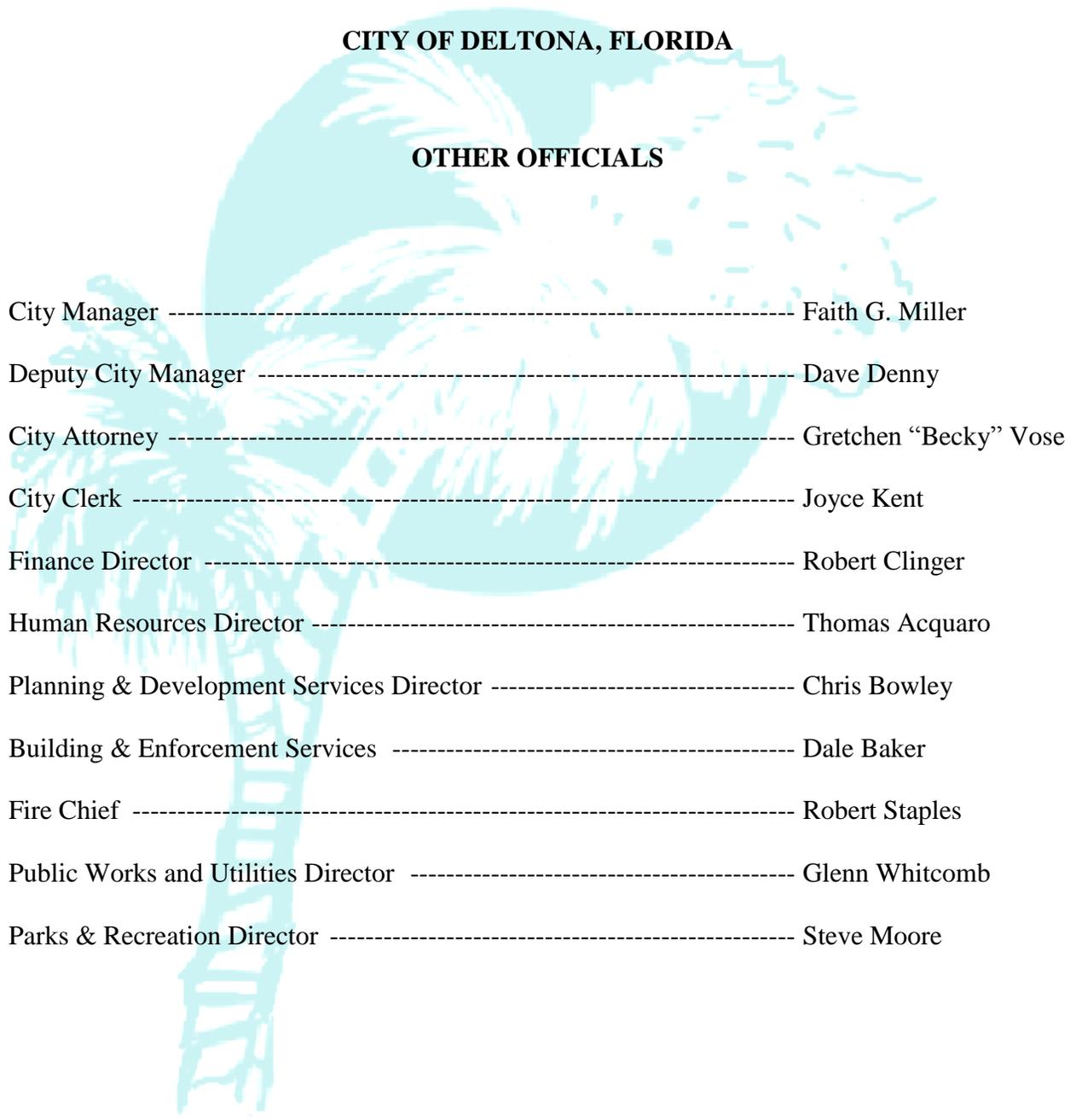
Fred Lowry, Jr.
District 5



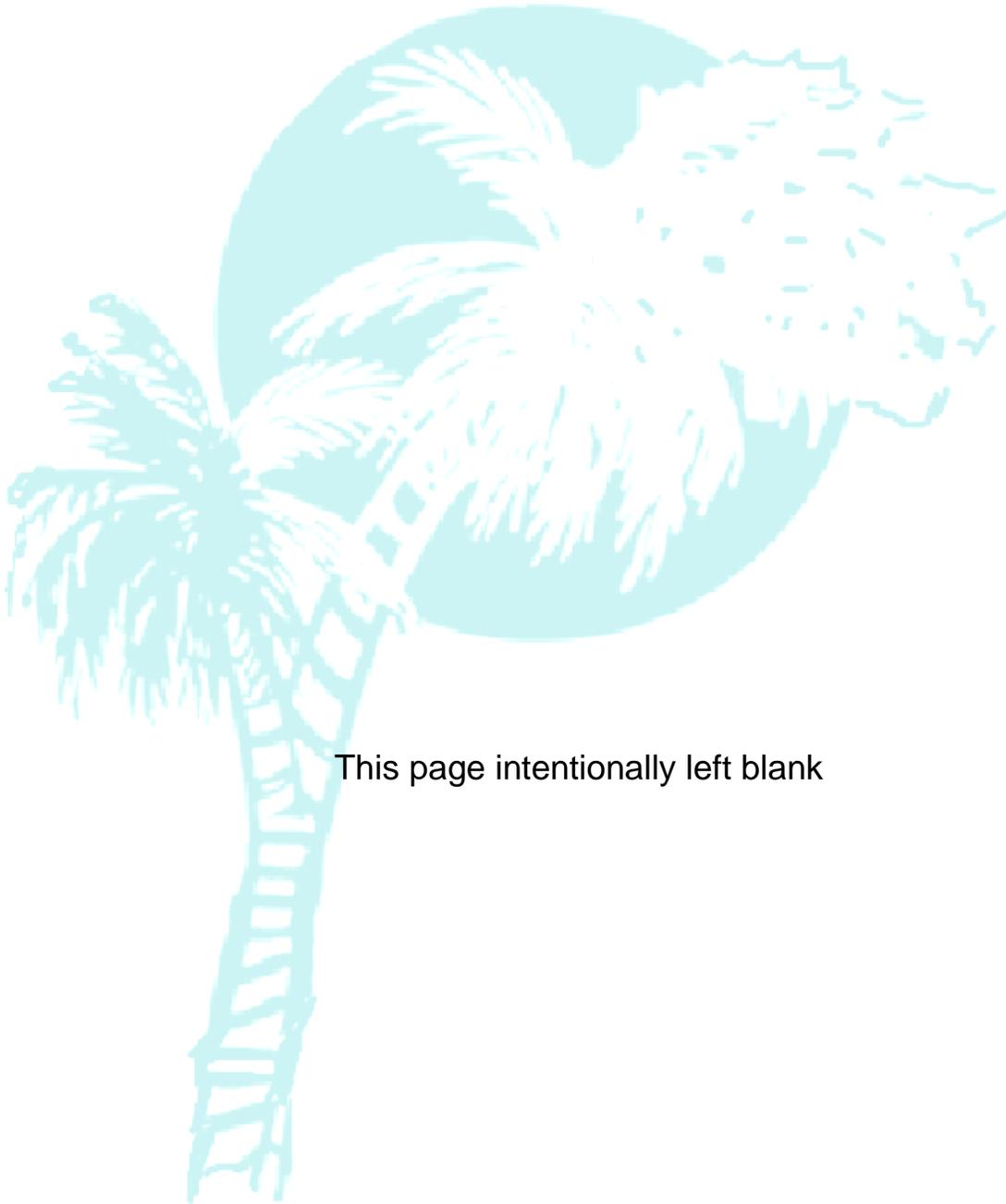
Michael Carmolingo
District 6

CITY OF DELTONA, FLORIDA

OTHER OFFICIALS



City Manager -----	Faith G. Miller
Deputy City Manager -----	Dave Denny
City Attorney -----	Gretchen “Becky” Vose
City Clerk -----	Joyce Kent
Finance Director -----	Robert Clinger
Human Resources Director -----	Thomas Acquaro
Planning & Development Services Director -----	Chris Bowley
Building & Enforcement Services -----	Dale Baker
Fire Chief -----	Robert Staples
Public Works and Utilities Director -----	Glenn Whitcomb
Parks & Recreation Director -----	Steve Moore



This page intentionally left blank

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Deltona, Florida (the City), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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, the business-type activities, each major fund and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note ID(9) to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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 introductory section, combining and individual nonmajor fund financial schedules, and statistical section are presented for the purpose of additional analysis, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and Chapter 69I-5, *Rules of the Florida Department of Financial Services*; and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the financial statements. The combining and individual nonmajor fund schedules and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement 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 taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Purvis, Gray and Company, LLP

March 6, 2012
Ocala, Florida

Management's Discussion and Analysis

As management of the City of Deltona (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the letter of transmittal, which can be found on pages i-ix.

Financial Highlights

- The net assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$154,357,042. Of this amount, \$27,242,401 (*unrestricted net assets*) may be used to meet the government's on-going obligations to citizens and creditors.
- The City's total net assets increased by \$1,204,090 or 0.8%. This increase in net assets is attributable solely to business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$35,981,978; a decrease of \$3,139,636, or 8.0%, in comparison with the prior year. Approximately 12.3% is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,434,397 or 15% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial

statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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 *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows, either positive or negative, in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of its costs through user fees and charges (*business-type activities*). The governmental activities of the City include law enforcement and fire/rescue protection, solid waste management, stormwater management, construction and

maintenance of road and street facilities, planning and development services, recreational and cultural activities and general administrative services. The business-type activities of the City include services provided by the water and sewer utility.

The City's government-wide financial statements can be found on pages 19-20 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities, objectives or legal reasons. The City, like other State and local governments, uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, enterprise funds and fiduciary 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. Such information may be 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 City's near-term financing

decisions. Both the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances for the governmental funds provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains fifteen individual governmental funds. Six of these funds are considered to be major funds. Information for the major funds is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances. Data from the non-major governmental funds is 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 appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements are presented on pages 21-24 of this report.

Proprietary funds

The City maintains one proprietary, or enterprise, fund. Enterprise funds are used to report the same type of functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer distribution operation.

Enterprise fund financial statements provide the same type of information as the government-wide financial statements. However, the enterprise fund financial statements provide more detail. The water and sewer utility fund is considered a major fund of the City of Deltona. The basic

enterprise fund financial statements can be found on pages 25-29 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to the City to support City programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential in order to obtain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-64 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City. This required supplementary information presents combining and individual fund statements and schedules and also provides information regarding the City's funding progress in meeting its obligation to provide pension benefits to the City's firefighters. It also provides information regarding the City's obligation to provide certain Other Post-Employment Benefits.

Required supplementary information can be found on pages 65-76 of this report.

This report also includes supplemental information on the City's non-major funds. The combining statements referred to earlier in regards to non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 77-90 of this report. While this information is not required, it is helpful to the reader in order to gather a complete picture of the governmental unit in its entirety.

Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. In the case of the City, assets exceeded liabilities by \$154,357,042 at the close of the fiscal year reported.

By far, the largest portion of the City's net assets (75.9%) reflect its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment), less any related debt issued to acquire those capital assets that is still outstanding. The City uses these capital assets to provide services to its citizens and therefore, these capital assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still be noted that 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.

Management’s Discussion and Analysis

City of Deltona’s Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 42,042,292	\$ 46,859,429	\$ 37,472,747	\$ 32,609,219	\$ 79,515,039	\$ 79,468,648
Capital assets, net of depreciation	126,292,841	124,264,029	73,565,865	73,633,504	199,858,706	197,897,533
Total assets	168,335,133	171,123,458	111,038,612	106,242,723	279,373,745	277,366,181
Current and other liabilities	2,848,446	6,009,872	4,692,263	6,623,688	7,540,709	12,633,560
Long-term liabilities	24,682,157	22,580,312	92,793,837	88,999,357	117,475,994	111,579,669
Total liabilities	27,530,603	28,590,184	97,486,100	95,623,045	125,016,703	124,213,229
Net Assets:						
Investment in capital assets net of related debt	117,988,044	116,238,698	(813,553)	(2,093,842)	117,174,491	114,144,856
Restricted	2,079,749	5,178,367	7,860,401	6,551,855	9,940,150	11,730,222
Unrestricted	20,736,737	21,116,209	6,505,664	6,161,665	27,242,401	27,277,874
Total net assets	\$ 140,804,530	\$ 142,533,274	\$ 13,552,512	\$ 10,619,678	\$ 154,357,042	\$ 153,152,952

A portion of the City’s net assets (6.4%) represents resources that are subject to external restrictions on how they may be used. Only \$27,242,401, or 17.6%, of the City’s total net assets are considered unrestricted and may be used to meet the City’s on-going obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in net assets for both governmental activities and restricted and unrestricted assets for business-type

activities. The negative balance for investment in capital assets net of related debt for the business-type activity is a result of the accounting treatment for the acquisition of the water and sewer utility.

Government-Wide Activities

Governmental activities decreased the City’s net assets by \$1,728,744 while business-type activities experienced an increase in net assets of \$2,932,834. Key elements of these changes are as follows.

City of Deltona's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$ 8,895,423	\$ 9,097,278	\$ 17,075,252	\$ 14,368,278	\$ 25,970,675	\$ 23,465,556
Operating grants and contributions	1,923,505	2,654,102	-	-	1,923,505	2,654,102
Capital grants and contributions	4,013,670	4,950,675	157,152	22,839	4,170,822	4,973,514
General Revenues:						
Property taxes	11,673,440	12,568,945	-	-	11,673,440	12,568,945
Franchise fees	3,924,731	4,106,081	-	-	3,924,731	4,106,081
Other taxes	13,112,406	13,611,032	-	-	13,112,406	13,611,032
State Shared Revenues	1,512,497	1,407,253	-	-	1,512,497	1,407,253
Other	591,009	853,444	18,877	1,576,606	609,886	2,430,050
Total Revenues	45,646,681	49,248,810	17,251,281	15,967,723	62,897,962	65,216,533
Expenses:						
Governmental Activities:						
General government	7,970,347	8,608,657	-	-	7,970,347	8,608,657
Public safety	18,946,170	18,442,646	-	-	18,946,170	18,442,646
Physical environment	6,920,661	6,982,097	-	-	6,920,661	6,982,097
Highways and Streets	5,544,071	5,333,601	-	-	5,544,071	5,333,601
Culture & recreation	2,577,658	2,626,028	-	-	2,577,658	2,626,028
Economic environment	4,341,857	1,069,663	-	-	4,341,857	1,069,663
Interest on long-term debt	1,074,661	1,115,716	-	-	1,074,661	1,115,716
Business-type Activities:						
Water and sewer	-	-	14,318,447	14,251,781	14,318,447	14,251,781
Total Expenses	47,375,425	44,178,408	14,318,447	14,251,781	61,693,872	58,430,189
Change in Net Assets	(1,728,744)	5,070,402	2,932,834	1,715,942	1,204,090	6,786,344
Net Assets-beginning of year	142,533,274	137,462,872	10,619,678	8,903,736	153,152,952	146,366,608
Net Assets-end of year	\$ 140,804,530	\$ 142,533,274	\$ 13,552,512	\$ 10,619,678	\$ 154,357,042	\$ 153,152,952

- In FY 2010/2011 charges for services in governmental activities decreased by \$201,855 or 2.2%. This decrease is representative of an economy that has, for the most part, bottomed out and is, hopefully, beginning to level off.
- In FY 2010/2011 operating grants and contributions received by the City for governmental activities decreased by \$730,597, or 27.5%, over the prior year. This decrease is primarily attributable to decreased activity in both the State Housing Initiative Program (SHIP) Fund and Community Development Block Grant (CDBG) Fund as the City's

entitlements for these grants continue to decrease.

- In FY 2010/11 capital grants and contributions received by the City decreased by \$937,005 or 18.9% over the prior year. This decrease is almost solely attributable to a decline of expenditures, and offsetting grant reimbursements, in the Neighborhood Stabilization Program (NSP) Fund as the City moved from the phase of purchasing foreclosed homes to the phase of rehabilitating foreclosed homes.

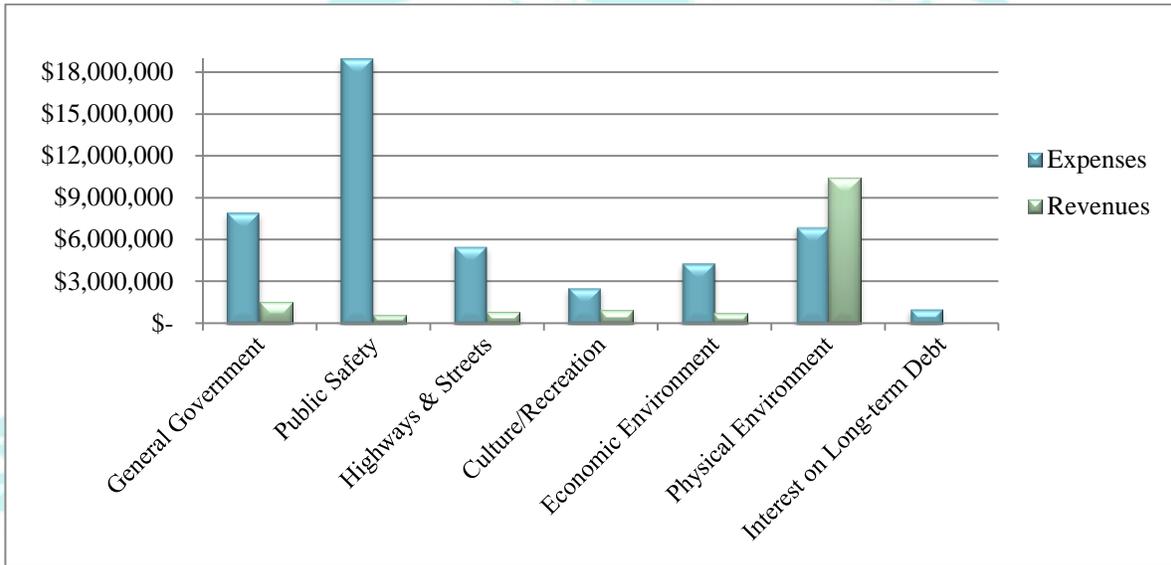
Management's Discussion and Analysis

- In FY 2010/2011 general revenues decreased \$1.73 million, or 5.3%. Almost \$900,000 of this decline is attributable to a decrease in property tax revenue as the Commission made a conscious decision to reduce property taxes during the FY 2010/2011 budget process. This represents a 7.1% decrease over the prior year in property tax revenue. Public service tax revenue decreased just over \$500,000, or 6.2%. Interest income earnings were down \$178,000, or 65.8% as interest rates reached and remained at all-time lows.
- Overall, Governmental Activities expenses experienced an increase of \$3.2 million, or 7.2%, of which substantially all was attributable to the City's Neighborhood Stabilization Program (NSP) Fund and the accounting associated with the inventory of NSP homes.
- General Government expenses decreased by \$638,000 or 7.4%. Approximately \$175,000 is attributable to an overall reduction in expenses in the Legal Department. This is explained by the cost difference of having an in-house attorney throughout the majority of FY 2010/2011 compared to a contracted attorney throughout most of FY 2009/2010. An additional \$150,000 of this decrease is attributable to the City having settled a lawsuit in FY 2009/2010 with Great America Leasing which did not appear in FY 2010/2011. The remainder of this decrease is attributable to various administrative department heads having made a successful effort in reducing overall departmental expenses.
- Public Safety expenses in FY 2010/2011 increased by just over \$500,000. Fire/Rescue experienced an increase in expenses of approximately \$180,000. The remainder was attributable to the addition of four additional deputies who came on board with the City in January of 2011.
- Highways and Streets expenses increased by \$210,000, mostly attributable to depreciation expense as road projects were completed.
- Culture and Recreation, Physical Environment and Interest on Long-term Debt experienced, in total, \$150,000 in decreases in expenses.

Management’s Discussion and Analysis

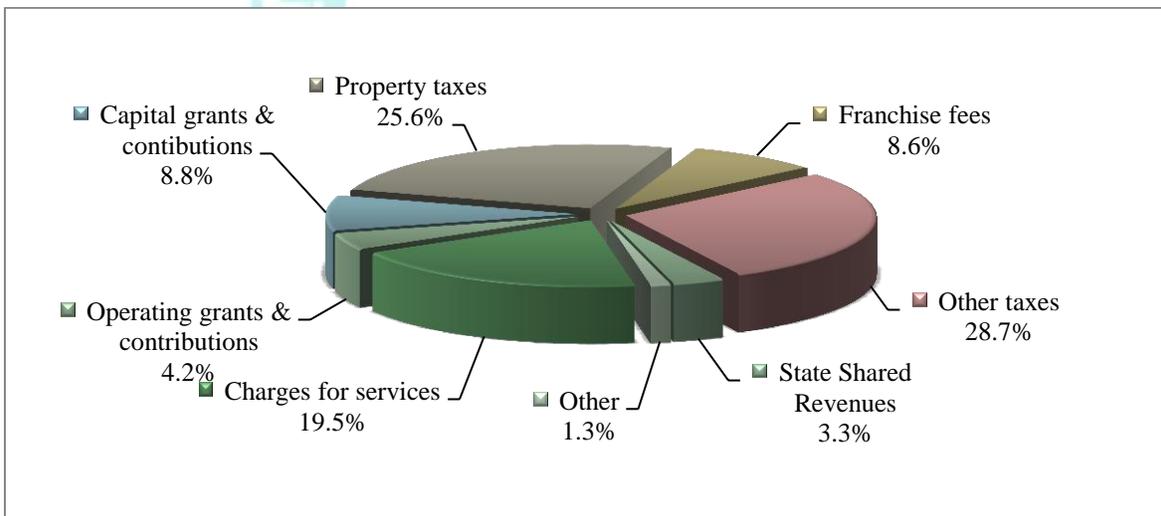
The following chart compares expenses with program revenues for the City’s governmental activities:

Expenses and Program Revenues – Governmental Activities



The following graph shows the composition of revenues for the City’s governmental activities.

Revenues by Source – Governmental Activities



Business-type Activities

Business-type activities, which accounted for all of the total growth in the City's net assets this year, increased the City's net assets by \$2.9 million, \$1.2 million more than last year's increase in net assets. The key elements of this increase are explained below (comparing last year to this year):

- Charges for services increased by \$1.97 million, or 13.1%. This increase was anticipated as the Enterprise Fund entered into year three of a six year scheduled rate increase plan. During the first two years of the rate increases, anticipated revenues were not achieved because of significant water conservation efforts made by customers in response to a decline in the local economy in addition to the water conservation rate structure imposed by St. John's River Water Management District. In FY 2010/2011, year three of the rate increases, the consumption decreases appear to have bottomed out. The City's revenue pattern over the past three years is evidence that the conservation rates imposed by St John's River Water Management District did exactly what they were intended to do – reduce water consumption.
- Capital grants and contributions increased by \$134,000 as a result of an EECGB grant obtained to provide

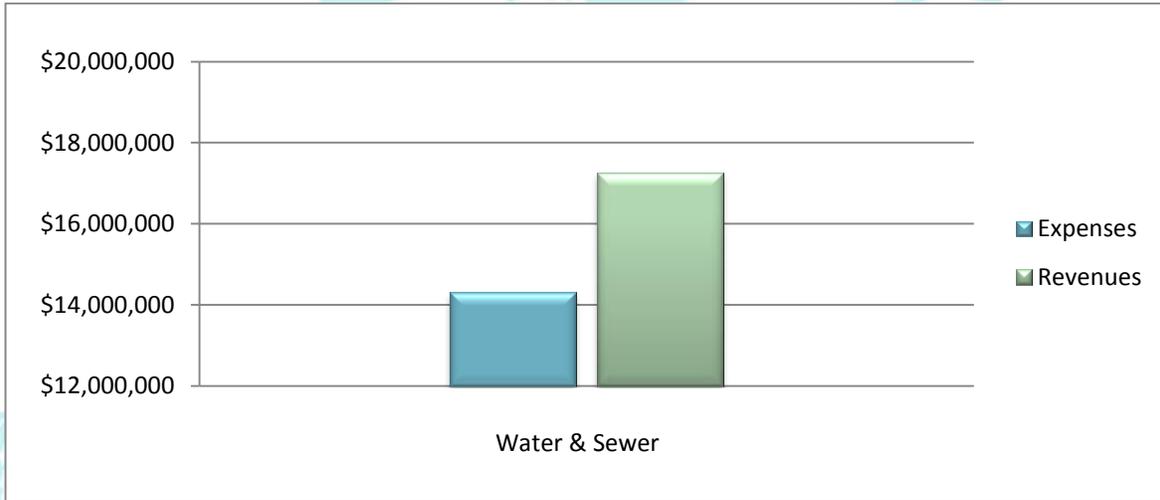
and install energy efficient lighting in approximately 24 locations at the water department facilities. This is for security purposes as it applies to a safe water supply as required by Homeland Security.

- Interest revenue decreased by \$105,150 as a result of continually declining interest rates and declining cash balances as funds are spent on capital projects.
- The special accounting treatment required by the implementation of GASB 53 for the utility's swaption agreement resulted in a \$821,021 reduction compared to last year in reported revenue from "Changes in Fair Value of Derivative Instruments". See Note III F. under Derivative Instruments – Option to enter into an interest rate swap (swaption) for more information.
- Operating costs increased by \$112,167, a mere 1.1%, as a decrease in depreciation expense essentially offset increases in both personal services and operating expenses.
- Gain on sale of capital assets and interest expense combined increased by \$148,033.

Management’s Discussion and Analysis

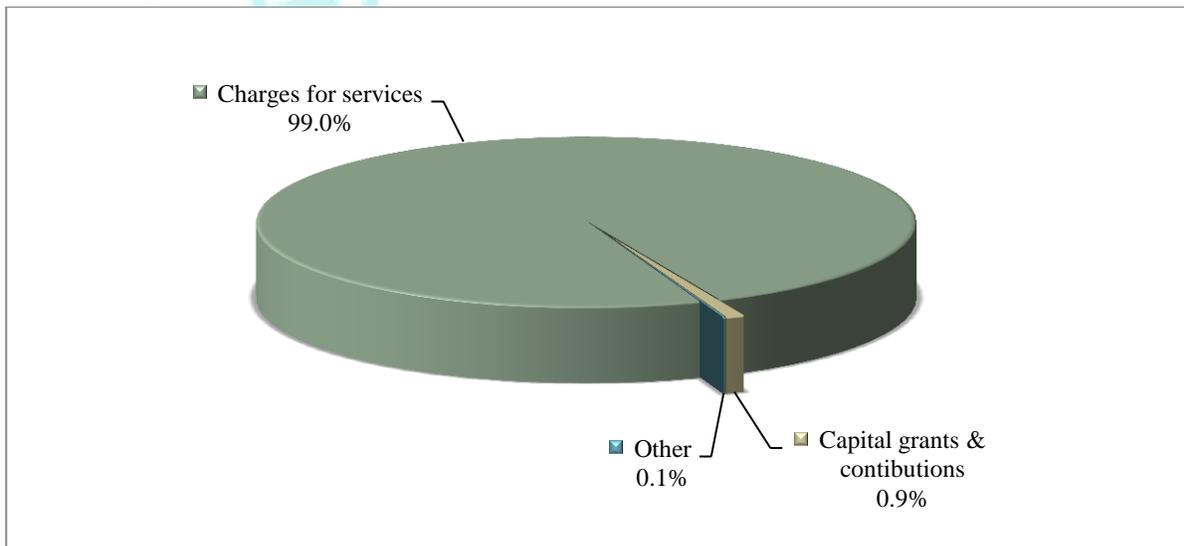
The following chart compares expenses with program revenues for the City’s business-type activities:

Expenses and Program Revenues – Business-type Activities



The following graph shows the composition of revenues for the City’s business-type activities:

Revenues by Source – Business-type 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, *unassigned fund balance* may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$35,981,978, a decrease of \$3,139,636, or 8.0% in comparison with the prior year. Approximately 12.3% of this amount, or \$4.4 million, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. This is significantly lower than at the close of FY 2009/2010 because of the way fund balance is classified and reported under GASB Statement No. 54 and because the City Commission adopted Resolution No. 2011-31 in September, 2011 creating a minimum fund balance policy.

This policy is comprised of two components: 1) a Natural Disaster reserve equal to \$6,000,000 for the purpose of providing the means to respond to public emergencies and/or natural disasters and; 2) an operating reserve equal to two (2) months of General Fund annual operating expenditures for the purpose of providing the City with the fiscal means to respond to unexpected operational changes, legislative impacts, or other economic events affecting the City's operations that could not have easily been anticipated at the time the budget was prepared. As to the components of fund balance reported in accordance with GASB Statement No. 54, \$15,321,931 is *restricted*, \$11,721,169 is

committed, \$4,504,481 is *assigned*, and \$4,434,397 is *unassigned*. Only the \$4.4 million *unassigned* is available for general expenditures.

The General Fund is the chief operating fund for the City. At the end of the current fiscal year, the fund balance of the General Fund was \$17,968,267, with all but \$4,434,397 either restricted, committed or assigned. Unreserved funds are available for spending for any general purpose. 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. The General Fund's restricted, committed and assigned fund balances represent 45.9% of total General Fund expenditures. The General Fund's unassigned fund balance represents 15.0% of total General Fund expenditures.

The total fund balance of the City's General Fund increased by \$229,472 or 1.3%, during the current fiscal year. This increase in fund balance is \$893,418 less than the increase last year. The key factors in this \$893,418 swing are as follows (compared to last year):

- General Fund revenue was down by \$1,752,406 or 5.3%, led by a decrease of \$895,505 in property taxes and a decrease of \$683,813 in franchise fees and service taxes.
- Non public safety operating expenditures were \$290,000 less than the prior year, while public safety increased \$629,000 with the bulk of that attributable to the addition of four new deputies. This illustrates the City's on-going responsiveness to the struggling economy as the City continues to strive to cut expenses in all areas of operations. This is quite an accomplishment as revenues continue to decline. In an effort to contain personnel costs, the City continued to freeze or eliminate unfilled positions

Management's Discussion and Analysis

throughout the year as positions become vacant.

- Capital expenditures experienced a decrease of \$373,000 as no new vehicles or heavy equipment were purchased in FY 2010/2011.
- The changes in capital and operating combined resulted in a net decrease of \$32,000 in all expenditures.
- Transfers out of the General Fund for capital projects was \$827,000 less than in the prior year because the City transferred \$1.75 million this year for road projects, versus \$2.6 million last year, primarily for Fire Station 65.

Solid Waste Fund

The City's Solid Waste fund experienced an increase in fund balance of \$116,307 which was anticipated. Compared to the prior year a decrease in revenues of \$16,134 was anticipated and more than offset by a \$56,134 reduction in expenses.

Stormwater Utility Fund

The City's Stormwater fund experienced a decrease in fund balance of \$1,567,516. Revenues decreased by \$396,000, virtually all attributable to a decrease in grant revenue. Capital expenditures increased by \$621,000 as the City continued construction and completion of several planned projects that were funded by the Bank Note obtained in FY 2008/2009, including the Drysdale/Chapel Interconnect, Lackland Pond and the McGarrity/Kirkhill Project.

Transportation Fund

The City's Transportation fund experienced an increase in fund balance of \$173,644. This was anticipated as construction activity decreased considerably compared to last year resulting in a decrease in capital expenditures of just under \$2.5 million.

Municipal Complex Fund

The City's Municipal Complex Fund experienced a decrease in fund balance of

\$1,982,911 which was planned because of the completion of Fire Station 65 in FY 2010/2011.

Proprietary funds

The City's proprietary funds provide essentially the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Utility Fund at the end of the year were \$6,505,664, \$343,999 higher than last year as the Utility began to realize anticipated revenues from the scheduled rate increases. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year there was a slight increase of \$8,100 in General Fund appropriations between the original and final amended budget. This increase was more than offset by a corresponding increase in revenue.

- General Fund revenues were under budget by \$1,080,000. The largest component was intergovernmental revenue which came in \$800,000 under budget. Almost \$700,000 of this was attributable to the City's Energy Efficiency and Conservation Block Grant (EECBG) which was budgeted in the General Fund. However, as the scope of the grant changed to include alternative energy solutions in City parks, Deltona Water and the new Fire Station 65, the reimbursing revenue for those projects was recorded in the fund providing the function, not the General Fund but the budgeted funds were not transferred accordingly. Another component of the shortfall of the intergovernmental revenue is that not all of the EECBG funds were spent in FY 2010/2011 and have been carried over to FY 2011/2012 to be spent in that

fiscal year. Miscellaneous revenues and Franchise Fee revenue also fell below budgeted figures but those shortfalls were offset by Public Service Tax and Charges for Services revenues exceeding budget.

- General Fund operating expenditures were \$1,336,000 under budget and capital outlay was \$1,574,000 under budget for a total of \$2,911,000 under budget on all spending. Personal service costs were under budget by \$231,316, or 1.5%, as all budgeted positions were not filled.
- General Services, which provides funding for general City services not associated with a specific department, came in under budget by a total of \$354,000. This is a result of the City not having used contingency funds as well as unemployment insurance costs and utility services coming in well under budget.
- Total General Government and Administration (which includes General Services) came in \$772,000 under budget on operating expenditures as virtually every Department successfully cut spending in order to finish the year under budget.
- Public Safety (Police and Fire) came in under budget by \$58,000. Both departments maintained costs and successfully adhered to their respective budgets.
- Public Works (Highways & Streets) came in under budget by a total of \$216,000 for all divisions. The most significant lines items were: R&M Vehicles - \$38,000 under budget, Dumping Fees - \$18,000 under budget, R&M Building - \$17,000 under budget and Fuel & Oil -\$14,000 under budget.

- Parks and Recreation came in under budget by \$130,000. This was attributable to various line items in the Parks and Recreation Department coming in under budget. The most significant line items under budget were: Operating supplies - \$47,700, Other Contractual Services - \$42,000, Chemicals - \$15,700, Professional Services - \$13,300, Promotional Activities - \$12,500 and Janitorial Supplies - \$11,200.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2011 was \$199,858,706 (net of accumulated depreciation). This investment in capital assets includes land, construction-in-progress, buildings and improvements, machinery and equipment, and infrastructure (roads, right-of-ways, stormwater and water and wastewater utility). The total decrease (additions less retirements and depreciation) in the City's investment in capital assets was \$1,961,173; a decrease of 1%. This represents a 1.6% decrease for governmental activities while business-type activities remained virtually the same.

Major capital asset expenditures during the current fiscal year included the following:

- Fire Station 65 - \$1,788,000
- Drysdale/Chapel Interconnect (Stormwater) - \$1,074,800
- Road Resurfacing - \$744,400
- Ft. Smith Road Widening Primrose to Rookery - \$738,000
- Wastewater Treatment Plant - \$665,200
- Thornby All Inclusive Park - \$473,300
- 1 MG North Normandy Storage Tank - \$347,700
- McGarrity / Kirkhill Stormwater Project - \$304,000

City of Deltona’s Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	13,761,105	13,761,105	2,829,916	2,829,916	16,591,021	16,591,021
Infrastructure Right of Way	4,372,500	4,372,500	-	-	4,372,500	4,372,500
Construction in Progress	6,352,140	15,933,035	8,815,537	10,205,731	15,167,677	26,138,766
Buildings & Improvements	62,956,153	57,396,998	2,847,616	2,847,616	65,803,769	60,244,614
Machinery & Equipment	20,068,893	19,923,934	65,721,012	61,806,138	85,789,905	81,730,072
Infrastructure	98,410,476	87,773,553	14,272,294	14,071,199	112,682,770	101,844,752
Total	205,921,267	199,161,125	94,486,375	91,760,600	300,407,642	290,921,725

Additional information on the City’s capital assets can be found in Note III C on pages 43-44 of this report.

Debt. At the end of the current fiscal year the City had total bonded debt outstanding of \$90,780,000. This amount represents \$15,255,000 of transportation revenue bonds and \$75,525,000 of utility system revenue bonds, both secured by specified revenue sources.

In addition to the City’s bonded debt, the City entered into a loan agreement in the amount of \$6,569,345 with Branch, Banking

and Trust Company (BB&T) during FY 2009/2010. The loan was obtained in order to finance certain of the City’s costs of the capital improvements contained in the City’s adopted Stormwater Master Plan. That Note is expected to be paid over a period of twenty years at a fixed interest rate of 5.01%. The Note is payable from, and secured solely by, revenues derived by the City from its stormwater utility assessments and the City’s covenant to budget and appropriate legally available non-ad valorem revenues as provided in the agreement. At the end of the fiscal year, the outstanding balance of the Note is \$6,167,727.

City of Deltona’s Outstanding Debt
General Obligation and Revenue Bonds and Bank Notes

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligations Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Obligations Bonds	-	-	-	-	-	-
Revenue Bonds	15,255,000	15,945,000	75,525,000	76,925,000	90,780,000	92,870,000
Total Bonds	15,255,000	15,945,000	75,525,000	76,925,000	90,780,000	92,870,000
Loans Payable	6,167,727	6,373,566	-	-	6,167,727	6,373,566
Total Bonds and Loans	\$ 21,422,727	\$ 22,318,566	\$ 75,525,000	\$ 76,925,000	\$ 96,947,727	\$ 99,243,566

As noted in last year’s MD&A document, MBIA, the original bond insurer for both the Transportation and Deltona Water bond issues, lost its AAA rating from S&P and its Aaa rating from Moody’s in 2008. As a result, in FY 2008/2009 the City began to fund debt service reserve funds as required by both bond covenants. These reserves were to be funded evenly over a five year period beginning October 1, 2008 and were to total an amount that approximates the highest year of debt service for the

respective bond issue. However, on December 22, 2010 the City’s current bond insurer, National Public Finance Guaranty Corporation, was downgraded to a BBB rating by Standard and Poors. As a result of this downgrade, the City now has twelve months from the date of the qualifying event to fully meet the debt service reserve requirements. This results in the requirement to fully fund the debt service reserve fund by December of 2011 as shown in the table below:

Bond Issue	FY 08/09 Required Funding	FY 09/10 Required Funding	FY 10/11 Required Funding	FY 11/12 Required Funding	Total Required Funding
Utility Bond	\$ 1,120,000	\$ 1,120,000	\$ 2,660,000	\$ 700,000	\$ 5,600,000
Transportation Bond	\$ 297,200	\$ 297,200	\$ 705,850	\$ 185,750	\$ 1,486,000

Additional information on the City’s long-term debt can be found in Note F on pages 46-48 of this report.

Economic Factors and Next Year’s Budget and Rates

The unemployment rate at the end of fiscal year 2011 for Volusia County was 10.9%. The following is a summary of the applicable unemployment rates for Volusia County, the State of Florida, and United States:

Region Name	Current Year 9/2011	Previous Year 9/2010
Volusia County	10.9%	12.5%
State of Florida	10.5%	11.9%
United States	8.9%	9.2%

Management's Discussion and Analysis

The tax base for the City is comprised of real property, personal property and centrally assessed property.

The taxable value of such property decreased 21.29% over the previous year.

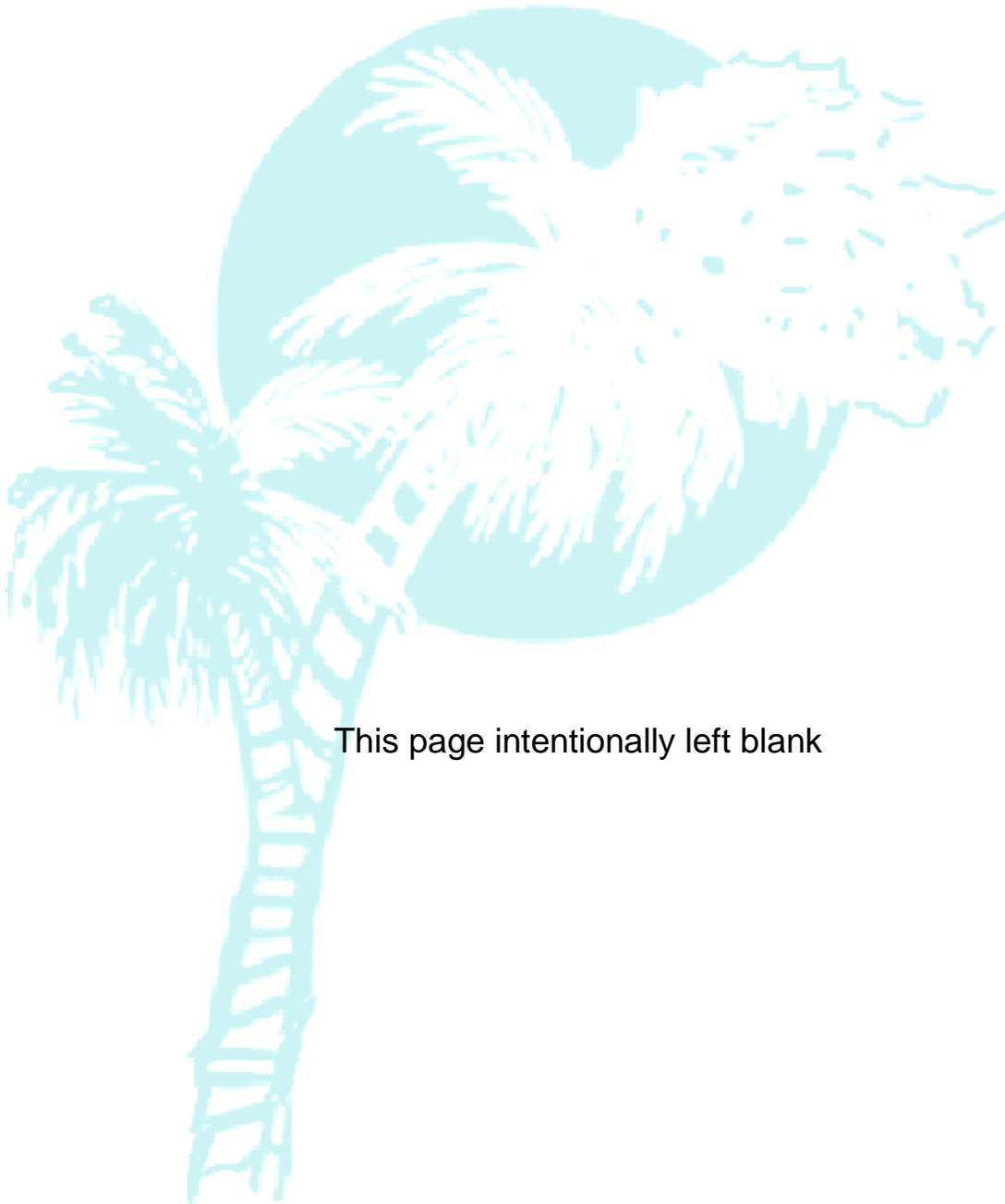
The City's population increased 0.94% from 84,385 in 2010 to 85,182 in 2011.

During the FY 2011/2012 budget process, the Commission decided that it was in the best interest of the City to adopt a millage rate of 8.2995, the calculated roll-back rate. In continuing to respond to these difficult economic times, staff was able to reduce expenditures significantly enough that the City was able to include three (3) additional deputies in the FY 2011/2012 budget as well as provide funding to the Transportation Fund to resurface a 2.5 mile stretch of Elkcam Boulevard from Normandy to Providence Boulevard. Throughout the budget process, as well as all year long, staff continues to work diligently to overcome concerns regarding ever increasing costs, reduced property values and an overall reduction in City-wide revenues.

The beginning total fund balance in the General Fund for FY 2011/2012 was \$17,968,267 and the City did not budget and does not expect to use any of that fund balance for operations, capital outlay, or inter-fund transfers.

Requests for Information

This financial report is designed to provide a general overview of the City of Deltona, Florida's finances to those with an interest in the City's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Finance Department, City of Deltona, 2345 Providence Boulevard, Deltona, Florida 32725. You can also access the City's website at www.deltonafl.gov.



This page intentionally left blank

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 35,314,376	\$ 20,273,249	\$ 55,587,625
Cash with fiscal agent	121,298	-	121,298
Receivables (net)	1,311,100	1,915,868	3,226,968
Due from other governments	1,954,969	-	1,954,969
Inventory	2,083,529	357,829	2,441,358
Total Current Assets	40,785,272	22,546,946	63,332,218
Net pension asset	899,392	-	899,392
Other assets	357,628	14,925,801	15,283,429
Capital assets:			
Assets not being depreciated	24,485,745	11,645,453	36,131,198
Assets being depreciated	181,435,522	82,840,922	264,276,444
(Accumulated depreciation)	(79,628,426)	(20,920,510)	(100,548,936)
Total assets	168,335,133	111,038,612	279,373,745
Liabilities			
Accounts payable	1,342,802	1,192,305	2,535,107
Accrued liabilities	897,431	2,073,717	2,971,148
Contracts/retainage payable	91,894	-	91,894
Deposits	25,186	1,426,241	1,451,427
Unearned revenue	491,133	-	491,133
Long-term liabilities:			
Due within one year	2,444,562	1,790,500	4,235,062
Due in more than one year	22,237,595	91,003,337	113,240,932
Total liabilities	27,530,603	97,486,100	125,016,703
Net assets			
Invested in capital assets, Net of related debt	117,988,044	(813,553)	117,174,491
Restricted for:			
Road and street expenses	609,995	-	609,995
Capital projects	169,504	1,260,405	1,429,909
Debt service	1,300,250	6,599,996	7,900,246
Unrestricted net assets	20,736,737	6,505,664	27,242,401
Total net assets	\$ 140,804,530	\$ 13,552,512	\$ 154,357,042

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
General government	\$ 7,970,347	\$ 1,434,657	\$ 55,865	\$ -	\$ (6,479,825)	\$ -	\$ (6,479,825)
Public Safety	18,946,170	123,265	442,253	9,013	(18,371,639)	-	(18,371,639)
Highways and streets	5,544,071	-	733,895	63,141	(4,747,035)	-	(4,747,035)
Culture and recreation	2,577,658	112,156	-	793,184	(1,672,318)	-	(1,672,318)
Economic environment	4,341,857	-	679,654	-	(3,662,203)	-	(3,662,203)
Physical environment	6,920,661	7,225,345	11,838	3,148,332	3,464,854	-	3,464,854
Interest on long-term debt	1,074,661	-	-	-	(1,074,661)	-	(1,074,661)
Total governmental activities	47,375,425	8,895,423	1,923,505	4,013,670	(32,542,827)	-	(32,542,827)
Business-type activities							
Water and Sewer Utility	14,318,447	17,075,252	-	157,152	-	2,913,957	2,913,957
Total business-type activities	\$ 14,318,447	\$ 17,075,252	\$ -	\$ 157,152	\$ -	\$ 2,913,957	\$ 2,913,957
General Revenues:							
Taxes:							
Property taxes					11,673,440	-	11,673,440
Franchise fees					3,924,731	-	3,924,731
Public service tax					7,556,782	-	7,556,782
Sales tax					3,491,307	-	3,491,307
Local option gas taxes					2,064,317	-	2,064,317
State shared revenues - non program specific					1,512,497	-	1,512,497
Investment income:							
Interest earnings					92,463	30,493	122,956
Changes in Fair Value of Derivative Instruments					-	(7,852)	(7,852)
Miscellaneous					498,546	(3,764)	494,782
Total general revenues, special items and transfers					30,814,083	18,877	30,832,960
Change in net assets					(1,728,744)	2,932,834	1,204,090
Net assets, beginning of year					142,533,274	10,619,678	153,152,952
Net assets, end of year					\$ 140,804,530	\$ 13,552,512	\$ 154,357,042

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

BALANCE SHEET
ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Solid Waste Fund	Stormwater Utility Fund	State Housing Initiatives Partnership	Transportation Fund	Municipal Complex Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 16,370,714	\$ 736,864	\$ 6,071,523	\$ 252,032	\$ 7,717,612	\$ 2,045,361	\$ 820,020	\$ 34,014,126
Debt service reserve fund	-	-	-	-	1,300,250	-	-	1,300,250
Cash with fiscal agent	-	-	-	-	121,298	-	-	121,298
Receivables (net of allowance for uncollectibles)	1,293,199	-	-	-	-	-	-	1,293,199
Due from other funds	136,494	-	-	-	-	-	-	136,494
Due from other governments	1,097,581	-	-	-	329,501	-	527,887	1,954,969
Total assets	<u>18,897,988</u>	<u>736,864</u>	<u>6,071,523</u>	<u>252,032</u>	<u>9,468,661</u>	<u>2,045,361</u>	<u>1,347,907</u>	<u>38,820,336</u>
Liabilities and fund balances								
Liabilities								
Accounts payable	230,852	323,172	223,811	225	316,446	125,866	122,430	1,342,802
Accrued liabilities	661,560	2,239	52,143	307	2,320	-	50,181	768,750
Contracts payable	12,123	-	-	-	-	-	-	12,123
Retainage payable	-	-	9,527	-	58,565	-	11,679	79,771
Due to other funds	-	-	-	-	-	-	118,593	118,593
Deposits	25,186	-	-	-	-	-	-	25,186
Deferred revenues	-	-	-	251,500	-	-	239,633	491,133
Total liabilities	<u>929,721</u>	<u>325,411</u>	<u>285,481</u>	<u>252,032</u>	<u>377,331</u>	<u>125,866</u>	<u>542,516</u>	<u>2,838,358</u>
Fund balances								
Restricted:								
Public safety	-	-	-	-	-	-	7,757	7,757
Highways and streets	-	-	-	-	7,791,080	-	11,322	7,802,402
Culture and recreation	-	-	-	-	-	-	14,027	14,027
Physical environment	-	411,453	5,786,042	-	-	-	-	6,197,495
Debt service	-	-	-	-	1,300,250	-	-	1,300,250
Total restricted fund balances	<u>-</u>	<u>411,453</u>	<u>5,786,042</u>	<u>-</u>	<u>9,091,330</u>	<u>-</u>	<u>33,106</u>	<u>15,321,931</u>
Committed:								
Natural disasters	6,000,000	-	-	-	-	-	-	6,000,000
Operating reserve	4,911,000	-	-	-	-	-	-	4,911,000
Culture and recreation	-	-	-	-	-	-	269,531	269,531
Physical environment	37,884	-	-	-	-	-	502,754	540,638
Total committed fund balances	<u>10,948,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>772,285</u>	<u>11,721,169</u>
Assigned:								
Capital outlay/projects	2,584,986	-	-	-	-	1,919,495	-	4,504,481
Total assigned fund balances	<u>2,584,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,919,495</u>	<u>-</u>	<u>4,504,481</u>
Unassigned fund balances	4,434,397	-	-	-	-	-	-	4,434,397
Total fund balances	<u>17,968,267</u>	<u>411,453</u>	<u>5,786,042</u>	<u>-</u>	<u>9,091,330</u>	<u>1,919,495</u>	<u>805,391</u>	<u>35,981,978</u>
Total liabilities and fund balances	<u>\$ 18,897,988</u>	<u>\$ 736,864</u>	<u>\$ 6,071,523</u>	<u>\$ 252,032</u>	<u>\$ 9,468,661</u>	<u>\$ 2,045,361</u>	<u>\$ 1,347,907</u>	<u>\$ 38,820,336</u>

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

Reconciliation of the Balance Sheet of Governmental Funds

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2011**

Total fund balances of governmental funds \$ 35,981,978

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. The cost of the assets is \$205,921,267 and the accumulated depreciation is \$79,628,426. 126,292,841

Long-term assets, which are not available to pay for current period expenditures, are not recorded in the balance sheet of governmental funds. Since the availability criteria does not apply to the statement of net assets these assets are included:

Net pension asset 899,392

Inventories, which are not available to pay for current period expenditures, are not recorded in the balance sheet of governmental funds. Since the availability criteria does not apply to the statement of net assets these assets are included:

Inventories - Investment in NSP housing 2,083,529

Long-term liabilities, including bonds payable, are not due and payable in the current period and, accordingly, are not reported in the governmental funds:

Compensated Absences (1,901,137)

Other post employment benefits liability (876,413)

Bonds and loans payable (21,422,727)

Accrued interest - Stormwater loan (128,681)

Premium on bonds payable (231,626)

Bond and loan issue costs 357,628

Deferred revenue - debt service deposit agreement (250,254)

Total net assets of governmental activities \$ 140,804,530

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	General Fund	Solid Waste Fund	Stormwater Utility Fund	State Housing Initiatives Partnership	Transportation Fund	Municipal Complex Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Property taxes	\$ 11,673,440	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,673,440
Franchise fees	3,924,731	-	-	-	-	-	-	3,924,731
Public service tax	7,556,782	-	-	-	-	-	-	7,556,782
State revenue sharing	2,145,303	-	-	-	-	-	-	2,145,303
Intergovernmental	3,941,941	-	323,034	495,791	2,064,317	121,235	2,957,203	9,903,521
Charges for services	1,670,078	4,294,203	2,931,141	-	-	-	124,252	9,019,674
Fines and forfeitures	286,221	-	-	-	-	-	-	286,221
Impact fees	-	-	-	-	-	-	76,160	76,160
Interest income	52,393	2,113	11,912	1,630	11,580	10,351	2,483	92,462
Miscellaneous	201,559	-	16,222	-	-	-	750,606	968,387
Total revenues	31,452,448	4,296,316	3,282,309	497,421	2,075,897	131,586	3,910,704	45,646,681
Expenditures								
Current:								
General government and administration	6,709,812	-	-	41,829	-	-	132,366	6,884,007
Public safety	18,234,722	-	-	-	-	-	-	18,234,722
Highways and streets	1,733,017	-	-	-	348,039	-	141,166	2,222,222
Culture and recreation	1,942,278	-	-	-	-	-	-	1,942,278
Economic environment	-	-	-	455,592	-	-	2,710,477	3,166,069
Physical environment	9,210	4,180,009	1,936,983	-	-	-	15,340	6,141,542
Debt service:								
Principal	-	-	205,839	-	690,000	-	-	895,839
Interest	-	-	319,316	-	768,375	-	-	1,087,691
Capital outlay:								
General government and administration	336,332	-	-	-	-	8,967	-	345,299
Public Safety	-	-	-	-	-	2,057,317	-	2,057,317
Highways and streets	499,205	-	-	-	1,898,979	-	-	2,398,184
Culture and recreation	-	-	-	-	-	62,458	877,164	939,622
Physical environment	-	-	2,387,687	-	-	-	83,838	2,471,525
(Total expenditures)	(29,464,576)	(4,180,009)	(4,849,825)	(497,421)	(3,705,393)	(2,128,742)	(3,960,351)	(48,786,317)
(Deficiency) excess of revenues (under) over expenditures	1,987,872	116,307	(1,567,516)	-	(1,629,496)	(1,997,156)	(49,647)	(3,139,636)
Other financing sources (uses)								
Transfers from other funds	-	-	-	-	1,803,140	14,245	-	1,817,385
Transfers to other funds	(1,758,400)	-	-	-	-	-	(58,985)	(1,817,385)
Total other financing (uses) sources	(1,758,400)	-	-	-	1,803,140	14,245	(58,985)	-
Net change in fund balances	229,472	116,307	(1,567,516)	-	173,644	(1,982,911)	(108,632)	(3,139,636)
Fund balances, beginning of year	17,738,795	295,146	7,353,558	-	8,917,686	3,902,406	914,023	39,121,614
Fund balances, end of year	\$ 17,968,267	\$ 411,453	\$ 5,786,042	\$ -	\$ 9,091,330	\$ 1,919,495	\$ 805,391	\$ 35,981,978

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

Reconciliation of the Statement of Revenues, Expenditures

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Net change in fund balances of governmental funds \$ (3,139,636)

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

Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This reconciling item is the amount by which capital purchases of \$7,550,662 less net book value of disposals of \$21,825 exceeded depreciation expense of \$5,500,023. 2,028,814

In the Governmental funds payment for the investment in certain housing has been reported as an expenditure in the affected grant fund. However, in the statement of activities, the cost of these assets has been deferred until title is transferred to grant recipients. (1,174,594)

Revenue deferred last year in the statement of net assets is being amortized in the statement of activities. This adjustment is the current year's amortization:

Amortization of debt service forward delivery agreement proceeds 16,682

The issuance of long-term debt (bonds or bank loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Debt principal repayment 895,839
Amortization of transportation bond premium 15,442
Amortization of bond and bank loan issue costs (23,388)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Decrease in accrued interest - Stormwater loan 4,294
Increase in net pension asset 28,145
Increase in compensated absences (89,031)
Increase in other post employment benefits (291,311)

Change in net assets of governmental activities \$ (1,728,744)

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011**

	Business-Type Activities Water and Sewer Utility Fund
Assets	
Current assets	
Cash	\$ 9,120,450
Restricted assets available for current liabilities	4,992,398
Accounts receivable (net)	1,915,868
Inventory	357,829
Total current assets	<u>16,386,545</u>
Non current assets	
Restricted assets	
Sinking fund - Revenue bonds payable	3,566,153
Debt service reserve fund	4,900,000
Renewal and replacement account	857,236
Customer deposits	1,426,241
Water impact fees	403,169
Less: portion classified as current	(4,992,398)
Total restricted assets	<u>6,160,401</u>
Capital assets	
Land	2,829,916
Improvements other than buildings	65,721,012
Buildings	2,847,616
Equipment	14,272,294
Construction in progress	8,815,537
(Accumulated depreciation)	(20,920,510)
Total capital assets - cost less depreciation	<u>73,565,865</u>
Other assets	
Bond issue costs (net)	2,141,237
Deferred Outflow - Swaption	12,343,562
Swaption issue costs (net)	441,002
Total other assets	<u>14,925,801</u>
Total noncurrent assets	<u>94,652,067</u>
Total assets	<u>\$ 111,038,612</u>

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011
(Concluded)

	Business-Type Activities
	Water and Sewer Utility Fund
Liabilities and fund equity	
Current liabilities payable from current assets:	
Accounts and retainages payable	\$ 1,192,305
Accrued expenses	207,560
Compensated absences - current portion	90,500
Total current liabilities payable from current assets	<u>1,490,365</u>
Current liabilities payable from restricted assets	
Deposits	1,426,241
Accrued interest payable	1,866,157
Revenue bonds payable - current portion	1,700,000
Total current liabilities payable from restricted assets	<u>4,992,398</u>
Total current liabilities payable from current and restricted assets	<u>6,482,763</u>
Long-term liabilities	
Revenue bonds payable - long-term portion	73,825,000
FDEP State Revolving Fund loan - long-term portion	269,181
Unamortized bond premium	995,655
Derivative Instruments:	
Option Component - Swaption	226,594
Fair Value - Swaption	12,343,562
Historical Cost of Borrowing	3,206,837
Compensated absences	42,921
Other post employment benefits obligation	93,587
Total long-term liabilities	<u>91,003,337</u>
Total liabilities	<u>97,486,100</u>
Net assets	
Invested in capital assets, net of Related debt	(813,553)
Restricted for impact fees	403,169
Restricted for debt service	6,599,996
Restricted for renewal and replacement	857,236
Unreserved	6,505,664
Total net assets	<u>\$ 13,552,512</u>

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Water and Sewer Utility Fund
Operating revenues:	
Charges for services - Water	\$ 10,021,881
Charges for services - Waste Water	5,992,664
Connection fees	242,000
Other miscellaneous revenues	818,707
Total operating revenues	<u>17,075,252</u>
Operating expenses:	
Personal services	3,413,640
Operating expenses	4,076,184
Professional services	55,909
Depreciation	2,854,935
Insurance	133,395
Total operating expenses	<u>(10,534,063)</u>
Operating income	<u>6,541,189</u>
Nonoperating revenues (expenses):	
Investment Income:	
Interest earnings	30,493
Changes in Fair Value of Derivative Instruments	(7,852)
Grants	133,826
Gain (loss) on sale of capital assets	(3,764)
Interest expense and issue cost amortization	(3,784,384)
Total nonoperating revenue (expenses)	<u>(3,631,681)</u>
Income before contributions	2,909,508
Capital contributions - water and wastewater	<u>23,326</u>
Change in net assets	2,932,834
Net assets:	
Beginning of year	<u>10,619,678</u>
End of year	<u><u>\$ 13,552,512</u></u>

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Business-Type Activities Water and Sewer System Fund
Cash flows from operating activities	
Cash received from customers	\$ 17,272,706
Cash payments to suppliers for goods and services	(4,783,288)
Cash payments for employee services	(3,347,021)
Net cash provided by operating activities	<u>9,142,397</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(2,791,477)
Proceeds from sale of capital assets	417
Proceeds from FDEP State Revolving Fund Loan	269,181
Grant revenues	133,826
Revenue bond principal payment	(1,400,000)
Revenue bond interest payments	(3,755,062)
Proceeds from capital contributions	23,326
Net cash used in capital and related financing activities	<u>(7,519,789)</u>
Cash flows from investing activities	
Interest	30,493
Net cash provided by investing activities	<u>30,493</u>
Net increase (decrease) in cash and cash equivalents	1,653,101
Cash and cash equivalents, beginning of year	<u>18,620,148</u>
Cash and cash equivalents, end of year	<u>\$ 20,273,249</u>

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(Concluded)**

	Business-Type Activities
	Water and Sewer System Fund
<u>Reconciliation of cash and cash equivalents to balance sheet</u>	
Total unrestricted cash and investments per the balance sheet	\$ 9,120,450
Total restricted cash and investments per the balance sheet	11,152,799
Total cash and investments	<u>20,273,249</u>
Less investments not meeting the definition of cash equivalents	<u>-</u>
Cash and cash equivalents, end of year	\$ 20,273,249
<u>Reconciliation of operating income to net cash provided by operating activities</u>	
Operating income	\$ 6,541,189
Adjustments to reconcile operating Income to cash provided by operating activities:	
Depreciation	2,854,935
Provision for uncollectible accounts	60,690
(Increase) decrease in assets:	
Accounts receivable	20,828
Inventories	2,320
Increase (decrease) in liabilities:	
Accounts payable	(644,176)
Utility deposits	115,936
Accrued expenses	144,278
Compensated absences	8,708
Other post employment benefits obligation	37,689
Net cash provided by operating activities	\$ 9,142,397

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

**STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
SEPTEMBER 30, 2011**

	Employee Retirement Funds
Assets	
Equities	\$ 4,217,165
Bond & Mortgage Funds	2,102,085
Money Market	1,710,401
U.S. Government or Agency Obligations	2,081,719
Mutual Funds	2,706,024
Balanced/Asset Allocation Fund	1,509,592
U.S. Stock Funds	368,250
International Stock Funds	65,917
Due from other governments	25,406
Total Assets	<u>14,786,559</u>
Liabilities	
Accounts payable	34,243
Due to Members - DROP Payments	40,443
Due to other funds	17,901
Total liabilities	<u>92,587</u>
Net assets	
Reserved for employees' pension benefits	14,693,972
Total net assets	<u><u>\$ 14,693,972</u></u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Employee Retirement Funds
Additions	
Contributions:	
Employer	\$ 921,249
Transfer from General Fund - insurance premium surcharges received from the State of Florida	416,219
Employee	331,905
Total Contributions	<u>1,669,373</u>
Investment income (loss)	(401,251)
Net investment income	<u>(401,251)</u>
Total additions	<u>1,268,122</u>
Deductions	
Benefit payments	208,094
Refunds to employees	169,290
Administration	107,165
Forfeitures	422
Total deductions	<u>(484,971)</u>
Change in net assets	<u>783,151</u>
Net assets - beginning	<u>13,910,821</u>
Net assets - ending	<u><u>\$ 14,693,972</u></u>

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

Notes to the Financial Statements
September 30, 2011

I. Summary of significant accounting policies

A. Reporting entity

The City of Deltona (City) is a municipal corporation, incorporated December 31, 1995, governed by an elected mayor and six-member council. The City provides a full range of services including law enforcement and fire/rescue protection, solid waste management, storm water management, construction and maintenance of road and street facilities, planning and development services, recreational and cultural activities and general administrative services. Additionally, the City has a business-type operation that offers services associated with water and sewer utilities. The financial reporting entity consists of the primary government and component units, entities for which the government would be considered financially accountable. The determination of financial accountability includes consideration of a number of criteria including: (1) the appointment of a voting majority of an entity's governing authority and the ability of the primary government to impose its will on the entity; (2) the potential for the entity to provide specific financial benefits to, or impose specific financial burdens on, the primary government; and (3) the entity's fiscal dependency on the primary government. As of September 30, 2011, the City had no component units that meet the criteria for inclusion within the financial reporting entity of the City.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely almost exclusively on user fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, enterprise funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the City's enterprise fund are reported as 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*, as are the enterprise fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when the 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 soon enough thereafter to pay liabilities in the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

- **General Fund** - this is the City's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in other funds.
- **Solid Waste Fund** - accounts for the fiscal activities relating to fees charged and expenditures incurred for garbage and recycled waste pick-up.
- **Stormwater Fund** - accounts for the fiscal activity relating to fees charged and expenditures incurred for the stormwater utility operation and maintenance activities, i.e., the collection, storage, treatment and dispersal of rainwater.
- **State Housing Initiatives Partnership Grant Fund** - accounts for the fiscal activities of funds received by the City from its share of the State Local Housing distribution for funds budgeted, received or generated by the City under its Local Housing Assistance Plan.
- **Transportation Fund** - accounts for the fiscal activity relating to the City's share of the County's six-cent and five-cent local option tax on fuel. The six-cent portion can be used for general road improvements and maintenance. However, the five-cent portion can only be utilized to fund capital improvement projects that are necessary to meet the requirements of the City's Comprehensive Plan.
- **Municipal Complex Fund** - accounts for the fiscal activities related to the funding and construction of capital facilities for City operations.

The City reports the following non-major fund types:

- **Special Revenue Funds** - account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).
- **Capital Projects Funds** - account for the acquisition of fixed assets or construction of major capital projects not being financed by enterprise or nonexpendable trust funds.

The City reports the following major enterprise fund:

- **Water and Sewer Utility Fund** - accounts for the acquisition and operation of the City owned water and sewer utility operations.

The City reports the following fiduciary fund types:

- **Pension Trust Funds** - account for the assets of the City employees' pension plans. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with, or contradict, guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, charges incurred for water used by other City functions, and other charges between the City's transportation, solid waste and stormwater functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 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. General revenues include all taxes.

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal on-going operations. The principal operating revenues of the Water and Sewer Utility Fund, the City's enterprise fund, are charges to customers for utility sales and services. Operating expenses for the enterprise fund include the cost of the utility providing sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In September of 2011, the City adopted Resolution No. 2011-31 creating a General Fund Minimum Fund Balance Policy. Under this policy two (2) reserves will be maintained; 1) a natural Disaster Reserve equal to \$6,000,000 and, 2) a Minimum Operating Reserve equal to two (2) months of General Fund operating expenditures.

The adopted reserves are not intended to function as a contingency fund to address unfunded expenditures or over-expenditures related to the normal provision of City services. When both restricted and unrestricted resources are legally available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

City Investments

The City's cash and cash equivalents are comprised of 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 policy is established by resolution and is governed by Florida Statute 218.415. Authorized investments include the Local Government Surplus Funds Trust Fund Investment Pool or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, savings accounts in State certified qualified public depositories, certificates of deposit in State certified qualified public depositories and direct obligations of the U.S. Treasury and Federal agencies and instruments.

Investments for the City are reported at fair value. The State Treasurer's Investment Pool operates in accordance with the appropriate State laws and regulations. The reported value of the Pool is the same as the fair value of the Pool shares.

Firefighters' Pension Plan Investments

The investments of the Firefighters' Pension Plan are directed by the Firefighters' Pension Board of Trustees. The Trustees have adopted an Investment Policy Statement for the Firefighters' Pension Plan to provide parameters for investments. The general investment objective is to obtain a reasonable total rate of return commensurate with the Prudent Investor Rule and Florida Statute 218.415.

Authorized investments for the Firefighter's Pension Plan include: 1) time, savings, and money market deposit accounts of an institution insured by the Federal Deposit Insurance Corporation provided the amount deposited does not exceed the insured amount; 2) obligations issued by the United States Governmental guaranteed as to principal and interest by the United States Government or by an agency of the United States Government; 3) stocks, comingled funds administered by national or state banks, mutual funds or bonds or other evidences of indebtedness, issued or guaranteed by a corporation organized under the laws of the U.S., any state or organized territory of the United States or the District of Columbia, bonds issued by U.S. corporations, structured mortgage products issued by the United States Government, and mortgage related or asset backed securities not issued by the United States Government, and bonds issued by municipal

issuers provided that certain criteria are met; 4) commingled stock, bond, timber, real estate or money market funds as may be approved by the Board; 5) foreign equities traded on a national exchange; and 6) real estate up to 10% of the assets of the fund.

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." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available expendable financial resources.

All real and tangible personal property taxes are due and payable on November 1st (the levy date) of each year or as soon thereafter as the assessment roll is certified by the Volusia County Property Appraiser. The County mails to each property owner on the assessment roll a notice of the taxes due and the County collects the taxes for the City. Taxes may be paid upon receipt of such notice. The following discounts are applied: four percent (4%) if paid in the month of November; three percent (3%) if paid in the month of December; two percent (2%) if paid in the month of January; and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount. All unpaid taxes on real and tangible property become delinquent on April 1st (the lien date) of the year following the year in which taxes were assessed. Procedures for collecting delinquent taxes, including applicable tax certificate sales, are provided for by State law.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. For the water and sewer utility fund, inventory is comprised of material and supplies on hand. Government-wide inventory is \$2,083,529 which is attributable to homes purchased and rehabilitated, but not yet sold, through the Neighborhood Stabilization Program (NSP) fund through September 30, 2011.

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

4. Restricted assets

Certain proceeds of the water and sewer utility fund are classified as restricted assets on the balance sheet because their use is limited by bond covenants or some other legal restriction and certain of these proceeds may be used only for debt service, renewal and replacement and/or expansion related capital projects. Certain proceeds of other funds are also classified as restricted assets on the balance sheet. Examples of restricted assets include loan proceeds for certain Stormwater capital improvement projects and

related debt service payments and gas tax and transportation impact fee proceeds for capital road projects and related debt service.

5. *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost that equals or exceeds \$5,000 and have an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amount spent for the construction or acquisition of infrastructure assets is capitalized and reported in the government-wide financial statements when the initial costs equal or exceed \$25,000 and they possess estimated useful lives in excess of more than one year.

For the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost of the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure being capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets, including infrastructure assets, they are capitalized and reported at historical cost; as assets are upgraded or replaced a corresponding reduction in an existing asset is taken, if applicable. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by Governmental Funds and the Enterprise Fund during the current fiscal year was \$1,074,661 and \$3,784,384 respectively. There was no capitalized interest expense associated with the cost of capital assets under construction in connection with the water and sewer utility fund assets.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

	Useful Lives
Buildings	10 - 40 years
Improvements Other Than Buildings	15 - 50 Years
Equipment	3 - 40 Years
Infrastructure	15 - 50 Years

6. *Compensated Absences*

All vested or accumulated vacation, scheduled holiday leave and vested accumulated sick leave is accrued when incurred in the government-wide and enterprise financial statements. Compensated absences, government-wide and enterprise funds combined, for the years ended September 30, 2011 and 2010 are \$2,034,558 and 1,936,819 respectively.

7. *Long-term obligations*

In the government-wide financial statements and enterprise fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *On-Behalf Payments for Fringe Benefits*

The City receives on-behalf payments from the State of Florida to be used for Firefighters' Pension Plan enhancements. On-behalf payments to the City totaled \$416,219 for the fiscal year ended September 30, 2011. Such payments are recorded as intergovernmental revenue and public safety expenditures in the GAAP basis government-wide and General Fund financial statements. Funds received are recorded as a revenue in the General Fund and immediately transferred to the Firefighters' Pension Plan as an expense to the General Fund.

9. *Fund Equity*

The City implemented GASB Statement No. 54 effective September 30, 2011. The purpose of GASB Statement No. 54 is to more clearly disclose the extent to which various components of fund balance are inherently non-spendable, restricted, committed, assigned or unassigned. In accordance with this Statement, governmental funds report separate classifications of fund balance.

The City adopted GASB Statement No. 54 effective FYE September 30, 2011. In September, 2011 the City Commission adopted a Resolution creating a minimum fund balance policy. This policy is comprised of two components: 1) a Natural Disaster reserve equal to \$6,000,000 for the purpose of providing the means to respond to public emergencies and/or natural disasters and ; 2) an operating reserve equal to two (2) months of General Fund annual operating expenditures for the purpose of providing the City with the fiscal means to respond to unexpected operational changes, legislative impacts, or other economic events affecting the City's operations that could not have easily been anticipated at the time the budget was prepared.

- Nonspendable fund balance is defined as resources that are inherently nonspendable and include such things as inventories, prepaids and non-financial assets held for resale.
- Restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Commission as established through ordinances or City policy.
- Assigned fund balance is amounts that are constrained by the City's intent to be used for specific purposes, but are neither Restricted nor Committed. Assignment of fund balance may be a) made for a specific purpose that is narrower than the general purpose of the City itself; and/or b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected excess of expected expenditures over expected revenues. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.
- Unassigned fund balance represents the City's fund balance of funds that are neither Restricted, Committed or Assigned and may be used for any legal general purpose.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

Annually, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1st. Public hearings are held to obtain taxpayer comments. Prior to October 1st, the budget is legally adopted through City Commission resolution.

The budget is prepared and adopted by fund, function and department. The City Manager may make transfers of appropriations within a department throughout the year. Transfers of appropriations between departments require the approval of the City Commission. Budget amendments that actually change the total revenue and/or expenses as legally adopted as part of the budget are also brought forth to the City Commission for approval.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

III. Detailed notes on all funds

A. Deposits and investments

As of September 30, 2011, the City had the following investments:

Investment	Maturities	Ratings	Fair Value
State Board of Administration Local Government Surplus Funds Trust Fund	1 Day	AAAm	\$ 27,185
Certificates of Deposit	5 Years	N/A	3,746,504
Wells Fargo Money Market Funds	1 Day Average	AAAm	2,116,710
Wells Fargo Government Obligations (Federal Agency Coupon Securities and Corporate Coupon Securities)	465 - 1,140 Day Range	A+ to AA+	16,773,902
Florida Surplus Asset Fund Trust	1 Day or Less	AAAm	22,564,848
Firefighters' Pension Investments			
Money Market	N/A	N/A	1,426,905
U.S. Treasury Obligations	7 – 30 Years	AA+	331,954
U.S. Government Agencies	1 - 3 Years	AA+	1,749,765
Corporate & Foreign Bonds	1 - 30 Years	A- to AA+	2,082,560
Equities			4,217,163
Equity Mutual Funds	1 Day or Less	N/A	2,085,986
Fixed Income Mutual Funds	1 Day or Less	N/A	620,038
General Employees' Pension Investments			
Stable Value/Money Market Funds	N/A	N/A	283,496
Bond Funds	Varies	BBB or better	19,526
Balanced /Asset Allocation Funds	N/A	N/A	1,509,592
U.S. Stock Funds	N/A	N/A	368,250
International Stock Funds	N/A	N/A	65,917
Total Investments			59,990,301
Cash Deposits			<u>10,358,477</u>
Total Deposits and Investments			<u>\$70,348,778</u>
Shown in the accompanying combined balance sheet as follows:			
Entity wide – Deposits and Investments			55,587,625
Fiduciary Funds–Deposits and Investments			<u>14,761,153</u>
Total			<u>\$70,348,778</u>

The City's General Employees' Pension Plan was established with the adoption of Resolution No. 97-64. The City is the Trustee for the plan, however assets are held in employees' names and therefore the City is not exposed to any investment risk within the General Employees' Pension Plan.

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 weighted average maturity of the City's investments is displayed in the above schedule. The City's Investment Policy states that the City will limit interest rate risk by structuring the investment portfolio so that securities mature

to meet cash requirements of ongoing operations and by investing operating funds primarily in shorter-term securities, money market mutual funds or similar investing pools.

Credit risk

Credit risk is the risk of loss due to the failure of the security issuer. The City's investment policy limits the investments to obligations with the highest credit ratings. Ratings for debt securities are displayed in the above schedule. The City's Firefighters' Pension Fund investments are limited, in the case of directly held securities, to securities in one of the three highest classification ratings. For indirect or comingled investments such as mutual funds, the weighted average of all such investments combined must be A/Aa or higher. Investment ratings are from Moody's Investors Service, Inc. and Standard & Poor's Ratings Group.

Concentration of credit risk

The City's investment policy states that securities will be diversified by maturity, issuer and class of security to avoid over-concentration of assets in any one area. The City's Firefighters' Pension Fund investment policy limits the investment in common stock, capital stock or convertible securities to 5% for any issuing company. Common stock, capital stock or convertible securities shall not exceed 65% of Plan assets.

Custodial credit risk - deposits

For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. As of September 30, 2011, the City's cash deposits were entirely covered by Federal depository insurance or by the banking network provided by Chapter 280 of the Florida Statutes. Florida Statutes provide for collateral pooling by banks and savings and loans and limit local government deposits to "authorized depositories."

Custodial credit risk – investments

For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Investments in the City's defined contribution general employee's pension plan are held by a counterparty not in the name of the City which creates custodial risk for all investments of this pension plan. The City has no formal policy relating to custodial credit risk for pension investments.

Investments in the City's Firefighter's Pension Plan have no custodial credit risk.

Foreign currency risk – investments

The City does not invest in foreign markets. However, there are foreign market options available to employees through the General Employees' Pension to which the City has no exposure. All of these pension investments are denominated in U.S. dollars.

B. Receivables

Receivables as of year-end shown on the Statement of Net Assets for the City's Governmental Activities and Business-Type Activities, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Customers:			
Billed	\$ -	\$ 1,670,285	\$ 1,670,285
Unbilled	-	966,297	966,297
Services tax	739,454	-	739,454
Franchise fees	539,362	-	539,362
Miscellaneous	32,284	5,558	37,842
Gross receivables	1,311,100	2,642,140	3,953,240
Less: allowance for uncollectibles	-	(726,273)	(726,273)
Net total receivables	\$ 1,311,100	\$ 1,915,868	\$ 3,226,968

Revenues of the Water and Sewer Utility Fund are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

	Unearned
Uncollectible related to water sales	\$ 290,509
Uncollectible related to sewer sales	435,764
Total uncollectible in the current fiscal year	\$ 726,273

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unearned
SHIP Grant funds advanced by grant authority	
Prior to meeting all eligibility requirements	\$ 251,500
NSP Program Income received but not expended	239,633
Total	\$ 491,133

C. Capital assets

Capital asset activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 13,761,105	\$ -	\$ -	\$ 13,761,105
Infrastructure right of way	4,372,500	-	-	4,372,500
Construction in progress	15,933,035	6,231,540	(15,812,434)	6,352,140
Total capital assets, not being depreciated	<u>34,066,640</u>	<u>6,231,540</u>	<u>(15,812,434)</u>	<u>24,485,745</u>
Capital assets, being depreciated:				
Buildings and improvements	57,396,998	5,575,333	(16,178)	62,956,153
Machinery and equipment	19,923,934	919,299	(774,340)	20,068,893
Infrastructure (roads and streets)	87,773,553	10,636,923	-	98,410,476
Total capital assets, being depreciated	<u>165,094,485</u>	<u>17,131,555</u>	<u>(790,518)</u>	<u>181,435,522</u>
Less accumulated depreciation for:				
Buildings and improvements	(25,917,049)	(2,143,469)	11,185	(28,049,333)
Machinery and equipment	(14,546,062)	(1,542,563)	757,508	(15,331,117)
Infrastructure (roads and streets)	(34,433,985)	(1,813,991)	-	(36,247,976)
Total accumulated depreciation	<u>(74,897,096)</u>	<u>(5,500,023)</u>	<u>768,693</u>	<u>(79,628,426)</u>
Total capital assets, being depreciated, net	<u>90,197,389</u>	<u>11,631,532</u>	<u>(21,825)</u>	<u>101,807,096</u>
Governmental activities capital asset, net	<u><u>\$ 124,264,029</u></u>	<u><u>\$ 17,863,072</u></u>	<u><u>\$ (15,834,259)</u></u>	<u><u>\$ 126,292,841</u></u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 2,829,916	\$ -	\$ -	\$ 2,829,916
Construction in progress	10,205,731	2,395,945	(3,786,139)	8,815,537
Total capital assets, not being depreciated	<u>13,035,647</u>	<u>2,395,945</u>	<u>(3,786,139)</u>	<u>\$ 11,645,453</u>
Capital assets, being depreciated:				
Buildings and improvements	2,847,616	-	-	2,847,616
Improvements other than buildings	61,806,138	3,919,965	(5,091)	65,721,012
Machinery and equipment	14,071,199	261,706	(60,611)	14,272,294
Total capital assets, being depreciated	<u>78,724,953</u>	<u>4,181,671</u>	<u>(65,702)</u>	<u>82,840,922</u>
Less accumulated depreciation for:				
Buildings and improvements	(487,634)	(108,023)	-	(595,657)
Improvements other than buildings	(10,231,041)	(1,565,545)	2,673	(11,793,913)
Machinery and equipment	(7,408,421)	(1,181,367)	58,848	(8,530,940)
Total accumulated depreciation	<u>(18,127,096)</u>	<u>(2,854,935)</u>	<u>61,521</u>	<u>(20,920,510)</u>
Total capital assets, being depreciated, net	<u>60,597,857</u>	<u>1,326,736</u>	<u>(4,181)</u>	<u>61,920,412</u>
Business-type activities capital assets, net	<u><u>\$ 73,633,504</u></u>	<u><u>\$ 3,722,681</u></u>	<u><u>\$ (3,790,320)</u></u>	<u><u>\$ 73,565,865</u></u>

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

Governmental Activities:	
General government and administration	\$ 934,073
Public safety	557,732
Highways and streets	2,562,924
Culture and recreation	613,520
Physical environment	831,774
Total depreciation expense - governmental activities	\$ 5,500,023

Business-type activities:	
Water and sewer utility - total depreciation expense	\$ 2,854,935
Total additions to accumulated depreciation - business-type activities	\$ 2,854,935

Construction commitments

The City has active construction projects as of September 30, 2011. The projects include street construction, public safety facilities, housing rehabilitations and water and wastewater facilities. At year end, the City's commitments with contractors are as follows:

Projects	Spent-to-Date	Remaining Commitment
Stormwater	\$ 520,785	\$ 202,238
SHIP (Housing rehabs)	-	26,640
CDBG (Stormwater & parks projects)	109,568	24,494
Neighborhood Stabilization Program (NSP)	73,898	208,025
Energy Grants	109,112	10,873
Public Works	1,094,998	5,159,706
Facilities	1,888,127	242,256
Water and waste water	3,120,884	1,175,568
Total	\$ 6,917,372	\$ 7,049,800

The special revenue fund portion of the commitment for street construction is being financed by special revenue bonds that will be repaid by restricted revenue, as well as through pledged gas taxes. The commitment for water and sewer facilities is being financed by impact fees to the extent those funds are available for those projects that are expansion related and through a pay-as-you-go program as funds received by the utility become available. The commitment for stormwater projects is being financed by proceeds received by the 2009 Stormwater Bank Note.

D. Interfund receivable, payables and transfers

The composition of interfund balances as of September 30, 2011, is as follows:

Due from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	General Employees' Pension Plan	\$ 17,901
General Fund	CDBG Fund	39,563
General Fund	Park Projects Fund	79,030
Total		\$ 136,494

The pension fund amount due to the General Fund represents forfeited funds that will be used to fund future pension liabilities.

The CDBG fund amount due to the General Fund represents the amount not yet reimbursed to the CDBG fund from the U.S. Department of Housing and Urban Development under the terms of the CDBG grant.

The Park Projects Fund amount due to the General Fund represents the amount not yet reimbursed by the Volusia County ECHO Grant for the completion of Thornby Park.

Interfund transfers:

	<u>Transfers Out</u>		<u>Transfers In</u>	
	<u>Total</u>	<u>Transportation Fund</u>	<u>Municipal Complex Fund</u>	<u>Total</u>
General Fund	\$ 1,758,400	\$ 1,750,000	\$ 8,400	\$ 1,758,400
Transportation				
Impact Fees Fund	53,141	53,141	-	53,141
Fire/Rescue Service				
Impact Fees Fund	5,844	-	5,844	5,844
Total	\$ 1,817,385	\$ 1,803,141	\$ 14,244	\$ 1,817,385

Transfers are used to: (1) move restricted amounts to finance various programs that the City must account for in other funds in accordance with budgetary authorizations; and (2) move unrestricted General Fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. While some parks and law enforcement impact fees were collected during the year, they were not transferred and will continue to accumulate until such time a qualified expansion project is budgeted.

E. Leases

Operating Leases

The City leases building and office facilities and other equipment. Lease payments are payable on a month-to-month basis. The total cost for such leases was \$314,563 for the year ended September 30, 2011. The future minimum lease payment for these leases is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2012	\$ 257,032
2013	257,032
2014	257,032
2015	257,032
<u>2016</u>	<u>255,606</u>
<u>Total</u>	<u>\$ 1,283,734</u>

F. Long-term debt

Revenue bonds

Transportation Capital Improvement Revenue Bonds

On July 12, 2006, the City issued \$18,240,000 of Transportation Capital Improvement Revenue Bonds, Series 2006, the proceeds of which will be used to provide funding for road improvement projects and to pay the cost of issuance. The bonds are collateralized by a pledge of gas tax revenues, which were \$2,064,317 for the fiscal year ending September 30, 2011, and transportation impact fees which were \$53,141 for the fiscal year ending September 30, 2011. The bonds bear interest ranging from 4.00% to 5.00% and mature in increasing annual amounts ranging from \$400,000 to \$1,385,000 from fiscal year 2007 through fiscal year 2026, respectively. Interest is payable semiannually on April 1, and October 1, with annual principal payments due on October 1. Principal and interest payments for the year were \$690,000 and \$768,375 respectively.

Transportation - Debt Service to Maturity Schedule			
<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	720,000	735,575	1,455,575
2013	760,000	699,575	1,459,575
2014	795,000	661,575	1,456,575
2015	830,000	627,425	1,457,425
2016	870,000	585,925	1,455,925
2017 – 2021	4,990,000	2,301,057	7,291,057
2022 – 2026	6,290,000	999,119	7,289,119
Total	<u>\$ 15,255,000</u>	<u>\$ 6,610,251</u>	<u>\$ 21,865,251</u>

Debt service forward delivery agreement

The City entered into a Debt Service Forward Delivery Agreement to administer debt service payments and to generate additional cash from the Transportation Capital Improvement Revenue Bonds, Series 2006 transaction. Under this agreement, the City will make level monthly payments of approximately \$121,600 to a trustee. The trustee will, in turn, make all debt service payments (principal and interest) as due. The City received a cash payment of \$333,670 for entering into this agreement. The entire amount was recognized as income in the fiscal year ended September 30, 2006 in the governmental funds but was deferred in the entity-wide statements and will be recognized in the statement of activities on a straight line basis over the life of the bond issue.

Bank notes

Stormwater Bank Note

On April 8, 2009 the City entered into a loan agreement in the amount of \$6,569,345 with Branch Banking and Trust Company (BB&T). The loan was obtained in order to finance certain of the City's costs of the capital improvements contained in the City's adopted Stormwater Master Plan. The Note is expected to be paid over a period of twenty years at a fixed interest rate of 5.01%. The Note is payable from, and secured solely by, revenues derived by the City from its stormwater utility assessments and the City's covenant to budget and appropriate legally available non-ad valorem revenues as provided in the agreement. The City collected \$2,931,141 in stormwater utility assessments in the fiscal year ended September 30, 2011. Principal and interest payments for the year were \$205,839 and \$319,316 respectively.

Stormwater - Debt Service to Maturity Schedule			
<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	216,417	309,003	525,420
2013	227,538	298,161	525,699
2014	239,231	286,761	525,992
2015	251,524	274,775	526,299
2016	264,449	262,174	526,623
2017 – 2021	1,540,601	1,097,985	2,638,586
2022 – 2026	1,979,264	670,311	2,649,575
2027 – 2030	1,448,703	147,583	1,596,286
Total	<u>\$ 6,167,727</u>	<u>\$ 3,346,753</u>	<u>\$ 9,514,480</u>

Business-type Activity Liabilities

The following is a summary of long-term liabilities of the proprietary fund at September 30, 2011:

Utility System Revenue Bonds

On November 6, 2003, the City issued \$81,725,000 of Utility System Revenue Bonds, Series 2003, the proceeds of which were used to provide funding for the acquisition of water and wastewater facilities, to fund future capital improvements to the acquired system and to

pay the cost of issuance. The bonds are collateralized by a pledge of the net revenues of the system, which was \$9,479,455 for the fiscal year end September 30, 2011 including connection fees of \$242,000 as well as the changes in fair value of derivative instruments of \$7,852. The bonds bear interest rates ranging from 2.00% to 5.00% and mature in increasing annual amounts ranging from \$500,000 to \$5,350,000 from 2004 through 2033, respectively. Interest is payable semi-annually at April 1, and October 1, with annual principal payments due on October 1. The principal and interest payments for the year were \$1,400,000 and \$3,755,062 respectively.

Utility System - Debt Service to Maturity Schedule			
Fiscal Years	Principal	Interest	Total
2012	1,700,000	3,700,436	5,400,436
2013	1,945,000	3,629,662	5,574,662
2014	2,025,000	3,551,275	5,576,275
2015	2,105,000	3,472,319	5,577,319
2016	2,185,000	3,375,494	5,560,494
2017 – 2021	12,765,000	14,983,533	27,748,533
2022 – 2026	16,450,000	11,202,909	27,652,909
2027 – 2031	21,055,000	6,501,866	27,556,866
2032 - 2035	15,295,000	1,172,125	16,467,125
Total	<u>\$ 75,525,000</u>	<u>\$ 51,589,619</u>	<u>\$ 127,114,619</u>

Derivative Instruments – Option to enter into an interest rate swap (swaption)

On November 6, 2003, the City issued its Utility System Revenue Bonds, Series 2003 in the principal amount of \$81,725,000. Subject to achievement of a minimum present value savings level, the City approved and entered into a contract with a swap provider to grant an option to have the City issue variable rate bonds on or about October 1, 2013, at which time \$67,750,000 of the 2003 Utility Bonds should be outstanding, to refund the 2003 Utility Bonds in exchange for an upfront payment of \$3,206,837 estimated to be equal to the estimated present value savings the City would achieve as a result of such a refunding. Should the swap provider exercise the option in 2013, the City would either issue the variable rate bonds and the swap provider would pay to the City an agreed to variable interest rate and the City would pay the swap provider an agreed to fixed interest rate or the City would have to pay the swap provider a termination payment to cancel the right.

The up-front payment of \$3,206,837 and the related costs of \$441,002 have been deferred on the financial statements until 2013 at which time they will be amortized ratably over the life of the variable rate bonds if the swap provider exercises the option. If the swap provider does not exercise the option, all the revenue and expense will be recognized once it can be determined that the option has lapsed and therefore cannot be exercised. In accordance with GASB 53, the fair market value of the derivative instrument at year end is presented in the following table.

Notes to the Financial Statements

The fair value balance and notional amount of the derivative instruments outstanding as of September 30, 2011, classified by type, and the change in fair value of the derivative instrument for the year then ended as reported in the 2011 financial statement is as follows; debit (credit):

	8/15/2006	9/30/2010	9/30/2011
Hybrid Instrument	\$ (3,206,837)	\$ (14,436,767)	\$ (19,226,208)
Fair Value of Borrowing (Carried at Historical Cost)	(3,206,837)	(5,266,057)	(6,656,052)
Time Value (Option Component)	-	(218,742)	(226,594)
Change in Fair Value (Time Value)	-	813,169	(7,852)
Fair Value of ATM Swap (ATM Rate 3.805%)	-	(8,951,968)	(12,343,562)
Change in Fair Value (ATM Swap)	-	(3,725,527)	(3,391,595)

The fair value of the derivative instruments was estimated using the estimated price or spread level at which an agent for the City might find liquidity for a round lot transaction within the relevant market. Valuations are based in part upon historical cash and asset information furnished to our agent by third parties.

The City's objective and terms of the hedging derivative instrument as of September 30, 2011 were as follows:

Objective	Terms
Type:	Pay-fixed interest rate swap
Objective:	To provide a fix rate on the Series 2003 Bonds
Original Notional Amount:	\$81,725,000
2013 Notional Amount:	\$67,750,000
Date of Agreement:	2006
Effective Date:	2013
Maturity Date:	2033
Terms:	Pay 4.77% Fixed Rate with the underlying variable rate at 61.5% of London Interbank Offered Rate (LIBOR) plus 0.32% and the variable rate of the interest rate is the same as the bonds
Adjustment Period:	First of each month
Counterparty Credit Rating:	A1/A+/A+

Risks

Credit Risk

The agreement is subject to termination if there is a credit event due to merger or bankruptcy of either party. In such event close-out netting provision permits the non-defaulting party to terminate the agreement and pay or receive a single amount. The table above indicates the maximum liability that the City would have if there was an early termination of the bond agreement.

Interest rate risk

The City is exposed to interest rate risk on the hedging instrument. A pay-fix interest rate swap, the amount that may be payable due to early termination, will increase or decrease in direct relationship to the change in the LIBOR rate.

Basis risk

The City is exposed to basis risk with this pay-fix interest rate swap only if there is an early termination. The amount of risk is dependent on the prevailing current market rate at that time.

Termination Risk

The City may terminate the pay-fix interest rate swap at any time and be subject to pay or receive payment based upon Net Settlement Amount equal to the market value of the derivative.

Rollover Risk

The City has no rollover risk as the derivative instrument has an identical maturity date to that of the outstanding bonds.

Pledged Revenue**Governmental Activities - Transportation Fund**

The City has pledged future gas tax and Transportation Impact Fee revenues to repay the Transportation Capital Improvement Revenue Bonds, Series 2006. If, in any given year, the gas tax and Transportation Impact Fee revenues collected are not sufficient to cover the principal and interest debt obligation of the Transportation Bond, the Bond Covenants require the City to appropriate any short fall from non-Ad Valorem revenue collected in the General Fund. The annual principal and interest on the bonds are expected to require approximately 65% of such gas tax and Transportation Impact Fee revenues. The bonds are payable through 2026. Principal and interest for the current year was \$1,458,375 and gas tax and Transportation Impact Fees revenue totaled \$2,117,458 for the current year. At year end, pledged future revenues totaled \$21,865,251, which was the amount of the remaining principal and interest on the bonds as of September 30, 2011.

Governmental Activities - Stormwater Utility

The City has pledged future stormwater utility assessments revenue to repay the Stormwater Bank Note secured in 2009. The annual principal and interest on the Note is expected to require approximately 19% of such stormwater utility assessments revenue. The Note is payable through 2029. Principal and interest for the current year was \$525,155. Stormwater utility assessments for the current year totaled \$2,931,141. At year end, pledged future revenues totaled \$9,514,480 which was the amount of the remaining principal and interest on the Note as of September 30, 2011.

Business-type Activities – Water/Wastewater Utility

The City has pledged future water and sewer customer Net Revenues to repay the Utility System Revenue Bonds, Series 2003. Net Revenues are Gross Revenues less Operating Expenses as defined in the Bond Covenants. Annual principal and interest on the bonds are expected to require approximately 62% of such revenue. The bonds are payable through 2034. Principal and interest for the current year was \$5,155,062 and net water and sewer revenues totaled \$9,479,455 for the year including \$242,000 of connection fees and \$7,852 of

changes in fair value of derivative instruments. At year end, pledged future revenues totaled \$127,114,619, which was the amount of the remaining principal and interest on the bonds as of September 30, 2011.

Debt Service Reserve Funds

In June of 2008, MBIA, the surety (bond insurer) for both the Transportation Capital Improvement Revenue Bonds and the Utility System Revenue Bonds lost its AAA rating from S&P and its Aaa rating from Moody's and was not rated by Fitch at the time. Under the terms of the bond covenants, the City began to establish the required debt service reserve fund in FY 2008/2009 for each bond in an amount that closely approximates the highest year of debt service for each respective bond. The total reserve funding requirement for the Transportation bond is \$1,486,000 and the reserve funding requirement for the Utility bond is \$5,600,000. As a result of the June, 2008 bond insurer downgrade, the bond covenants required that the City accumulate the required debt service reserves over a five year period. As of September 30, 2010, the City was in the second year of the five year funding schedule. However, on December 22, 2010, the City's current bond insurer, National Public Finance Guaranty Corporation was downgraded to BBB by Standard & Poor's. As a result of this most recent downgrading of the bond insurer, the City now has twelve months from the qualifying date of the most recent downgrade to fully fund the debt service reserve requirement. The required debt service reserve funds now need to be fully accumulated by December, 2011. There is no such requirement on the Stormwater Bank Note and therefore no reserve funding is required.

While funding these debt service reserves does not require the City to actually expend the funds, it does move available fund balance funds from unreserved to restricted so that those funds may not be used for any purpose other than to meet debt service requirements. This is a very important distinction as it reduces the City's ability to fund infrastructure on a "pay as you go" basis resulting in either delaying or cancelling projects or evaluating other financing avenues.

The funding schedule for establishing the debt service reserve funds for both bond issues is presented below.

Bond Issue	FY 08/09 Required Funding	FY 09/10 Required Funding	FY 10/11 Required Funding	FY 11/12 Required Funding	Total Required Funding
Utility Bond	\$ 1,120,000	\$ 1,120,000	\$ 2,660,000	\$ 700,000	\$ 5,600,000
Transportation Bond	\$ 297,200	\$ 297,200	\$ 705,850	\$ 185,750	\$ 1,486,000

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Transportation Capital Imp.					
Revenue Bonds Series 2006	\$ 15,945,000	\$ -	\$ 690,000	\$ 15,255,000	\$ 720,000
Add: Unamortized Premium	247,068	-	15,442	231,626	-
Deferred Revenue, Debt Service	266,936	-	16,682	250,254	-
Stormwater Bank Note	6,373,566	-	205,839	6,167,727	216,417
OPEB Obligation	585,102	291,311	-	876,413	-
Compensated Absences	1,812,106	1,439,463	1,350,432	1,901,137	1,508,145
Total Governmental Activities	25,229,778	1,730,774	2,278,395	24,682,157	2,444,562
Business-type Activities					
Utility system Revenue Bonds					
Series 2003	\$ 76,925,000	\$ -	\$ 1,400,000	\$ 75,525,000	\$ 1,700,000
Add: Unamortized Premium	1,040,912	-	45,257	995,655	-
Option Component - Swaption	218,742	7,852	-	226,594	-
Fair Value - Swaption	8,951,968	3,391,594	-	12,343,562	-
Swaption	3,206,837	-	-	3,206,837	-
Subtotal	90,343,459	3,399,446	1,445,257	92,297,648	1,700,000
FDEP State Revolving Fund Loan	-	269,181	-	269,181	-
OPEB Obligation	55,898	37,689	-	93,587	-
Compensated Absences	124,713	93,268	84,560	133,421	90,500
Total Business-type Activities	90,524,070	3,799,584	1,529,817	92,793,837	1,790,500

Governmental activities, claims and judgment, net OPEB obligation, net pension obligation and compensated absences are generally liquidated by the General Fund.

IV. Other Information

A. 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. To cover itself against these exposures, the City became a member of Preferred Government Insurance Trust (PGIT), a local government liability risk pool. The Pool has in excess of 50 local government agency members. The Pool administers insurance activities relating to property loss (including boilers/machinery) and general, professional, automobile and public officials' liability. Additionally, Workers' Compensation coverage and petroleum storage tank coverage are provided. The Pool absorbs losses up to a specified amount each pool year and, in addition, purchases excess and other specific coverage from third-party carriers. The Pool assesses each member its pro rata share of the estimated amount required to meet current year projected losses and operating expenses. If total member assessments do not produce sufficient funds to meet its obligations, the Pool can make additional limited assessments. Losses, if any, in excess of the Pool's ability to assess its members, revert back to the member that incurred the loss. The City's cost of the insurance is allocated amongst the appropriate City departments and funds.

It should be noted that the City's experience modifier value has been significantly raised due to several Worker's Compensation claims that are high cost claims, which significantly affect the City's loss ratio. The increases in the experience modifier, Worker's Comp rates, along with a hardening of the insurance market resulted in a higher premium rate but the Pool was able to maintain a minimal premium cost increase for this coming year.

The City's property insurance premium has increased \$28,000 since the budget cost was calculated due to an increase of \$6.6M in increased property values. New construction, Fire Station 65, and NSP homes account for vast majority of this increase. NSP insurance costs should be recovered from HUD therefore direct City costs will be reduced accordingly. The addition of high value property has increased the City's total asset value; however, the initiation of property blanket coverage instead of scheduled coverage has helped offset some resulting increased premium costs. Moreover, there has been a reduction in insurance coverage value from the prior year with the increase in retained exposure by increasing the City's deductible for property loss; thereby, additionally reducing premium costs for the line of coverage with the lowest loss ratio.

There have been no settlements in excess of insurance coverage in any of the prior three years and as such, no additional assessments were levied against the City for the fiscal year ended September 30, 2011.

B. Commitments

The City has Interlocal Agreements with the County of Volusia, Florida for the provision of various municipal services. These services include road and bridge services and mosquito control. The agreement is renewable annually based on the mutual agreement of both parties. Either party can terminate the agreement without cause or further liability with 180 days written notice. The annual contractual commitment is approximately \$15,000 payable from both the City's General Fund and Stormwater Utility Fund.

The City also has an Interlocal Agreement with the County of Volusia, Florida for the provision of law enforcement services within the City. The agreement term is renewable annually each year on October 1. Either party can terminate the agreement without cause or further liability with 180 days written notice. The annual contractual commitment is approximately \$9.1 million payable from the City's General Fund. The contract was expanded upon effective January 1, 2012 with the addition of three more sworn officers, bringing the total to 76 sworn officers and three administrative personnel.

The City provides weekly residential garbage pick-up and curbside recycling to its residents through a contract with a private company. The agreement was entered into on January 1, 2005 and expires December 31, 2011 but was extended through September 30, 2012. Under the contract, the company is compensated \$9.60 per household per month. The City charges an annual assessment for these services on all residential properties. The annual contractual commitment is approximately \$4.4 million payable from the City's Solid Waste Management Fund.

C. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. 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.

The City is often listed as a co-defendant in foreclosure cases when the City has a second mortgage or code enforcement lien recorded against the property being foreclosed. These types of cases require the City Attorney to file documents with the Court, but are not overly time-consuming. These cases rarely result in costs to the City. Some of the liens either have priority over the mortgage in question or survive the foreclosure action and are eventually paid once the property is sold to a new owner.

An inverse condemnation case was filed against the City by a property owner in 2006 and is still pending, with trial set for the two week period beginning February 6, 2012. The suit alleges a taking of the property by the City due to flood waters that the plaintiffs claim were caused by drainage improvements upstream from the property. The City is vigorously defending the suit.

A new suit in inverse condemnation was filed against the City in 2011. The suit alleges damage to property due to road construction. The City's insurance carrier is providing coverage and a defense.

There is also one pending lawsuit wherein a consultant is alleging the City did not cooperate with the consultant during the time of the contract. The consultant is seeking damages although the contract allowed the City to terminate for convenience at any time. This suit is currently in the discovery phase.

A lawsuit has been threatened against the City. The threat arises out of a closed contract for the purchase of property by the City. The seller is claiming the City is liable for attorney's fees expended by the seller as to various matters based upon the alleged interference by a City Commissioner. The City believes that there is no basis in fact or law for any recovery for such attorney's fees.

There is a pending suit by a citizen against the City for alleged violation of the Sunshine Law due to the City not permitting a citizen to comment about a matter prior to a vote by the City Commission. There is a pending motion for final summary judgment by the City, which the City expects to be granted.

There is a pending suit against the City by one of the City Commissioners demanding the payment of the Commissioner's legal fees relating to a lawsuit and an ethics complaint. The insurance carrier is defending the suit, but will not pay any judgment that may be eventually entered against the City. That lawsuit is expected to be amended to add a claim for an additional amount of attorney's fees incurred by the City Commissioner as to a separate ethics complaint.

D. Other postemployment benefits (OPEB) Plans

Plan Description

The Other Postemployment Benefit (OPEB) Plan is a single-employer benefit plan administered by the City. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the City are eligible to participate in the City's health plan for medical and prescription drug coverage. The City subsidizes the premium rates paid by retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The OPEB Plan does not issue a stand-alone report and is not included in the report of another entity.

As of March 1, 2011, the City had 282 OPEB members, 280 active and 2 inactive, with a total unfunded liability of \$1,934,000. Of the 280 total active members, 71 members are in the City's Firefighters retirement plan with a total liability of \$1,127,000. There were 58 members in the City's General Employees' retirement plan with a total liability of \$134,000. The remaining 151 members were in the Florida Retirement System (FRS) retirement plan with a total liability of \$638,000. All active members are active employees. There are two inactive members who are retired employees. Both of these inactive members were in the City's Firefighters retirement plan and have a total OPEB liability of \$35,000.

Funding Policy

For the OPEB Plan, contribution requirements of the City are established and may be amended through action from the City Commission. Currently, the City's OPEB benefits are unfunded. The required contributions are based on pay-as-you-go financing requirements. The City has not established a Trust Account Fund for this liability, nor is there an equivalent arrangement into which the City makes contributions to advance-fund the obligation as it does for its pension plans. Therefore, subsidies which are provided over time are financed directly by the general assets of the City, which are invested in short-term fixed income instruments according to the City's current investment policy. The interest rate used to calculate the present values and costs of OPEB must be the long-range expected return on such short-term fixed income instruments. The City selected an interest discount rate of 4% for this purpose. There are no post-retirement benefit increases assumed.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Unfunded Actuarial Accrued Liability represents an actuarial measurement of the obligation that has accrued so far based on the promise that has been made to current retirees and to current employees. Since the City's OPEB liability is currently unfunded, the offset to that expense comes from actual subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called Employer Contribution and equals the total age-adjusted costs paid by the City for coverage for the retirees and their dependents for the year (net of the retiree's own payments for the year). The following table shows the components of the City's net OPEB obligation to the OPEB Plan:

	FY Ending 09/30/11
Annual Required Contribution	381,000
Interest on Net OPEB Obligation	26,000
Prior Net OPEB Obligation Adjustment	(27,000)
Annual OPEB Cost (Expense)	380,000
Employer Contributions Made	(51,000)
Increase (Decrease) in Net OPEB Obligation	329,000
Net OPEB Obligation at Beginning of Year	641,000
Net OPEB Obligation at End of Year	970,000

The City's annual OPEB cost, the percentage of annual expected employer contribution toward OPEB cost, and the net OPEB obligation for 2011 with the most recent preceding year was as follows:

Annual OPEB Cost Summary

Year Ended	Annual OPEB Cost	Employer Contributions Toward OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Contribution
09/30/09	\$ 334,000	\$ 15,000	4.5%	\$ 319,000
09/30/10	\$ 359,000	\$ 37,000	10.0%	\$ 641,000
09/30/11	\$ 380,000	\$ 51,000	13.4%	\$ 970,000

Funding Status and Funding Progress

As of September 30, 2011, using the most recent actuarial valuation date of March 1, 2011, the Plan was unfunded. The actuarial accrued liability for benefits was \$1,934,000 and the actuarial value of assets was \$0.00, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,934,000. The covered payroll (annual payroll of active employees covered by the Plan) was \$12,210,000 and the ratio of the UAAL to the covered payroll was 15.84%.

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, termination, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the Notes to the Financial Statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

In any long-term Actuarial Valuation, certain demographic, economic and behavioral assumptions are made concerning the population, the investment discount rates, inflation rates, and the benefits provided. These Actuarial Assumptions form the basis for the actuarial model which is used to project the future population, the future benefits provided and the contributions collected. Then the investment discount rate assumption is used to discount those projected net OPEB benefits to a present value. This and other related present values are used to calculate the annual OPEB cost. The actuarial assumptions also include an interest rate of 4.0%, an inflation rate (payroll growth rate) of 2.5%, an annual healthcare cost trend rate of 6% initially, reduced annually to an ultimate rate of 5% beginning September 30, 2012. The amortization period used is 30 years.

The results presented as of the Actuarial Valuation date have been derived using the Entry Age Normal Cost Method with an amortization of the Unfunded Actuarial Accrued Liability as a level percent of projected payroll over a closed period of thirty years from 2008. This is the most common method used for government Pension Valuations (and likely so for OPEB valuations) and spreads the cost evenly as a percent of pay throughout the collective careers of those in the covered workforce. Projections of benefits for financial reporting purposes are based on the

substantive plan (the Plan as understood by the employees 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 cost between the employer and the 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 liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

E. Employee retirement systems and pension plans

Firefighters' Pension Plan

Plan Description

The City maintains a single-employer, defined benefit pension plan for firefighters known as the *City of Deltona Firefighters' Pension Plan* (the Plan). The Plan was adopted through local ordinance on December 14, 1998, with an effective date of October 1, 1997. The establishment of the Plan and any amendments thereto, are at the sole discretion of the City Commission. The Plan is maintained as a Pension Trust Fund and included as part of the City's reporting entity, hence separate financial statements are not issued.

The Plan provides retirement, disability and survivor benefits to all full-time certified firefighters. The Plan was established and operates within the parameters of Florida Statute Chapter 175, which governs fire pension plans in the State of Florida. The plan's amortization periods are closed. Administration of the Plan is by a five-member Board of Trustees (the Board). Two members of the Board must be members of the plan elected by a majority of all members of the Plan. Two members are citizens of the City appointed by the City Commission. The fifth member is elected by a majority of the other four Board members.

Members are vested after 10 years of creditable service. Benefits established by the City Commission are determined by length of service and average final compensation. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. Average final compensation is the average of the employee's highest 5 years of the previous 10 years of compensation. Normal retirement is reached at age 55 and 10 years or 25 years of creditable service. Employees earn benefits at the rate of 3% for each year of creditable service since October 1, 1997. The Plan includes a one-time past service credit option that allowed members who chose to exercise the option to obtain service credit for years of employment prior to October 1, 1997. The past service credit is at a 2% benefit rate for each year of creditable service. Members with 25 or more years of service will receive an upgrade of their past service credit from 2% to 3% provided that the total benefit percent does not exceed 100%.

Membership

As of the actuarial valuation dated October 1, 2011, there are 72 active members in the Plan and 6 retirees, 3 disabled retirees, 9 vested terminated members, 1 beneficiary and 1 DROP participant.

For the fiscal year ended September 30, 2011, the City's total covered payroll for employees eligible to participate in the Plan was \$4,148,818 compared with a total covered payroll for the City of \$12,821,723.

Funding Policy

The Florida Constitution requires local governments to make the actuarially determined contributions. The Florida Division of Retirement reviews and approves each local government's actuarial report prior to its being appropriate for use for funding purposes. The funding method and determination of benefits payable are provided in the various acts of the Florida Legislature, under which the Plan was created, including subsequent amendments thereto. Additionally, the State collects a locally authorized insurance premium surcharge on certain real and personal property insurance policies within the corporate limits of Deltona. The funds can only be distributed after the State has ascertained that the City has met its actuarial funding requirement for the most recently completed fiscal year. These funds are recorded in the General Fund and then immediately transferred to the pension fund as revenue, with an off-setting expense in the General Fund.

The Plan, as approved by the City Commission, requires members to contribute 8% of their annualized compensation. The City is required to fund the plan at the actuarially determined rate with an offset for estimated insurance premium receipts and contributions from members. The contribution rate for fiscal year ended September 30, 2011 is 20.2% (16.7% by the City, 3.5% by insurance premium excise tax) of annual covered payroll based on an actuarial valuation dated April 2011. The City has set its actual contribution rate at 16.7% of covered payroll for 2011. Insurance premium payments received from the State of Florida are recorded as revenue in the General Fund and immediately transferred to the Pension Fund. The transfer is recorded in the General Fund as an additional pension contribution.

Direct costs for Plan administration are paid from Plan assets. However, City staff performs certain administrative functions at no cost to the Plan.

The actuarial valuation, dated October 1, 2011, utilizes the entry age actuarial cost method. Prior years actuarial valuations used the frozen entry age actuarial cost method. Since the actuarial cost method was changed to the entry age actuarial cost method effective October 1, 2002, all prior unfunded frozen actuarial accrued liabilities have been consolidated into an initial UAAL as of October 1, 2002. This initial unfunded actuarial accrued liability is to be amortized over a 15 year period from October 1, 2002 at 4.4%. Unfunded frozen actuarial accrued liability bases established subsequent to October 1, 2002 will be amortized over 30 years using amortization periods that are closed as a level dollar amount from the date of inception. Assets of the Plan are valued at fair value. Significant actuarial assumptions used include an 8% investment rate of return, salary rate increases of 2.2%, inflation at 3.5% and 0% post retirement COLA.

Investments are reported at fair value and are managed by third party money managers. Investments that do not have an established market are reported at estimated fair market value.

Annual Pension Cost

The City Commission establishes, and may amend, the contribution requirements of the plan members and the City. For the year ended September 30, 2011, the required annual pension cost was \$668,886 and the amount contributed by the City (including the Insurance Premium Tax of \$416,219) was \$1,104,923 or 26.6% of covered payroll. Member contributions for the year totaled \$331,905 or 8% of covered payroll. For the fiscal year ended September 30, 2011 the City continues to have a negative net pension obligation.

Notes to the Financial Statements

The development of the net pension obligation to date, the annual pension cost (APC) and the percentage of APC contributed is as follows as of the Actuarial Valuation report dated:

	October 1, 2009	October 1, 2010	October 1, 2011
Actuarially Determined Contribution (ARC)	\$ 503,290	\$ 641,004	\$ 683,071
Interest on Net Pension Obligation (NPO)	(70,790)	(69,700)	(70,817)
Adjustment to (ARC)	84,413	55,739	56,632
Annual Pension Cost (APC) (1)	516,913	627,042	668,886
Employer Contributions Made	(503,290)	(641,004)	(683,070)
Increase (Decrease) in NPO	13,623	(13,961)	(14,184)
NPO, Beginning of Year	(884,870)	(871,247)	(885,208)
NPO, End of Year	\$ (871,247)	\$ (885,208)	\$ (899,392)

(1) APC includes employer, but excludes State and member contributions.

Net Pension Asset

The net pension asset, which is in the nature of a prepayment, represents the cumulative amount by which actual employer contributions exceed required contributions and relates solely to the Firefighters' Pension Plan. The net pension asset as of September 30, 2011 was \$899,392.

General Employees' Pension Plan

Plan Description

The City maintains a single-employer, defined contribution pension plan known as the *City of Deltona General Employees' Pension Plan* (the Plan). The Plan was adopted through City resolution on December 17, 1997, with an effective date of October 1, 1997. The Plan is a tax-qualified plan pursuant to section 401(a) of the Internal Revenue Code and covers all full-time employees of the City, excluding certified firefighters.

Membership

As of September 30, 2011, there were 53 employees enrolled in the Plan.

Funding Policy

The Plan is administered by an outside party and requires the City to contribute 10% of each participant's base earnings in a pension trust. Base earnings includes W-2 earnings, plus any contribution made pursuant to a salary reduction agreement which are not included under section 125 of the Internal Revenue Code, less unscheduled overtime and on call pay. There is no mandatory contribution by participants, however participants may make voluntary (unmatched), after-tax contributions. The Plan has a five-year graduated vesting schedule granted in 20% increments starting after the attainment of one year of service. Participants automatically become fully vested at age 55, the normal retirement age set by the Plan. The Plan permits withdrawals for retirement, termination and disability. The Plan does not allow participants to borrow against their accounts.

Notes to the Financial Statements

For the fiscal year ended September 30, 2011, the City's total covered payroll for employees eligible to participate in the Plan was \$2,447,621 compared with a total payroll for the City of \$12,821,723. The required employer contribution and the contribution actually made amounted to \$224,728 or 10% of covered payroll. Investments are reported at fair value. There have been no revisions to the Plan since its adoption.

The City is the Trustee for the plan, however assets are held in employees' names and therefore the City is not exposed to custodial risk.

Florida Retirement System (FRS)

Plan Description

The City participates in the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit public employee retirement system, administered by the State of Florida Department of Administration. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Florida Statutes Chapter 121, as may be amended from time to time by the state legislature, provides the methodology for determining contribution rates for the various membership classes of the FRS. The FRS issues a publicly available financial report that includes financial statements, ten-year historical trend information, and other required supplementary information. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan.

That report may be obtained by writing to the:

State of Florida Department of Administration
Division of Retirement
Post Office Box 9000
Tallahassee, Florida 32315-9000

Membership

The City passed Resolution #2006-39, which allows all current eligible employees to enroll in FRS with the State of Florida (a defined benefit pension plan) with an effective date of December 1, 2006, or continue to participate in the pre-existing defined contribution pension plan known as the City of Deltona General Employees' Pension Plan. All general employees hired after December 1, 2006 are compulsory members of FRS. General employees electing to participate in FRS with the State of Florida had the option to purchase past service credit back to October 1, 1997. For each general employee opting to purchase past service, their General Employees' Pension Plan assets were transferred directly to FRS with the State of Florida. As of September 30, 2011, there were 164 employees enrolled in FRS.

Funding Policy

The FRS has five classes of membership, of which three apply to the City, with descriptions and contribution rates in effect at September 30 for the last three years as follows (contribution rates are in agreement with the actuarially determined rates):

	September 30,		
	2009	2010	2011
<u>Regular Class</u> Members who do not qualify for other classes	9.85%	10.77%	4.91%
<u>Senior Management Service Class</u> Members of senior management who do elect the optional annuity retirement program	13.12%	14.57%	6.27%
<u>FRS Report Only</u> Retiree not eligible for FRS retirement	N/A	1.11%	1.60%

Effective July 1, 2011 the Florida Legislature passed Senate Bill 2100 requiring all FRS Investment Plan and Pension Plan members (except those in DROP) to make a 3% employee contribution on a pre-tax basis.

For the fiscal year ended September 30, 2011, the City's total covered payroll for employees eligible to participate in the Plan was \$6,425,624 compared with a total covered payroll for the City of \$12,821,723. Contributions to the plan were \$617,977 \$687,380 and \$647,218 for the fiscal years ended September 30, 2011, 2010 and 2009, respectively. These contributions represent 100% of required contributions for each of the three years presented.

Notes to the Financial Statements

Following is a summarized schedule of the general and fire pension plan assets and changes in the net assets of the plans:

SCHEDULE OF PENSION PLAN NET ASSETS AS OF SEPTEMBER 30, 2011			
	Firefighters' Pension Trust Fund	General Employees' Pension Trust Fund	Total
Assets			
Cash and Investments	\$ 12,514,371	\$ 2,246,782	\$ 14,761,153
Due From Other Governments	25,406	-	25,406
Prepaid	-	-	-
Total Assets	<u>12,539,777</u>	<u>2,246,780</u>	<u>14,786,559</u>
Liabilities			
Accounts Payable	34,243	-	34,243
Due to Member - DROP Payments	40,443	-	40,443
Due to Other Funds	-	17,901	17,901
Total Liabilities	<u>74,686</u>	<u>17,901</u>	<u>92,587</u>
Net Assets			
Reserved for Employees' Pension Benefits	<u>12,465,091</u>	<u>2,228,880</u>	<u>14,693,972</u>
Additions			
Contributions			
Employer	\$ 696,521	\$ 224,728	\$ 921,249
State of Florida	416,219	-	416,219
Employee	331,905	-	331,905
Total Contributions	<u>1,444,645</u>	<u>224,728</u>	<u>1,669,373</u>
Investment Income (Loss)	<u>(364,467)</u>	<u>(36,784)</u>	<u>(401,251)</u>
Total Additions	<u>1,080,178</u>	<u>187,944</u>	<u>1,268,122</u>
Deductions			
Benefit Payments	\$ 208,094	\$ -	\$ 208,094
Refunds to Employees	26,988	142,302	169,290
Administration	106,714	451	107,165
Forfeitures	-	422	422
(Total Deductions)	<u>341,796</u>	<u>143,175</u>	<u>484,971</u>
Net Increase (Decrease)	<u>738,382</u>	<u>44,769</u>	<u>783,151</u>
Net Assets Reserved for Employees' Pension Benefits			
Beginning of Year	<u>11,726,711</u>	<u>2,184,110</u>	<u>13,910,821</u>
End of Year	<u>\$ 12,465,093</u>	<u>\$ 2,228,879</u>	<u>\$ 14,693,972</u>

Other Pension Plan Information

The information presented below is taken from the City's most current Firefighters' Pension Plan Actuarial Valuation as of October 1, 2011 and represents the most current information available.

Three year trend information

	Fiscal Year Ended	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
Firefighters	2011	668,886	102%	(899,392)
Firefighters	2010	627,042	102%	(885,208)
Firefighters	2009	516,913	97%	(871,247)

Firefighters' Retirement Plan

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Entry Age Normal Actuarial Liability (AAL)	(4) Unfunded Actuarial Liability (UAAL) (3)-(2)	(5) Funded Ratio(2)/(3)	(6) Annual Covered Payroll	(7) UAAL as Percentage of Payroll (4)/(6)
10/01/11	\$ 14,310,538	\$ 18,998,282	\$ 4,687,744	75.33%	\$ 4,125,753	113.62%
10/01/10	\$ 13,082,304	\$ 17,807,076	\$ 4,724,772	73.47%	\$ 4,455,835	106.04%
10/01/09	\$ 11,396,506	\$ 15,733,675	\$ 4,337,169	72.43%	\$ 4,270,527	101.56%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

F. Subsequent Events

Fire Union Negotiations

The City and the Fire Union are currently in contract negotiations and are working off a status quo contract that expired on September 30, 2009 which includes imposed articles from an April 2011 legislative hearing. A legislative hearing before the City Commission was conducted in April 2011 as part of the impasse process over a successor contract. After the legislative hearing with the City Commission, the Union failed to ratify the proposed contract and as result only a few non-financial contract articles were subsequently imposed (by the Commission) and made part of the status quo contract. The City and Union re-opened formal contract negotiations in August which continue. The City and Union are also currently at impasse over the Promotions Article and were at impasse over the Health Benefits Article, until December 19, 2011, upon which date the City accepted the Union's December 16th proposal to unconditionally accept the City's proposal to change who pays for the City's current health insurance plans which, in July/August 2011, the City had advised the Union that the premiums for the health insurance plans were changing and also that the City wanted to roll in the Union members into the City's Core HMO plan as with other City employees (the City had been paying for Union members to participate in the premium Pay Up HMO plan). The Union subsequently announced to the City their demand to bargain the

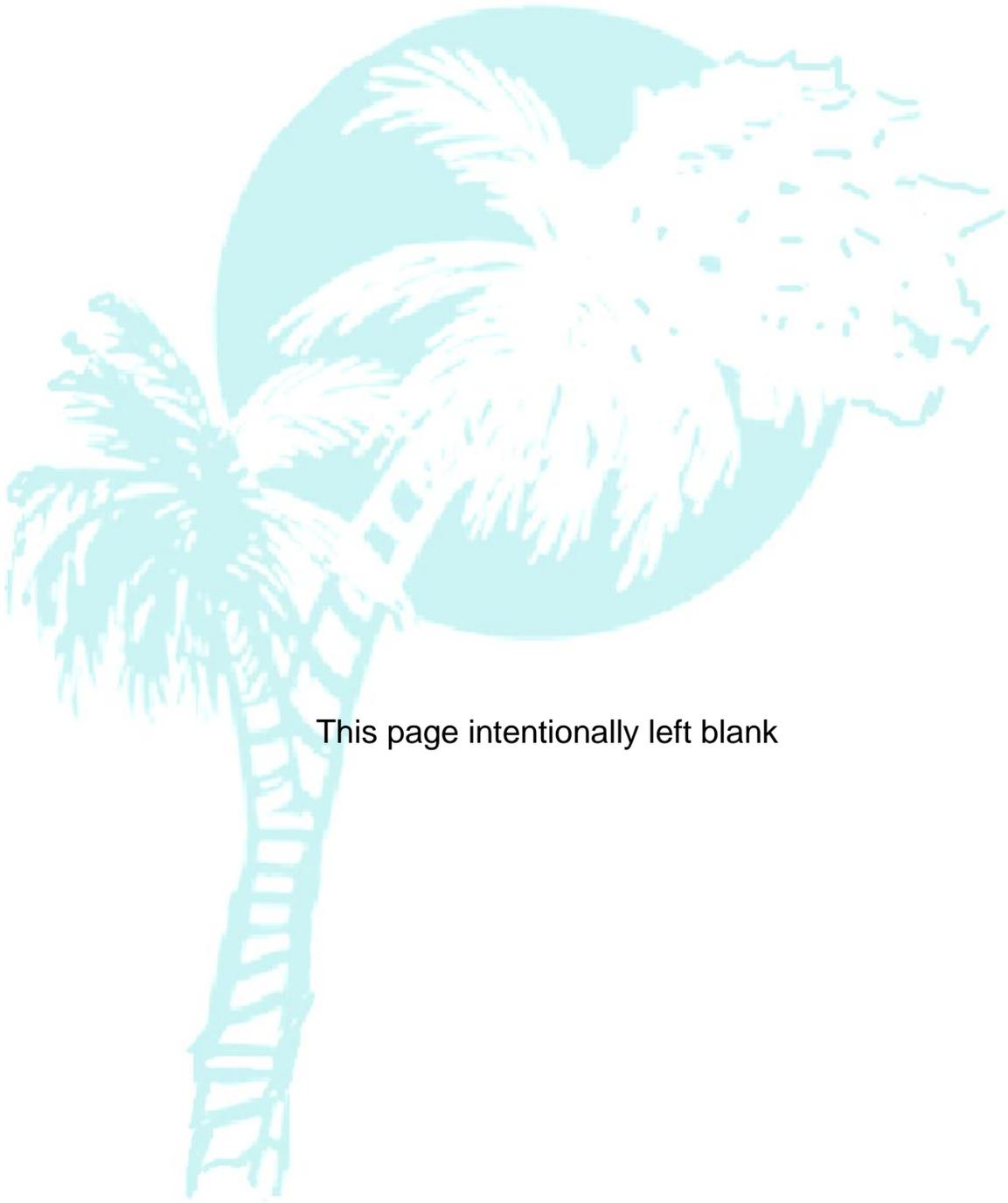
health benefit change. After several bargaining meetings regarding this issue, it was clear there was no agreement, the City then declared impasse regarding this proposed change. An arbitration hearing was coordinated and conducted with a jointly selected special magistrate in November 2011. At this hearing the union presented the Promotions Article as an additional issue at impasse which the City argued against it being presented as part of the arbitration. A legislative hearing may be scheduled regarding the Promotions Article should either the City or the Union not agree with the special magistrate's recommendation regarding such (which is due sometime in late January 2012 or February 2012).

Settlement of Commissioner Law Suit

On March 8, 2012 the City Commission voted 5 to 1 in favor of paying \$60,000 in settlement of a Commissioner lawsuit. See discussion under contingent liabilities.



REQUIRED SUPPLEMENTARY INFORMATION



This page intentionally left blank

Schedule of Revenues, Expenditures, Changes in Fund Balance

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 11,595,000	\$ 11,595,000	\$ 11,673,440	\$ 78,440
Franchise fees	4,272,000	4,272,000	3,924,731	(347,269)
Public service tax	7,399,000	7,399,000	7,556,782	157,782
State revenue sharing	2,203,000	2,203,000	2,145,303	(57,697)
Intergovernmental revenue	4,635,500	4,742,539	3,941,941	(800,598)
Charges for services	1,506,000	1,506,000	1,670,078	164,078
Fines and forfeitures	257,000	257,000	286,221	29,221
Interest income	107,200	107,200	52,393	(54,807)
Miscellaneous	443,500	451,000	201,559	(249,441)
Total revenues	<u>32,418,200</u>	<u>32,532,739</u>	<u>31,452,448</u>	<u>(1,080,291)</u>
Expenditures				
Current:				
General Government and Administration:				
City Commission	539,100	539,100	521,082	18,018
City Manager	592,300	592,300	562,712	29,588
City Clerk	426,900	458,400	421,346	37,054
Finance and Internal Services	1,001,200	1,001,200	946,019	55,181
Human Resources	401,800	401,800	376,515	25,285
City Attorney	578,900	578,900	537,199	41,701
Development Services	1,610,400	1,610,400	1,427,487	182,913
Enforcement Services	1,126,300	1,126,300	1,098,403	27,897
General Services	1,205,400	1,173,000	819,049	353,951
Total General Government and Administration	<u>7,482,300</u>	<u>7,481,400</u>	<u>6,709,812</u>	<u>771,588</u>
Public Safety:				
Law Enforcement	9,258,300	9,258,300	9,236,447	21,853
Fire Rescue	9,025,500	9,034,500	8,998,275	36,225
Total public safety	<u>18,283,800</u>	<u>18,292,800</u>	<u>18,234,722</u>	<u>58,078</u>
Highways and Streets:				
Administration	205,900	205,900	192,240	13,660
Engineering	118,900	118,900	116,506	2,394
Field Operations	1,277,900	1,277,900	1,173,870	104,030
Maintenance	345,900	345,900	250,401	95,499
Total Highways and Streets	<u>1,948,600</u>	<u>1,948,600</u>	<u>1,733,017</u>	<u>215,583</u>
Culture and Recreation	2,072,500	2,072,500	1,942,278	130,222
Economic Environment	-	-	-	-
Physical Environment	170,000	170,000	9,210	160,790
Capital Outlay				
General Government and Administration	512,000	512,000	336,332	175,668
Culture and Recreation	-	-	-	-
Highways and Streets	676,000	676,000	499,205	176,795
Physical Environment	230,000	230,000	-	230,000
Public Safety	992,000	992,000	-	992,000
Economic Environment	-	-	-	-
Total expenditures	<u>(32,367,200)</u>	<u>(32,375,300)</u>	<u>(29,464,576)</u>	<u>(2,910,724)</u>
Excess of revenues over expenditures	<u>51,000</u>	<u>157,439</u>	<u>1,987,872</u>	<u>1,830,433</u>
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	(1,750,000)	(1,758,400)	(1,758,400)	-
Total other financing (uses)	<u>(1,750,000)</u>	<u>(1,758,400)</u>	<u>(1,758,400)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (under) expenditures and other financing uses	<u>(1,699,000)</u>	<u>(1,600,961)</u>	<u>229,472</u>	<u>1,830,433</u>
Fund balance, beginning of year	<u>16,701,004</u>	<u>17,738,795</u>	<u>17,738,795</u>	<u>-</u>
Fund balance, end of year	<u>\$ 15,002,004</u>	<u>\$ 16,137,834</u>	<u>\$ 17,968,267</u>	<u>\$ 1,830,433</u>

Required Supplementary Information

Schedule of Revenues, Expenditures, Changes in Fund Balance

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SOLID WASTE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 4,220,713	\$ 4,220,713	\$ 4,294,203	\$ 73,490
Interest income	17,500	17,500	2,113	(15,387)
Miscellaneous	-	-	-	-
Total revenues	<u>4,238,213</u>	<u>4,238,213</u>	<u>4,296,316</u>	<u>58,103</u>
Expenditures				
Current:				
Physical Environment	4,205,000	4,205,000	4,180,009	24,991
Capital outlay - Physical Environment	-	-	-	-
Total expenditures	<u>(4,205,000)</u>	<u>(4,205,000)</u>	<u>(4,180,009)</u>	<u>24,991</u>
(Deficiency) of revenues (under) expenditures	<u>33,213</u>	<u>33,213</u>	<u>116,307</u>	<u>83,094</u>
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>33,213</u>	<u>33,213</u>	<u>116,307</u>	<u>83,094</u>
Fund balance, beginning of year	<u>253,692</u>	<u>295,146</u>	<u>295,146</u>	<u>-</u>
Fund balance, end of year	<u>\$ 286,905</u>	<u>\$ 328,359</u>	<u>\$ 411,453</u>	<u>\$ 83,094</u>

Required Supplementary Information

Schedule of Revenues, Expenditures, Changes in Fund Balance

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STORMWATER UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 2,313,725	\$ 2,313,725	\$ 323,034	\$ (1,990,691)
Charges for services	2,880,395	2,880,395	2,931,141	50,746
Miscellaneous	-	-	16,222	16,222
Interest income	23,000	23,000	11,912	(11,088)
Total revenues	<u>5,217,120</u>	<u>5,217,120</u>	<u>3,282,309</u>	<u>(1,934,811)</u>
Expenditures				
Current:				
Physical Environment	2,123,200	2,123,200	1,936,983	186,217
Debt service:				
Principal	205,839	205,839	205,839	-
Interest	319,316	319,316	319,316	-
Capital outlay - Physical Environment	6,098,000	6,098,000	2,387,687	3,710,313
Total expenditures	<u>(8,746,355)</u>	<u>(8,746,355)</u>	<u>(4,849,825)</u>	<u>3,896,530</u>
(Deficiency) of revenues (under) expenditures	<u>(3,529,235)</u>	<u>(3,529,235)</u>	<u>(1,567,516)</u>	<u>1,961,719</u>
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(3,529,235)</u>	<u>(3,529,235)</u>	<u>(1,567,516)</u>	<u>1,961,719</u>
Fund balance, beginning of year	<u>6,443,836</u>	<u>7,353,558</u>	<u>7,353,558</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,914,601</u>	<u>\$ 3,824,323</u>	<u>\$ 5,786,042</u>	<u>\$ 1,961,719</u>

Required Supplementary Information

Schedule of Revenues, Expenditures, Changes in Fund Balance

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STATE HOUSING INITIATIVE PARTNERSHIP
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 752,991	\$ 752,991	\$ 495,791	\$ (257,200)
Interest	7,000	7,000	1,630	(5,370)
Total revenues	<u>759,991</u>	<u>759,991</u>	<u>497,421</u>	<u>(262,570)</u>
Expenditures				
Current:				
General government and administration	68,000	68,000	41,829	26,171
Economic Environment	691,991	691,991	455,592	236,399
Total expenditures	<u>(759,991)</u>	<u>(759,991)</u>	<u>(497,421)</u>	<u>(262,570)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Required Supplementary Information

Schedule of Revenues, Expenditures, Changes in Fund Balance

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TRANSPORTATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 2,050,000	\$ 2,050,000	\$ 2,064,317	\$ 14,317
Impact Fees	-	-	-	-
Interest	16,000	16,000	11,580	(4,420)
Total revenues	<u>2,066,000</u>	<u>2,066,000</u>	<u>2,075,897</u>	<u>9,897</u>
Expenditures				
Current:				
Highways and Streets	354,200	354,200	348,039	6,161
Debt Service:				
Principal	690,000	690,000	690,000	-
Interest	768,375	768,375	768,375	-
Capital outlay - Highways and Streets	7,745,000	7,745,000	1,898,979	5,846,021
Total expenditures	<u>(9,557,575)</u>	<u>(9,557,575)</u>	<u>(3,705,393)</u>	<u>5,852,182</u>
(Deficiency) of revenues (under) expenditures	<u>(7,491,575)</u>	<u>(7,491,575)</u>	<u>(1,629,496)</u>	<u>5,862,079</u>
Other financing sources (uses)				
Transfers from other funds	1,850,000	1,850,000	1,803,140	46,860
Transfers to other funds	-	-	-	-
Total other financing sources	<u>1,850,000</u>	<u>1,850,000</u>	<u>1,803,140</u>	<u>46,860</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(5,641,575)</u>	<u>(5,641,575)</u>	<u>173,644</u>	<u>5,815,219</u>
Fund balance, beginning of year	<u>8,920,532</u>	<u>8,917,686</u>	<u>8,917,686</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,278,957</u>	<u>\$ 3,276,111</u>	<u>\$ 9,091,330</u>	<u>\$ 5,815,219</u>

Required Supplementary Information

Schedule of Revenues and Expenditures - Budget and Actual

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
CAPITAL PROJECTS - MUNICIPAL COMPLEX(S) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 121,235	\$ 121,235
Interest	11,000	11,000	10,351	(649)
Total revenues	<u>11,000</u>	<u>11,000</u>	<u>131,586</u>	<u>120,586</u>
Expenditures				
Capital outlay:				
General Government and Administration	100,000	108,400	8,967	99,433
Public Safety	2,050,000	2,066,000	2,057,317	8,683
Culture and Recreation	90,000	90,000	62,458	27,542
Economic Environment	-	-	-	-
Total expenditures	<u>(2,240,000)</u>	<u>(2,264,400)</u>	<u>(2,128,742)</u>	<u>135,658</u>
(Deficiency) of revenues (under) expenditures	<u>(2,229,000)</u>	<u>(2,253,400)</u>	<u>(1,997,156)</u>	<u>256,244</u>
Other financing sources (uses)				
Transfers from other funds	25,000	33,400	14,245	(19,155)
Transfers to other funds	-	-	-	-
Total other financing sources	<u>25,000</u>	<u>33,400</u>	<u>14,245</u>	<u>(19,155)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(2,204,000)</u>	<u>(2,220,000)</u>	<u>(1,982,911)</u>	<u>237,089</u>
Fund balance, beginning of year	<u>3,449,921</u>	<u>3,902,406</u>	<u>3,902,406</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,245,921</u>	<u>\$ 1,682,406</u>	<u>\$ 1,919,495</u>	<u>\$ 237,089</u>

Required Supplementary Information

**SCHEDULES OF FUNDING PROGRESS AND CONTRIBUTIONS
FROM EMPLOYER AND OTHERS
SEPTEMBER 30, 2011**

DEFINED BENEFIT PENSION PLAN TREND INFORMATION

A. City of Deltona Firefighter's Pension Plan (Established October 1, 1997)

Schedule of Contributions from Employer and Other Contributing Entities

Year Ended September 30,	Annual Required Contribution	City Contrib.	State Contrib.	Total Employer Contrib.	Percentage Contrib.	Net Pension Obligation (Asset)
2002	238,866	284,041	49,126	333,167	139%	(276,117)
2003	227,514	313,409	49,126	362,535	159%	(315,663)
2004	245,229	355,812	49,126	404,938	165%	(475,372)
2005	260,870	267,952	77,664	345,616	132%	(560,119)
2006	306,309	286,986	154,989	441,975	144%	(695,785)
2007	411,670	349,735	154,989	504,724	123%	(788,839)
2008	369,366	347,106	154,989	502,095	136%	(884,870)
2009	658,280	503,291	154,990	658,281	100%	(871,247)
2010	795,994	641,004	154,990	795,994	100%	(885,208)
2011	838,061	683,070	154,990	838,060	100%	(899,392)

(1) Contributions made include required contributions by members of the plan and excise tax on certain insurance premiums collected and remitted by the State of Florida. The City is required to contribute the balance of the annual required contribution.

B. Schedule of Funding Progress

Valuation Date October 1,	Actuarial Accrued Liability (AAL)*	Actuarial Value of Assets	Unfunded AAL (UAAL)	Percentage Funded	Annual Covered Payroll	UAAL as Percentage of Payroll
2002	\$ 3,984,413	\$ 3,087,572	\$ 896,841	77.49%	\$ 1,902,335	47.14%
2003	4,433,201	3,755,476	677,725	84.71%	2,118,096	32.00%
2004	5,111,314	4,746,593	364,721	92.86%	2,321,131	15.71%
2005	6,302,268	5,897,162	405,106	93.57%	2,668,839	15.18%
2006	7,862,670	7,495,199	367,471	95.33%	3,180,183	11.56%
2007	11,045,124	9,219,824	1,825,300	83.47%	4,368,725	41.78%
2008	13,385,926	9,890,318	3,057,753	73.89%	3,981,771	76.79%
2009	15,733,675	11,396,506	4,337,169	72.43%	4,270,527	101.56%
2010	17,807,076	13,082,304	4,724,772	73.47%	4,455,835	106.04%
2011	18,998,282	14,310,538	4,687,744	75.33%	4,125,753	113.62%

(1) The funded ratio represents the actuarial value of assets as a percentage of the actuarial accrued liability.

Required Supplementary Information

**SCHEDULE OF FUNDING PROGRESS
FROM EMPLOYER AND OTHERS
SEPTEMBER 30, 2011**

OTHER POST EMPLOYMENT BENEFITS (OPEB) TREND INFORMATION

A. Schedule of Funding Progress

Valuation Date	(A) Actuarial Value of Assets (AVA)	(B) Actuarial Accrued Liability (AAL)	(B-A) Unfunded Actuarial Accrued Liability (UAAL)	(C) Normal Cost	(A)/(B) Funded Ratio	(D) Annual Covered Payroll	((B-A)/D) UAAL as Percentage of Payroll
3/1/2008	\$ -	\$ 1,362,000	\$ 1,362,000	\$ 272,000	0%	\$13,602,000	10.01%
3/1/2011	\$ -	\$ 1,934,000	\$ 1,934,000	\$ 295,000	0%	\$12,210,000	15.84%

NOTE: 2010 info not updated as actuarial report is required only every two years.

Notes to the Required Supplementary Information September 30, 2011

Note 1

Budgetary information

Budgetary comparisons are presented as part of the Required Supplementary Information (RSI) and the basis of budgeting is the same as GAAP.

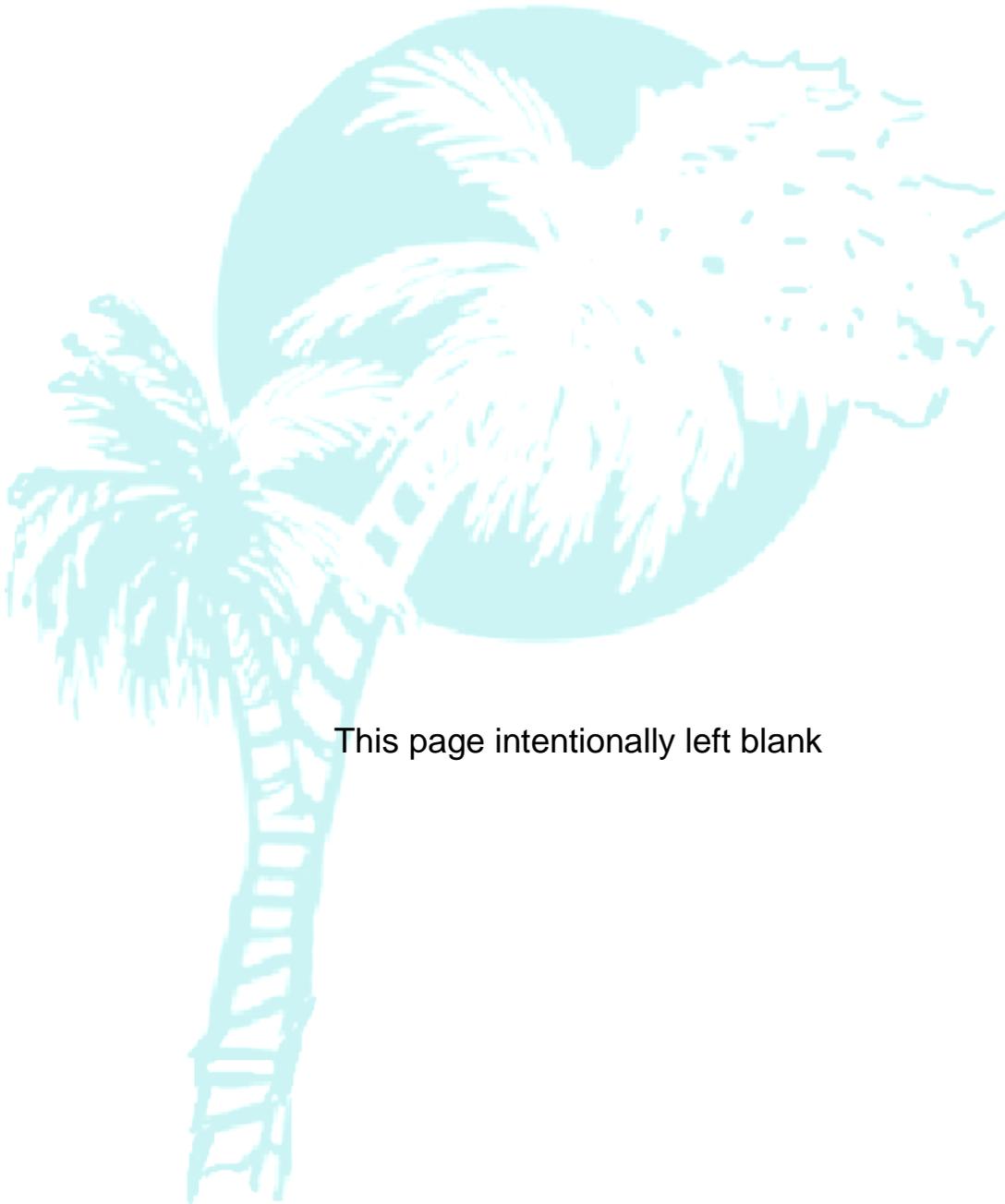
Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds. All annual appropriations lapse at fiscal year-end.

Annually, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1st. Public hearings are held to obtain taxpayer comments. Prior to October 1st, the budget is legally enacted through City Commission resolution.

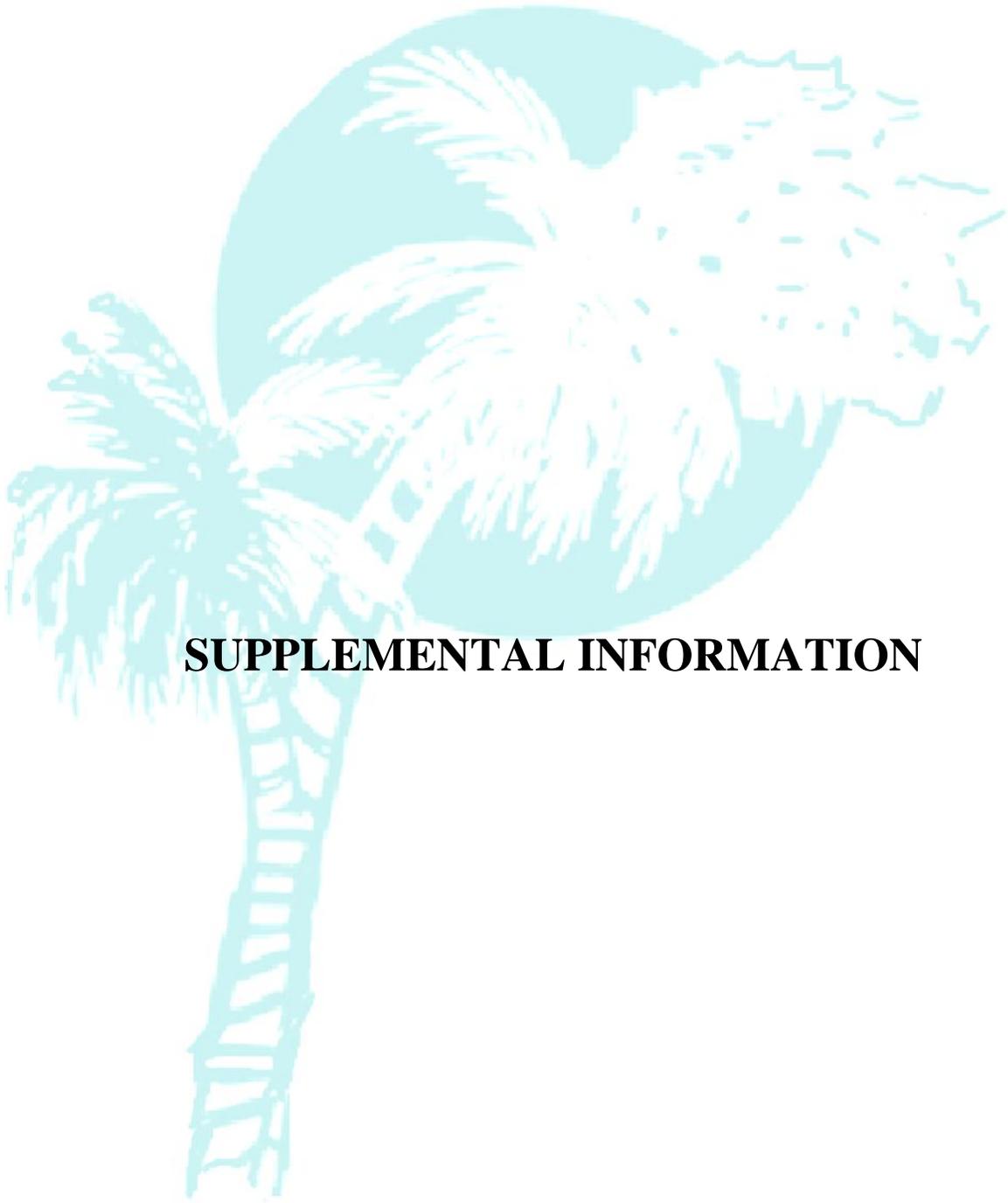
The budget is prepared and adopted by fund, function and department. The City Manager may make transfers of appropriations within a department throughout the year. Transfers of appropriations between departments require the approval of the City Commission.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

The City received \$418,238 from the State of Florida for the Firefighter Pension Insurance Premium Tax. This is money charged to all homeowners on their homeowners' insurance bill to provide additional pension benefits to firefighters. As required by Generally Accepted Accounting Principles (GAAP), this money was recorded in the General Fund as revenue with an offsetting equal expense in public safety. Once received, this money was immediately transferred to the Firefighters pension fund to fund pension benefits above and beyond what the City provides.



This page intentionally left blank



SUPPLEMENTAL INFORMATION

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	Special Revenue Funds								Capital Projects - Park Projects Fund	Total
	Streetlighting Districts	Fire/Rescue Service Impact Fees	Law Enforcement Impact Fees	Park Impact Fees	Transportation Impact Fees	Community Development Block Grant	Neighborhood Stabilization Grants	Tree Replacement Fund		
Assets										
Cash and cash equivalents	\$ 20,109	\$ -	\$ 7,757	\$ 14,027	\$ -	\$ -	\$ 275,373	\$ 502,754	\$ -	\$ 820,020
Due from other governments	-	-	-	-	-	169,447	9,440	-	349,000	527,887
Total assets	<u>20,109</u>	<u>-</u>	<u>7,757</u>	<u>14,027</u>	<u>-</u>	<u>169,447</u>	<u>284,813</u>	<u>502,754</u>	<u>349,000</u>	<u>1,347,907</u>
Liabilities and fund balances										
Liabilities										
Accounts payable	8,787	-	-	-	-	69,234	43,970	-	439	122,430
Accrued liabilities	-	-	-	-	-	48,971	1,210	-	-	50,181
Contracts/Retainage payable	-	-	-	-	-	11,679	-	-	-	11,679
Due to other funds	-	-	-	-	-	39,563	-	-	79,030	118,593
Deferred revenues	-	-	-	-	-	-	239,633	-	-	239,633
Total liabilities	<u>8,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,447</u>	<u>284,813</u>	<u>-</u>	<u>79,469</u>	<u>542,516</u>
Fund balances										
Restricted:										
Public safety	-	-	7,757	-	-	-	-	-	-	7,757
Highways and streets	11,322	-	-	-	-	-	-	-	-	11,322
Culture and recreation	-	-	-	14,027	-	-	-	-	-	14,027
Total restricted fund balances	<u>11,322</u>	<u>-</u>	<u>7,757</u>	<u>14,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,106</u>
Committed:										
Culture and recreation	-	-	-	-	-	-	-	-	269,531	269,531
Physical environment	-	-	-	-	-	-	-	502,754	-	502,754
Total committed fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>502,754</u>	<u>269,531</u>	<u>772,285</u>
Total fund balances	<u>11,322</u>	<u>-</u>	<u>7,757</u>	<u>14,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>502,754</u>	<u>269,531</u>	<u>805,391</u>
Total liabilities and fund balances	<u>\$ 20,109</u>	<u>\$ -</u>	<u>\$ 7,757</u>	<u>\$ 14,027</u>	<u>\$ -</u>	<u>\$ 169,447</u>	<u>\$ 284,813</u>	<u>\$ 502,754</u>	<u>\$ 349,000</u>	<u>\$ 1,347,907</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Special Revenue Funds								Capital	Total
	Streetlighting Districts	Fire/Rescue Service Impact Fees	Law Enforcement Impact Fees	Park Impact Fees	Transportation Impact Fees	Community Development Block Grant	Neighborhood Stabilization Grant	Tree Replacement Fund	Projects - Park Projects	
Revenues										
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 526,956	\$ 1,974,632	\$ -	\$ 455,615	\$ 2,957,203
Charges for services	124,252	-	-	-	-	-	-	-	-	124,252
Impact fees	-	5,844	3,169	14,006	53,141	-	-	-	-	76,160
Interest income	236	-	21	21	-	-	-	1,108	1,097	2,483
Miscellaneous	-	-	-	-	-	-	749,719	887	-	750,606
Total revenues	124,488	5,844	3,190	14,027	53,141	526,956	2,724,351	1,995	456,712	3,910,704
Expenditures										
Current:										
General Government and Administration	-	-	-	-	-	55,865	76,501	-	-	132,366
Highways and Streets	141,166	-	-	-	-	-	-	-	-	141,166
Culture and Recreation	-	-	-	-	-	-	-	-	-	-
Economic Environment	-	-	-	-	-	62,627	2,647,850	-	-	2,710,477
Physical Environment	-	-	-	-	-	11,838	-	3,502	-	15,340
Capital Outlay:										
General Government and Administration	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-
Highways and Streets	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	312,788	-	-	564,376	877,164
Economic Environment	-	-	-	-	-	-	-	-	-	-
Physical Environment	-	-	-	-	-	83,838	-	-	-	83,838
Total expenditures	(141,166)	-	-	-	-	(526,956)	(2,724,351)	(3,502)	(564,376)	(3,960,351)
Excess (deficiency) of revenues over (under) expenditures	(16,678)	5,844	3,190	14,027	53,141	-	-	(1,507)	(107,664)	(49,647)
Other financing sources (uses)										
Transfers from other funds	-	-	-	-	-	-	-	-	-	-
Transfers to other funds	-	(5,844)	-	-	(53,141)	-	-	-	-	(58,985)
Total other financing (uses) sources	-	(5,844)	-	-	(53,141)	-	-	-	-	(58,985)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(16,678)	-	3,190	14,027	-	-	-	(1,507)	(107,664)	(108,632)
Fund balances, beginning of year	28,000	-	4,567	-	-	-	-	504,261	377,195	914,023
Fund balances, end of year	\$ 11,322	\$ -	\$ 7,757	\$ 14,027	\$ -	\$ -	\$ -	\$ 502,754	\$ 269,531	\$ 805,391

Supplemental Information

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
STREETLIGHTING DISTRICTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget</u>
Revenues			
Special assessments	\$ 124,252	\$ 128,700	\$ (4,448)
Interest income	236	500	(264)
Total revenues	<u>124,488</u>	<u>129,200</u>	<u>(4,712)</u>
Expenditures			
Current:			
Highways and Streets	141,166	146,000	4,834
Total expenditures	<u>(141,166)</u>	<u>(146,000)</u>	<u>4,834</u>
Excess of revenues over (under) expenditures	(16,678)	(16,800)	122
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(16,678)	(16,800)	122
Fund balance, beginning of year	<u>28,000</u>	<u>28,000</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 11,322</u></u>	<u><u>\$ 11,200</u></u>	<u><u>\$ 122</u></u>

Schedule of Revenues and Expenditures - Budget and Actual

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FIRE/RESCUE SERVICE IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Actual	Final Budget	Variance With Final Budget
Revenues			
Impact fees	\$ 5,844	\$ 25,000	\$ (19,156)
Interest	-	-	-
Total revenues	<u>5,844</u>	<u>25,000</u>	<u>(19,156)</u>
Expenditures			
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>5,844</u>	<u>25,000</u>	<u>19,156</u>
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(5,844)	(25,000)	19,156
Total other financing sources (uses)	<u>(5,844)</u>	<u>(25,000)</u>	<u>19,156</u>
Revenues and other financing sources over (under) expenditures and other financing uses	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule of Revenues and Expenditures - Budget and Actual

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
LAW ENFORCEMENT IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Actual	Final Budget	Variance With Final Budget
Revenues			
Impact Fees	\$ 3,169	\$ 10,000	\$ (6,831)
Interest	21	-	21
Total revenues	<u>3,190</u>	<u>10,000</u>	<u>(6,810)</u>
Expenditures			
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>3,190</u>	<u>10,000</u>	<u>(6,810)</u>
Other financing sources (Uses)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	3,190	10,000	(6,810)
Fund balance, beginning of year	<u>4,567</u>	<u>4,567</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,757</u>	<u>\$ 14,567</u>	<u>\$ (6,810)</u>

Schedule of Revenues, Expenditures, Changes in Fund Balance

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
PARK IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget</u>
Revenues			
Impact fees	\$ 14,006	\$ 100,000	\$ (85,994)
Interest income	21	-	21
Total revenues	<u>14,027</u>	<u>100,000</u>	<u>(85,973)</u>
Expenditures			
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues Over expenditures	<u>14,027</u>	<u>100,000</u>	<u>(85,973)</u>
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	14,027	100,000	(85,973)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 14,027</u>	<u>\$ 100,000</u>	<u>\$ (85,973)</u>

Schedule of Revenues, Expenditures, Changes in Fund Balance

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
TRANSPORTATION IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget</u>
Revenues			
Impact fees	\$ 53,141	\$ 100,000	\$ (46,859)
Interest income	-	-	-
Total revenues	<u>53,141</u>	<u>100,000</u>	<u>(46,859)</u>
Expenditures			
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues Over expenditures	<u>53,141</u>	<u>100,000</u>	<u>(46,859)</u>
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(53,141)	(100,000)	46,859
Total other financing sources	<u>(53,141)</u>	<u>(100,000)</u>	<u>46,859</u>
Revenues and other financing sources over (under) expenditures and other financing uses	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule of Revenues, Expenditures, Changes in Fund Balance

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Actual	Final Budget	Variance With Final Budget
Revenues			
Intergovernmental	\$ 526,956	\$ 738,326	\$ (211,370)
Total revenues	<u>526,956</u>	<u>738,326</u>	<u>(211,370)</u>
Expenditures			
Current:			
General Government and Administration	55,865	84,000	28,135
Culture and Recreation	-	-	-
Economic Environment	62,627	114,477	51,850
Physical Environment	11,838	167,142	155,304
Capital outlay:			
Highways and Streets	-	-	-
Culture and Recreation	312,788	322,707	9,919
Physical Environment	83,838	50,000	(33,838)
Total expenditures	<u>(526,956)</u>	<u>(738,326)</u>	<u>211,370</u>
Excess of revenues over expenditures	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule of Revenues, Expenditures, Changes in Fund Balance

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
NEIGHBORHOOD STABILIZATION GRANT FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget</u>
Revenues			
Intergovernmental	\$ 1,974,632	\$ 4,200,000	\$ (2,225,368)
Interest income	-	-	-
Miscellaneous	749,719	-	749,719
Total revenues	<u>2,724,351</u>	<u>4,200,000</u>	<u>(1,475,649)</u>
Expenditures			
Current:			
General Government and Administration	76,501	100,000	23,499
Economic Environment	2,647,850	4,100,000	1,452,150
Total expenditures	<u>(2,724,351)</u>	<u>(4,200,000)</u>	<u>1,475,649</u>
Excess of revenues over expenditures	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
TREE REPLACEMENT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget</u>
Revenues			
Interest	\$ 1,108	\$ 4,000	\$ (2,892)
Miscellaneous	887	500	387
Total revenues	<u>1,995</u>	<u>4,500</u>	<u>(2,505)</u>
Expenditures			
Physical Environment	3,502	350,000	346,498
Total expenditures	<u>(3,502)</u>	<u>(350,000)</u>	<u>346,498</u>
Excess of revenues over expenditures	(1,507)	(345,500)	343,993
Fund balance, beginning of year	<u>504,261</u>	<u>504,261</u>	<u>-</u>
Fund balance, end of year	<u>\$ 502,754</u>	<u>\$ 158,761</u>	<u>\$ 343,993</u>

Schedule of Revenues, Expenditures, Changes in Fund Balance

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
CAPITAL PROJECTS - PARK PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget</u>
Revenues			
Intergovernmental	\$ 455,615	\$ 248,525	\$ 207,090
Interest	1,097	1,000	97
Miscellaneous	-	-	-
Total revenues	<u>456,712</u>	<u>249,525</u>	<u>207,187</u>
Expenditures			
Capital Outlay - Culture and Recreation	564,376	477,500	(86,876)
Total expenditures	<u>(564,376)</u>	<u>(477,500)</u>	<u>(86,876)</u>
(Deficiency) of revenues (under) expenditures	<u>(107,664)</u>	<u>(227,975)</u>	<u>120,311</u>
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(107,664)	(227,975)	120,311
Fund balance, beginning of year	<u>377,195</u>	<u>377,195</u>	<u>-</u>
Fund balance, end of year	<u>\$ 269,531</u>	<u>\$ 149,220</u>	<u>\$ 120,311</u>

Notes to the Supplemental Information September 30, 2011

Note 1

Budgetary information

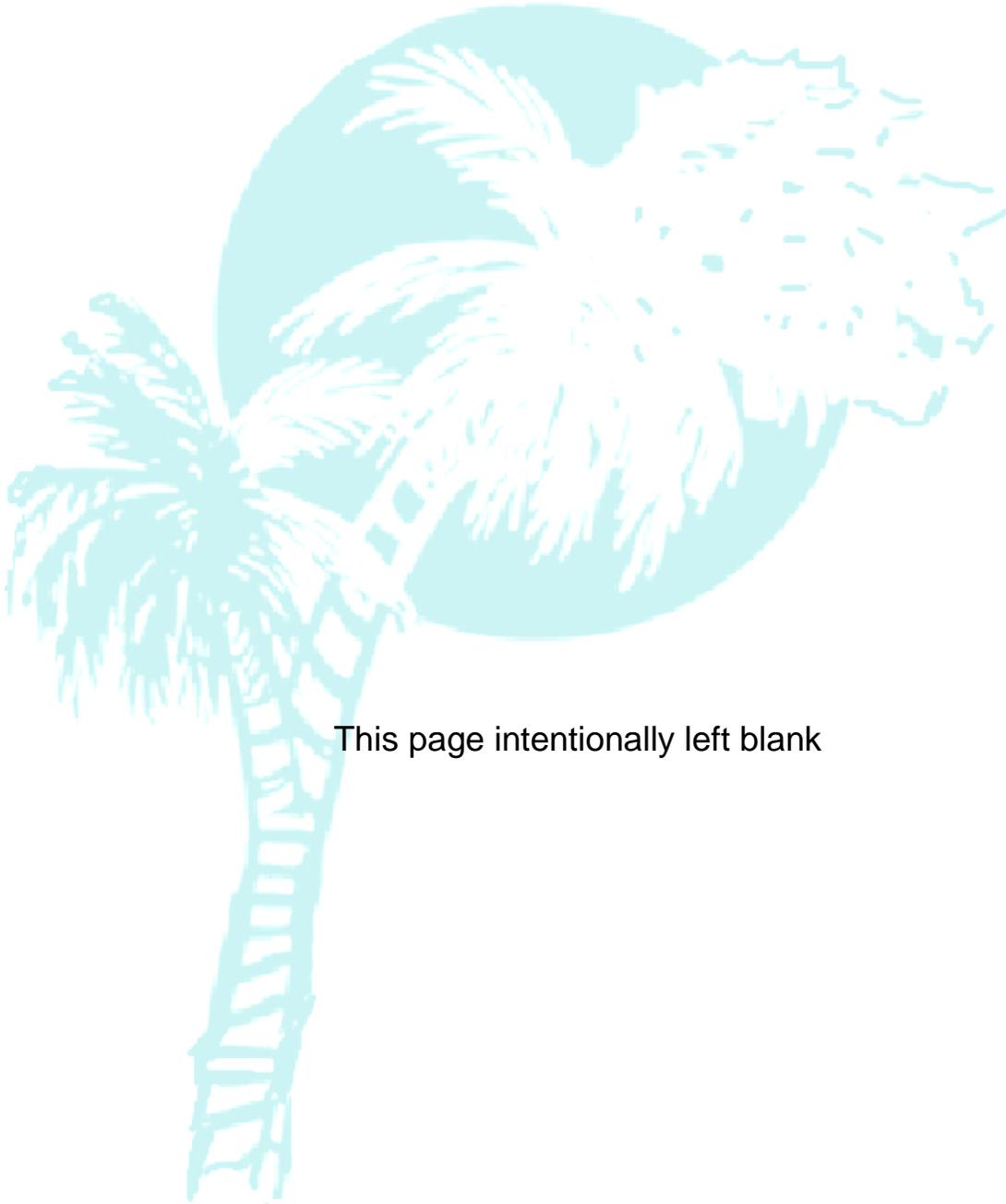
Budgetary comparisons are presented as part of the Supplemental Information and the basis of budgeting is the same as GAAP.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all non-major governmental funds. All annual appropriations lapse at fiscal year-end.

Annually, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1st. Public hearings are held to obtain taxpayer comments. Prior to October 1st, the budget is legally enacted through City Commission resolution.

The budget is prepared and adopted by fund, function and department. The City Manager may make transfers of appropriations within a department throughout the year. Transfers of appropriations between departments require the approval of the City Commission.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.



This page intentionally left blank

This part of the City of Deltona’s comprehensive annual financial report presents unaudited detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

Financial Trends Page

These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.

Net Assets by Component	94
Changes in Net Assets	96
Fund Balances of Governmental Funds	100
Changes in Fund Balances of Governmental Funds	102
Tax Revenues by Source, Governmental Funds.....	104

Revenue Capacity

These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.

Assessed Value and Estimated Actual Value of Taxable Property	105
Direct and Overlapping Property Tax Rates.....	106
Principal Taxpayers	107
Property Tax Levies and Collections.....	108

Debt Capacity

These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.

Ratios of Outstanding Debt by Type	109
Direct and Overlapping Governmental Activities Debt.....	110
Pledged-Revenues Coverage	111

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.

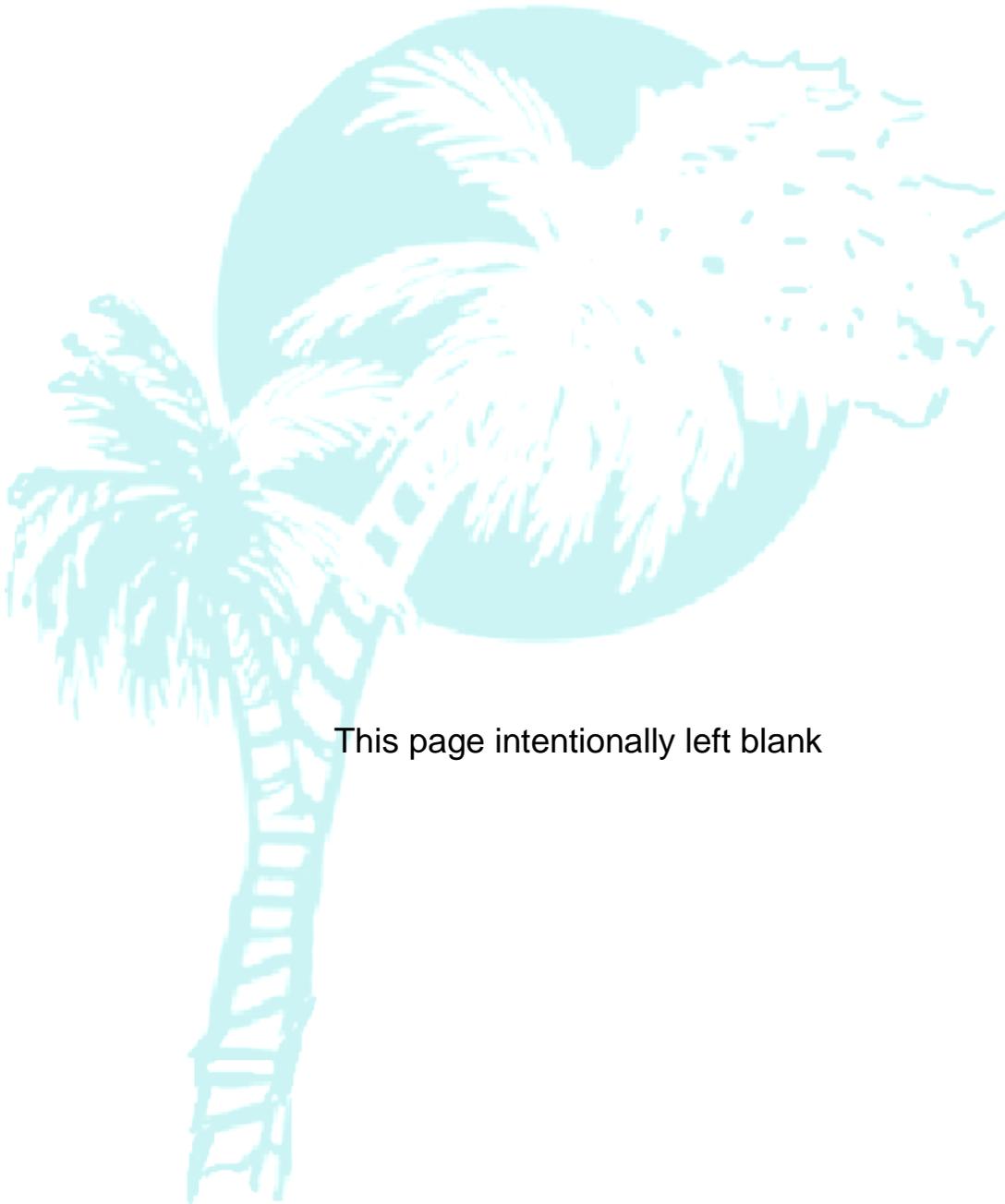
Demographic and Economic Statistics.....	113
--	-----

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.

Full-time Equivalent City Government Employees by Function/Program	116
Various Indicators by Function/Program	118
Water Sold by Type of Customer	119
Wastewater Sold by Type of Customer.....	120
Principal Employers	121

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in the fiscal year ending in 2003; schedules presenting government-wide information include information beginning in that year.



This page intentionally left blank

NET ASSETS BY COMPONENT
*** LAST TEN FISCAL YEARS**

	Fiscal Year Ending			
	09/30/03	9/30/2004	9/30/2005	9/30/2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 94,936,779	\$ 95,648,664	\$ 98,180,028	\$ 98,811,959
Restricted	9,780,380	7,636,213	97,088	12,884,043
Unrestricted	9,333,012	12,893,282	14,010,005	20,869,676
Total governmental activities net assets	<u>114,050,171</u>	<u>116,178,159</u>	<u>121,898,785</u>	<u>132,565,678</u>
Business-type activities **				
Invested In capital assets, net of related debt	-	(3,589,804)	(2,268,990)	(1,110,093)
Restricted	-	1,670,614	3,777,106	5,084,342
Unrestricted	-	3,305,568	3,289,974	3,194,364
Total business-type activities net assets	<u>-</u>	<u>1,386,378</u>	<u>4,798,090</u>	<u>7,168,613</u>
Primary government				
Invested In capital assets, net of related debt	94,936,779	92,058,860	95,911,038	97,701,866
Restricted	9,780,380	9,306,827	13,485,858	17,968,385
Unrestricted	9,333,012	16,198,850	17,299,979	24,064,040
Total primary government net assets	<u>\$ 114,050,171</u>	<u>\$ 117,564,537</u>	<u>\$ 126,696,875</u>	<u>\$ 139,734,291</u>

* The City has statistical information dating back to FY 2003 only.

** The City had no business-type activites until FY 03/04 when the water/sewer utility was purchased.

09/30/07	09/30/08	9/30/2009	9/30/2010	9/30/2011
\$ 98,227,017	\$ 100,154,051	\$ 112,872,553	\$ 116,238,698	\$ 117,988,044
17,624,008	21,608,876	7,985,972	5,178,367	2,079,749
22,912,202	13,505,647	16,604,347	21,116,209	20,736,737
<u>138,763,227</u>	<u>135,268,574</u>	<u>137,462,872</u>	<u>142,533,274</u>	<u>140,804,530</u>
687,601	(4,554,058)	(4,539,555)	(2,093,842)	(813,553)
5,756,187	6,027,627	7,389,375	6,551,855	7,860,401
2,400,615	7,555,896	6,053,916	6,161,665	6,505,664
<u>8,844,403</u>	<u>9,029,465</u>	<u>8,903,736</u>	<u>10,619,678</u>	<u>13,552,512</u>
98,914,618	95,599,993	108,332,998	114,144,856	117,174,491
23,380,195	27,636,503	15,375,347	11,730,222	9,940,150
25,312,817	21,061,543	22,658,263	27,277,874	27,242,401
<u>\$ 147,607,630</u>	<u>\$ 144,298,039</u>	<u>\$ 146,366,608</u>	<u>\$ 153,152,952</u>	<u>\$ 154,357,042</u>

CHANGES IN NET ASSETS
*** LAST TEN FISCAL YEARS**

	Fiscal Years Ending			
	9/30/2003	9/30/2004	9/30/2005	9/30/2006
Expenses				
Governmental activities:				
General government	\$ 5,142,033	\$ 6,163,917	\$ 7,511,985	\$ 7,934,679
Public safety	9,459,870	11,116,849	11,976,999	12,556,076
Highways and Streets	6,567,642	12,251,123	7,625,589	6,256,676
Culture and recreation	1,431,971	2,442,211	1,872,250	2,292,825
Economic environment	361,966	161,787	609,644	2,287,563
Physical environment	5,845,114	5,484,689	5,702,314	5,727,828
Interest on long-term debt	-	-	-	190,410
Total governmental activities	<u>28,808,596</u>	<u>37,620,576</u>	<u>35,298,781</u>	<u>37,246,057</u>
Business-type activities: **				
Personal services	-	1,823,063	2,351,334	2,690,157
Operating expenses	-	2,423,113	3,519,953	3,519,637
Professional services	-	718,050	231,610	129,704
Depreciation	-	1,950,983	2,264,714	2,511,124
Insurance	-	119,116	123,838	78,754
Bad debts	-	59,437	95,000	61,000
Total business-type activities	<u>-</u>	<u>7,093,762</u>	<u>8,586,449</u>	<u>8,990,376</u>
Total primary government expenses	<u>28,808,596</u>	<u>44,714,338</u>	<u>43,885,230</u>	<u>46,236,433</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	2,793,752	2,927,245	3,493,022	3,522,887
Public safety	361,267	291,199	296,238	404,301
Transportation	-	-	-	-
Culture and recreation	86,323	129,146	-	220,045
Physical environment	3,076,197	3,186,061	3,722,521	3,799,283
Operating grants and contributions	427,917	5,625,081	4,327,207	2,292,489
Capital grants and contributions	6,395,670	2,396,807	4,275,697	5,332,206
Total governmental activities program revenues	<u>13,141,126</u>	<u>14,555,539</u>	<u>16,114,685</u>	<u>15,571,211</u>
Business-type activities: **				
Charges for services:				
Water	-	6,511,194	7,995,028	8,558,812
Wastewater	-	3,251,194	4,373,292	4,266,858
Connection fees	-	818,632	108,299	102,420
Operating grants and contributions	-	-	277,746	-
Capital grants and contributions	-	642,214	2,042,282	1,097,791
Total business-type activities program revenues	<u>-</u>	<u>11,223,234</u>	<u>14,796,647</u>	<u>14,025,881</u>
Total primary government program revenues	<u>13,141,126</u>	<u>25,778,773</u>	<u>30,911,332</u>	<u>29,597,092</u>
Net (expenses) revenues				
Governmental activities	(15,667,470)	(23,065,037)	(19,184,096)	(21,674,846)
Business-type activities **	-	4,129,472	6,210,198	5,035,505
Total primary government net (expenses) revenues	<u>\$ (15,667,470)</u>	<u>\$ (18,935,565)</u>	<u>\$ (12,973,898)</u>	<u>\$ (16,639,341)</u>

* The City has statistical information dating back to FY 2003 only.

** The City had no business-type activities until FY 03/04 when the water/sewer utility was purchased

9/30/2007	9/30/2008	9/30/2009	9/30/2010	9/30/2011
\$ 9,703,442	\$ 11,343,784	\$ 8,403,728	\$ 8,608,657	\$ 7,970,347
15,601,863	18,291,690	18,356,301	18,442,646	18,946,170
6,752,773	7,402,043	6,927,195	5,333,601	5,544,071
2,785,735	5,386,966	2,713,803	2,626,028	2,577,658
1,363,432	563,904	593,424	1,069,663	4,341,857
5,969,928	6,790,848	6,804,695	6,982,097	6,920,661
854,963	838,806	973,351	1,115,716	1,074,661
<u>43,032,136</u>	<u>50,618,041</u>	<u>44,772,497</u>	<u>44,178,408</u>	<u>47,375,425</u>
3,065,373	3,065,599	3,046,606	3,011,767	3,413,640
3,810,492	3,897,427	3,818,513	3,692,854	4,015,494
78,425	145,653	146,095	84,869	55,909
2,560,312	2,731,455	3,166,475	3,399,136	2,854,935
170,521	175,812	163,405	175,458	133,395
58,000	85,000	118,032	57,812	60,690
<u>9,743,123</u>	<u>10,100,946</u>	<u>10,459,126</u>	<u>10,421,896</u>	<u>10,534,063</u>
<u>52,775,259</u>	<u>60,718,987</u>	<u>55,231,623</u>	<u>54,600,304</u>	<u>57,909,488</u>
2,211,608	1,628,906	1,708,691	1,492,531	1,434,657
321,400	393,525	101,073	104,092	123,265
-	-	145,595	139,905	-
239,614	152,592	141,669	129,885	112,156
3,851,466	3,940,709	7,212,206	7,230,865	7,225,345
1,668,575	1,394,733	1,105,105	2,055,276	1,923,505
4,913,892	5,681,697	3,631,902	4,950,675	4,013,670
<u>13,206,555</u>	<u>13,192,162</u>	<u>14,046,241</u>	<u>16,103,229</u>	<u>14,832,598</u>
8,528,101	8,172,325	9,108,281	8,921,006	10,021,881
4,295,944	4,182,987	4,648,838	5,185,602	5,992,664
88,815	88,515	208,335	261,670	242,000
-	-	102,179	-	-
542,629	420,686	229,554	22,839	157,152
<u>13,455,489</u>	<u>12,864,513</u>	<u>14,297,187</u>	<u>14,391,117</u>	<u>16,413,697</u>
<u>26,662,044</u>	<u>26,056,675</u>	<u>28,343,428</u>	<u>30,494,346</u>	<u>31,246,295</u>
(29,825,581)	(37,425,879)	(30,726,256)	(28,075,179)	(32,542,827)
3,712,366	2,763,567	3,838,061	3,969,221	5,879,634
<u>\$ (26,113,215)</u>	<u>\$ (34,662,312)</u>	<u>\$ (26,888,195)</u>	<u>\$ (24,105,958)</u>	<u>\$ (26,663,193)</u>

**CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(Concluded)**

	Fiscal Year Ending			
	9/30/2003	9/30/2004	9/30/2005	9/30/2006
General revenues & other changes in net assets				
Governmental activities:				
Taxes:				
Property taxes	\$ 6,626,383	\$ 7,334,228	\$ 8,394,332	\$ 9,878,462
Franchise fees	2,717,373	2,815,567	3,168,855	3,963,179
Public service tax	6,298,994	6,411,966	6,874,286	7,360,867
Sales tax	-	-	4,594,128	4,397,122
Local Option Gas Taxes	-	2,153,415	2,322,563	2,164,256
State revenue sharing	5,721,785	5,841,122	2,212,888	2,606,365
Investment earnings	262,395	160,013	531,582	1,627,596
Miscellaneous income	270,166	476,714	279,929	343,892
Total governmental activities	<u>21,897,096</u>	<u>25,193,025</u>	<u>28,378,563</u>	<u>32,341,739</u>
Business-type activities: **				
Investment earnings	-	463,551	460,360	716,327
Gain on sale of capital assets	-	-	32,536	9,505
Changes in FV of Derivative Instruments	-	-	-	-
Grant reimbursements	-	-	-	-
Interest expense and issue costs	-	(3,568,504)	(3,949,749)	(3,926,081)
Miscellaneous income	-	361,859	658,367	535,267
Total business-type activities	<u>-</u>	<u>(2,743,094)</u>	<u>(2,798,486)</u>	<u>(2,664,982)</u>
Total primary government	<u>21,897,096</u>	<u>22,449,931</u>	<u>25,580,077</u>	<u>29,676,757</u>
Change in net assets				
Governmental activities	6,229,626	2,127,988	9,194,467	10,666,893
Business-type activities	-	1,386,378	3,411,712	2,370,523
Total primary government	<u>\$ 6,229,626</u>	<u>\$ 3,514,366</u>	<u>\$ 12,606,179</u>	<u>\$ 13,037,416</u>

* The City has statistical information dating back to FY 2003 only.

** The City had no business-type activities until FY 03/04 when the water/sewer utility was purchased

9/30/2007	9/30/2008	9/30/2009	9/30/2010	9/30/2011
\$ 12,782,901	\$ 12,106,012	\$ 12,346,188	\$ 12,568,945	\$ 11,673,440
3,788,900	3,788,670	4,040,268	4,106,081	3,924,731
7,567,153	7,437,523	7,823,723	8,059,245	7,556,782
4,263,700	3,935,428	3,562,838	3,462,212	3,491,307
2,194,708	2,072,286	2,113,741	2,089,575	2,064,317
2,523,853	2,306,647	2,019,205	2,006,079	1,512,497
3,086,818	2,083,996	459,819	270,540	92,463
318,426	200,664	554,772	582,904	498,546
<u>36,526,459</u>	<u>33,931,226</u>	<u>32,920,554</u>	<u>33,145,581</u>	<u>30,814,083</u>
990,594	683,262	192,620	135,643	30,493
9,358	16,466	(758)	(106,296)	(3,764)
-	-	(1,031,911)	813,169	(7,852)
-	(133,416)	-	-	-
(3,557,293)	(3,734,622)	(3,827,369)	(3,829,885)	(3,784,384)
520,764	589,805	831,501	734,090	818,707
<u>(2,036,577)</u>	<u>(2,578,505)</u>	<u>(3,835,917)</u>	<u>(2,253,279)</u>	<u>(2,946,800)</u>
<u>34,489,882</u>	<u>31,352,721</u>	<u>29,084,637</u>	<u>30,892,302</u>	<u>27,867,283</u>
6,700,878	(3,494,653)	2,194,298	5,070,402	(1,728,744)
1,675,789	185,062	2,144	1,715,942	2,932,834
<u>\$ 8,376,667</u>	<u>\$ (3,309,591)</u>	<u>\$ 2,196,442</u>	<u>\$ 6,786,344</u>	<u>\$ 1,204,090</u>

**FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

	Fiscal Years Ending September 30			
	2002	2003	2004 (1)	2005
General fund				
Reserved	\$ 655,259	\$ -	\$ -	\$ -
Non-spendable / prepaid items	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unreserved	11,349,366	9,154,920	1,549,689	11,407,512
Total general fund	<u>12,004,625</u>	<u>9,154,920</u>	<u>1,549,689</u>	<u>11,407,512</u>
All other governmental funds				
Reserved	1,251,487	9,780,380	8,085,040	9,708,752
Restricted				
Special revenue funds	-	-	-	-
Committed				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Assigned				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Unreserved reported in:				
Special revenue funds	4,534,261	648,309	2,082,722	1,913,789
Capital projects funds	2,461,734	-	-	-
Total all other governmental funds	<u>\$ 8,247,482</u>	<u>\$ 10,428,689</u>	<u>\$ 10,167,762</u>	<u>\$ 11,622,541</u>

(1) The large decrease in General fund balance in fiscal year ended 2004 was the result of hurricane debris removal expenditures that were reimbursed in fiscal year 2005.

(2) The transportation revenue bond issue accounts for \$18.5 million of the increase in other Governmental funds reserved fund balance during the fiscal year ended 2006.

(3) The City adopted GASB Statement No. 54 effective 09/30/11.

2006 (2)	2007	2008	2009	2010	2011 (3)
\$ 430,894	\$ 226,372	\$ 707,308	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	10,948,884
-	-	-	-	-	2,584,986
17,526,869	21,077,058	12,977,046	16,615,905	17,738,795	4,434,397
<u>17,957,763</u>	<u>21,303,430</u>	<u>13,684,354</u>	<u>16,615,905</u>	<u>17,738,795</u>	<u>17,968,267</u>
31,112,787	32,482,443	28,811,589	26,435,446	19,737,565	-
-	-	-	-	-	15,321,931
-	-	-	-	-	502,754
-	-	-	-	-	269,531
-	-	-	-	-	1,919,495
2,842,489	2,744,876	1,180,305	2,027,508	1,645,254	-
-	-	-	-	-	-
<u>\$ 33,955,276</u>	<u>\$ 35,227,319</u>	<u>\$ 29,991,894</u>	<u>\$ 28,462,954</u>	<u>\$ 21,382,819</u>	<u>\$ 18,013,711</u>

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Years Ending September 30				
	2002	2003	2004 (1)	2005	2006 (2)
Revenues:					
Property taxes	\$ 6,139,833	\$ 6,626,383	\$ 7,334,228	\$ 8,394,332	\$ 9,878,462
Franchise fees	1,428,238	2,717,374	2,815,567	3,168,855	3,963,179
Public service tax	6,143,085	6,298,994	6,411,966	6,874,286	7,360,867
State revenue sharing	1,554,947	1,786,901	1,956,265	2,473,587	2,591,215
Intergovernmental	6,332,558	7,712,493	6,683,930	15,887,440	10,424,400
Charges for services	5,848,103	7,123,832	7,421,216	9,262,321	9,709,730
Fines and forfeitures	289,326	330,006	258,376	296,238	335,093
Impact fees	581,659	736,595	755,063	1,523,928	1,804,404
Interest income	389,794	262,395	160,013	531,582	1,627,596
Miscellaneous	885,030	1,443,249	598,987	670,429	569,030
Total revenues	<u>29,592,573</u>	<u>35,038,222</u>	<u>34,395,611</u>	<u>49,082,998</u>	<u>48,263,976</u>
Expenditures:					
General government	3,973,662	4,748,270	5,689,764	6,759,888	7,018,478
Public safety	7,890,927	9,085,907	10,687,423	11,597,713	12,676,423
Highways and Streets	2,798,241	4,693,392	11,464,814	4,516,203	3,213,677
Culture/Recreation	986,472	1,253,886	1,462,220	1,853,925	1,837,059
Economic environment	233,196	361,966	161,787	609,644	2,287,563
Physical environment	4,477,589	5,169,043	4,738,776	5,418,280	5,317,395
Capital outlay	7,057,104	10,394,255	8,056,985	7,014,743	5,912,901
Debt service					
Interest	-	-	-	-	-
Principal	-	-	-	-	-
Total expenditures	<u>27,417,191</u>	<u>35,706,719</u>	<u>42,261,769</u>	<u>37,770,396</u>	<u>38,263,496</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,175,382</u>	<u>(668,497)</u>	<u>(7,866,158)</u>	<u>11,312,602</u>	<u>10,000,480</u>
Other financing sources (uses):					
Proceeds from issuance of debt	-	-	-	-	18,240,000
Premium on revenue bonds	-	-	-	-	308,836
Revenue bonds proceeds from debt service agreement	-	-	-	-	333,670
Transfers from other funds	2,125,000	10,000,000	5,015,000	4,103,887	2,677,711
Transfers to other funds	<u>(2,125,000)</u>	<u>(10,000,000)</u>	<u>(5,015,000)</u>	<u>(4,103,887)</u>	<u>(2,677,711)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,882,506</u>
Net change in fund balances	<u>\$ 2,175,382</u>	<u>\$ (668,497)</u>	<u>\$ (7,866,158)</u>	<u>\$ 11,312,602</u>	<u>\$ 28,882,986</u>
Debt service as a percentage of noncapital expenditures	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

(1) The large decrease in fund balance in fiscal year ended 2004 was the result of hurricane debris removal expenditures that were reimbursed in fiscal year 2005.

(2) The transportation revenue bond issue accounts for \$18.5 million of the increase in fund balance during the fiscal year ended 2006.

	2007	2008	2009	2010	2011
\$	12,782,897	\$ 12,106,008	\$ 12,346,188	\$ 12,568,945	\$ 11,673,440
	3,788,900	3,788,670	4,040,268	4,106,081	3,924,731
	7,567,153	7,437,523	7,823,723	8,059,245	7,556,782
	2,506,737	1,669,778	2,001,350	2,006,079	2,145,303
	9,625,961	9,963,668	10,777,651	12,154,051	9,903,521
	8,509,902	8,042,841	9,309,234	9,097,278	9,019,674
	257,189	279,582	299,570	235,849	286,221
	1,115,958	683,751	264,741	412,079	76,160
	3,086,818	2,083,996	459,819	270,539	92,462
	491,499	431,696	280,790	338,663	968,387
	<u>49,733,014</u>	<u>46,487,513</u>	<u>47,603,334</u>	<u>49,248,809</u>	<u>45,646,681</u>
	8,988,364	10,155,007	7,291,358	7,287,498	6,884,007
	14,801,650	17,678,858	17,520,030	17,605,770	18,234,722
	4,316,879	5,139,946	4,574,797	2,921,960	2,222,222
	2,231,633	4,737,322	2,031,772	2,008,762	1,942,278
	1,363,432	561,005	592,309	4,326,670	3,166,069
	5,557,871	6,189,967	6,092,548	6,106,061	6,141,542
	6,398,640	13,424,641	13,211,803	12,944,077	8,211,947
	1,056,835	850,268	825,451	855,779	895,839
	400,000	605,000	630,000	1,149,477	1,087,691
	<u>45,115,304</u>	<u>59,342,014</u>	<u>52,770,068</u>	<u>55,206,054</u>	<u>48,786,317</u>
	<u>4,617,710</u>	<u>(12,854,501)</u>	<u>(5,166,734)</u>	<u>(5,957,245)</u>	<u>(3,139,636)</u>
	-	-	6,569,345	-	-
	-	-	-	-	-
	-	-	-	-	-
	2,863,153	6,065,594	1,765,396	2,992,756	1,817,385
	<u>(2,863,153)</u>	<u>(6,065,594)</u>	<u>(1,765,396)</u>	<u>(2,992,756)</u>	<u>(1,817,385)</u>
	-	-	6,569,345	-	-
	<u>\$ 4,617,710</u>	<u>\$ (12,854,501)</u>	<u>\$ 1,402,611</u>	<u>\$ (5,957,245)</u>	<u>\$ (3,139,636)</u>
	<u>3.9%</u>	<u>3.3%</u>	<u>3.8%</u>	<u>5.0%</u>	<u>5.1%</u>

**TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)**

Fiscal Year	Ad Valorem Tax	Franchise Fees			Public Service Tax			Total
		Electric	Cable Television	Other	Electric	Telecom-munication	Gas	
2002	6,140	1,424	-	4	3,349	2,715	79	13,711
2003	6,626	2,650	-	68	3,398	2,811	90	15,643
2004	7,334	2,763	-	53	3,271	3,047	94	16,562
2005	8,394	3,116	-	53	3,564	3,200	110	18,437
2006	9,879	3,883	-	80	3,847	3,405	109	21,203
2007	12,783	3,731	-	58	3,870	3,590	107	24,139
2008	12,106	3,733	-	56	3,799	3,525	113	23,332
2009	12,346	3,967	-	73	4,071	3,647	105	24,209
2010	12,569	4,052	-	54	4,556	3,382	121	24,734
2011	11,635	3,893	-	32	4,324	3,122	111	23,117
Change 2002-2011	89.5%	173.4%	N/A	700.0%	29.1%	15.0%	40.5%	68.6%

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)**

Fiscal Year Beginning	Real Property	Personal Property	Total Assessed Valuation	Total Direct Rate	Total Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2002	\$ 2,209,069	\$ 104,265	\$ 2,313,334	4.19800	\$ 2,448,027	94.5%
2003	2,415,849	110,081	2,525,930	4.19800	2,732,846	92.4%
2004	2,734,204	110,888	2,845,092	4.19800	3,199,018	88.9%
2005	3,171,520	101,215	3,272,735	4.15000	3,865,228	84.7%
2006	4,066,569	109,340	4,175,909	4.01451	5,490,449	76.1%
2007	4,632,470	111,543	4,744,013	3.28370	6,404,587	74.1%
2008	4,448,069	131,933	4,580,002	4.15329	5,558,225	82.4%
2009	3,715,742	131,743	3,847,485	5.43755	4,083,032	94.2%
2010	3,153,624	129,655	3,283,279	6.3776	3,305,013	99.3%
2011	2,514,783	136,842	2,651,625	8.2995	2,655,628	99.8%

Source: County of Volusia Property Appraiser.

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Per One Thousand Dollars of Taxable Value)**

Fiscal Year Beginning	* Direct Rate		** Overlapping Rates				Total
	City of Deltona	County of Volusia	Volusia County School Board	St. Johns River Water Management District	Florida Inland Navigation District	West Volusia Hospital Authority	
2002	4.19800	6.60400	9.01500	0.46200	0.03850	1.59680	21.91430
2003	4.19800	6.60400	8.89900	0.46200	0.03850	1.59680	21.79830
2004	4.19800	6.60400	8.69900	0.46200	0.03850	1.80000	21.80150
2005	4.15000	6.60400	8.51700	0.46200	0.03850	1.80000	21.57150
2006	4.01451	6.29400	8.25900	0.46200	0.03850	1.55000	20.61801
2007	3.28370	5.13330	7.68500	0.46200	0.03850	1.26190	17.86440
2008	4.15329	5.40373	7.45900	0.41580	0.03450	1.46724	18.93356
2009	5.43755	6.37434	7.80500	0.41580	0.03450	1.74500	21.81219
2010	6.37760	6.30250	8.23700	0.41580	0.03450	2.08180	23.44920
2011	8.29950	6.77910	8.06300	0.33130	0.03450	2.38490	25.89230

* The City of Deltona has no G.O. debt, therefore the direct rate has no components.

** The overlapping rate represents agencies which have taxing authority within the area. These rates plus the City direct rate is the total mileage rate attributable to property within the city.

**PRINCIPAL TAXPAYERS
CURRENT AND TEN YEARS AGO
FISCAL YEARS ENDING**

Taxpayer	September 30, 2002			September 30, 2011		
	Assessed Valuation (in 1000's)	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation (in 1,000's)	Rank	Percentage of Total Taxable Assessed Value
Florida Power Corporation	\$ 17,069	2	1.0%	\$ 22,942	1	1.6%
Florida Power & Light Company	9,404	4	0.6%	15,848	2	1.1%
Wal-Mart Stores East LP			N/A	13,458	3	0.9%
Publix Super Markets, Inc.	8,200	6	0.5%	10,249	4	0.7%
Lowe's Home Centers, Inc.			N/A	9,407	5	0.6%
Bright House Networks, LLC			N/A	8,048	6	0.5%
D O T Properties N V			N/A	6,940	7	0.5%
Deltona Partners, LLC			N/A	5,943	8	0.4%
Bellsouth Telecommunication, Inc.	10,821	3	0.7%	5,600	9	0.4%
Embarq Florida, Inc.			N/A	5,488	10	0.4%
Tiger Partner, LLC	4,364	9	0.3%			0.0%
Florida Water Services, Co.	23,567	1	1.4%			0.0%
Sprint Florida, Inc.	6,753	7	0.4%			0.0%
Albertsons, Inc.	4,319	10	0.3%			0.0%
Deltona Associates, LTD	4,764	8	0.3%			0.0%
Time Warner Entertainment	8,457	5	0.5%			0.0%
All Other	1,533,020		94.0%	1,371,224		93.0%
	<u>\$ 1,630,738</u>		<u>100.0%</u>	<u>\$ 1,475,147</u>		<u>100.0%</u>

Source: County of Volusia Property Appraiser.

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Total Tax Levy	Current Levy Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent Total Collections To Levy
2002	6,341,059	6,139,833	96.8%	n/a	6,139,833	96.8%
2003	6,845,840	6,626,383	96.8%	n/a	6,626,383	96.8%
2004	7,609,418	7,334,228	96.4%	n/a	7,334,228	96.4%
2005	8,694,704	8,385,492	96.4%	8,840	8,394,332	96.5%
2006	10,230,420	9,862,225	96.4%	16,237	9,878,462	96.6%
2007	13,216,062	12,760,664	96.6%	22,233	12,782,897	96.7%
2008	12,489,846	12,087,519	96.8%	18,488	12,106,007	96.9%
2009	12,779,905	12,320,999	96.4%	25,189	12,346,188	96.6%
2010	12,990,671	12,513,417	96.3%	55,528	12,568,945	96.8%
2011	12,171,823	11,635,431	95.6%	38,010	11,673,441	95.9%

Florida Statute 197.012 allows a discount for early payment of taxes of 4% in November, 3% in December, 2% in January and 1% in February. Taxes become delinquent on April 1 of each year.

The County Tax Collector is responsible for collecting and remitting all property taxes. They do not keep track of amounts which are past due on a regular basis. Once a year they consolidate all past due amounts and have a tax certificate sale. The money obtained from this sale is then distributed to the proper taxing authority.

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Year	Governmental Activities		Business- Type Activities	Total Primary Government Debt	Per Capita Debt	Debt as a Percentage of Personal Income (1)
	Revenue Bonds	Stormwater Bank Note	Utility System Revenue Bonds			
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	-	81,725,000	81,725,000	\$ 1,021	4.21%
2005	-	-	81,225,000	81,225,000	979	3.96%
2006	18,240,000	-	80,575,000	98,815,000	1,156	4.61%
2007	17,840,000	-	79,825,000	97,665,000	1,142	4.37%
2008	17,235,000	-	78,975,000	96,210,000	1,120	4.29%
2009	16,605,000	6,569,345	78,025,000	101,199,345	1,201	4.24%
2010	15,945,000	6,373,566	76,925,000	99,243,566	1,176	3.97%
2011	15,255,000	6,167,727	75,525,000	96,947,727	1,138	3.75%

(1) Source for Per Capita Income - US Dept. of Commerce, Bureau of Economic Analysis (Florida Research Economic Database)

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2011**

Taxing Authority	Debt Outstanding	Percentage Applicable to Deltona	Amount Applicable to Deltona
City of Deltona	\$ 21,422,727	100%	\$ 21,422,727
County of Volusia (1)	27,750,000	6.12%	1,698,300
Volusia County School Board (2)	-	0.00%	-
Total Direct and Overlapping Debt	<u>\$ 49,172,727</u>		<u>\$ 23,121,027</u>

(1) Source: County of Volusia Finance Department.

(2) Source: Volusia County School Board.

**PLEDGED-REVENUE COVERAGE
LAST THREE FISCAL YEARS**

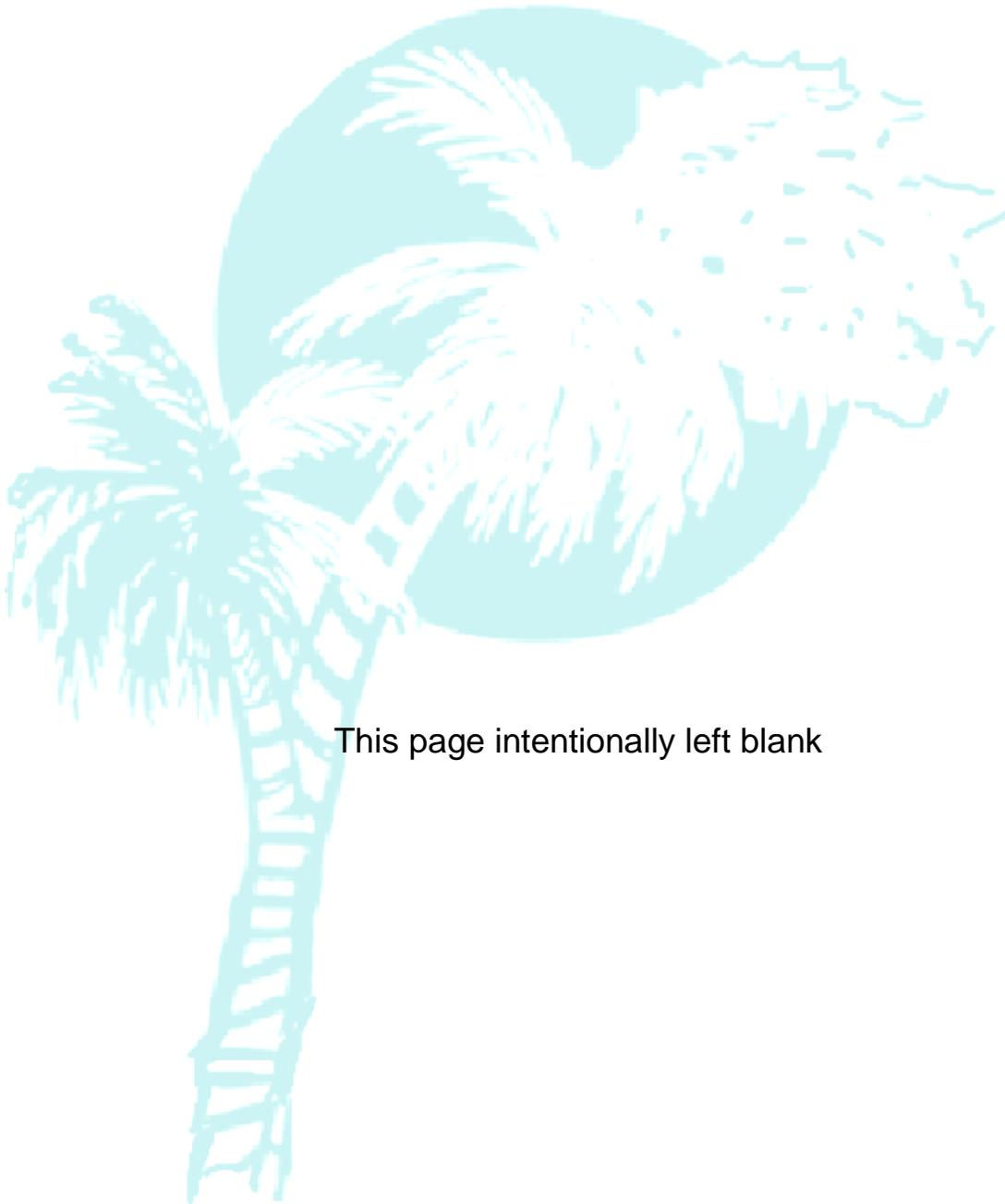
Fiscal Year Ended	Water and Sewer Revenue Bonds					
	(1)	(2)	Net Available Revenue	(3)		Coverage
	Utility Revenues	Less Operating Expenses		2003 Revenue Bonds Principal	Interest	
2009	14,796,955	7,292,651	7,504,304	950,000	3,788,360	1.58
2010	16,051,180	6,964,948	9,086,232	1,100,000	3,829,885	1.84
2011	17,075,252	7,595,797	9,479,455	1,400,000	3,784,384	1.83

Fiscal Year Ended	Transportation Capital Improvement Revenue Bonds					
	Gas Tax Revenues	Impact Fee Revenues	Net Available Revenue	2006 Transportation Bonds		Coverage
				Principal	Interest	
2009	2,113,741	114,184	2,227,925	630,000	825,451	1.53
2010	2,089,575	251,334	2,340,909	660,000	799,325	1.60
2011	2,064,317	53,141	2,117,458	690,000	768,375	1.45

Fiscal Year Ended	Stormwater Bank Note					
	Stormwater Assessments		Net Available Revenue	2009 Bank Note		Coverage
	Improved	Unimproved		Principal	Interest	
2009	2,657,978	263,284	2,921,262	-	-	-
2010	2,671,300	262,039	2,933,339	195,779	350,152	5.37
2011	2,680,791	250,350	2,931,141	205,839	319,316	5.58

- (1) For purposes of debt coverage the following revenues are included: All water and sewer revenues and water and sewer impact fees. Interest income is included.
- (2) Direct operating expenses does not include depreciation.
- (3) Interest expense has not been reduced by capitalized interest.

Note: The City purchased the water and sewer utility in the 2003/2004 fiscal year.



This page intentionally left blank

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Year	Per Capita Income (1)						
	Florida	Lake	Orange	Seminole	Sumter	Marion	Volusia
2001-02	29,268	26,048	26,890	32,050	16,800	23,234	24,253
2002-03	29,700	25,937	27,400	32,750	17,255	23,106	24,730
2003-04	30,116	26,389	28,203	33,670	18,220	23,803	25,062
2004-05	31,469	27,122	29,748	35,716	19,400	24,749	26,118
2005-06	33,219	27,122	29,748	35,716	19,400	24,749	26,118
2006-07	35,798	28,942	31,569	38,838	21,878	26,893	28,347
2007-08	36,720	29,815	33,335	40,946	24,135	29,012	29,615
2008-09	38,417	30,460	35,303	42,223	26,481	30,322	30,374
2009-10	39,064	31,520	36,639	43,439	27,504	31,225	32,098
2010-11	38,965	30,785	36,400	42,340	30,259	31,097	32,255

Year	Median Household Income (2)						
	Florida	Lake	Orange	Seminole	Sumter	Marion	Volusia
2001-02	46,421	37,354	42,656	50,122	31,730	32,532	35,278
2002-03	38,024	36,585	41,202	49,287	30,559	31,490	34,740
2003-04	38,972	37,398	40,697	48,957	31,673	31,851	35,010
2004-05	40,554	39,013	40,604	49,199	34,050	33,177	36,038
2005-06	40,554	39,013	40,604	49,199	34,050	33,177	36,038
2006-07	42,990	40,745	41,725	50,842	37,523	34,948	37,247
2007-08	46,602	43,443	49,768	57,318	39,387	39,295	41,772
2008-09	48,637	45,945	52,133	59,317	44,213	41,128	44,304
2009-10	47,051	45,191	49,933	57,302	43,376	39,998	43,580
2010-11	46,077	44,738	47,448	57,741	45,382	39,238	44,133

(1) Source US Department of Commerce, Bureau of Economic Analysis (Florida Research Economic Database)

(2) Source U. S. Census Bureau American FactFinder, American Community Survey

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Continued)

Cost of Living Index Volusia and Surrounding Counties (1)						
Year	Volusia	Lake	Orange	Seminole	Sumter	Marion
2001-02	95.62	95.57	97.67	95.87	92.42	93.75
2002-03	95.06	94.64	96.71	96.52	91.72	97.31
2003-04	96.16	98.79	101.63	100.01	95.14	95.99
2004-05	95.53	98.13	101.17	99.99	95.50	96.02
2005-06	94.90	97.50	100.99	99.56	95.33	94.30
2006-07	94.77	97.69	101.19	99.98	95.52	94.82
2007-08	94.74	97.70	101.20	99.95	95.53	94.73
2008-09	95.23	97.64	101.13	100.07	95.46	94.79
2009-10	95.39	97.51	101.00	99.81	95.34	94.71
2010-11	96.13	97.49	100.98	99.64	96.39	96.28

Unemployment Volusia and Surrounding Counties (2)					
Year	Volusia	Lake	Orange	Seminole	Marion
2000-01	3.40	3.60	3.10	3.00	4.00
2001-02	4.30	4.40	4.20	4.00	5.00
2002-03	5.50	5.70	5.60	5.50	5.90
2003-04	5.20	5.20	5.10	5.10	5.40
2004-05	4.50	4.50	4.40	4.20	4.60
2005-06	3.70	3.80	3.60	3.40	3.90
2006-07	3.40	3.40	3.20	3.00	3.60
2007-08	4.20	4.20	3.80	3.50	4.60
2008-09	6.60	6.40	5.80	5.60	7.70
2009-10	11.00	11.10	10.50	9.80	12.90
2010-11	12.50	12.00	11.40	10.70	13.80

(1) Source University of Florida, Bureau of Economic and Business Research

(2) U. S. Dept. of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
(Concluded)**

Fiscal Year	Population (1)			Unemployment Rate (2)	School (3)		Personal Income (4)	
	Deltona	County	% of City		Enrollment	Attendance	Deltona / Daytona Beach / Ormond Beach (thousands of dollars)	
2002	71,599	459,569	15.58%	5.4%	14,920	96.6%	\$	10,380,740
2003	76,332	470,770	16.21%	5.1%	15,376	96.0%	\$	10,949,705
2004	80,052	484,080	16.54%	4.8%	15,994	96.3%	\$	11,356,533
2005	82,973	494,649	16.77%	2.9%	16,228	96.4%	\$	11,812,530
2006	85,484	503,844	16.97%	3.0%	16,465	96.5%	\$	12,963,749
2007	86,540	508,014	17.03%	3.1%	16,116	96.6%	\$	14,260,500
2008	85,921	508,014	16.91%	4.2%	14,885	94.2%	\$	15,292,177
2009	84,264	510,750	16.50%	10.5%	14,508	94.1%	\$	15,895,098
2010	84,385	507,105	16.64%	11.5%	13,535	94.1%	\$	15,963,663
2011	85,182	494,593	17.22%	10.5%	12,747	96.5%	\$	15,994,714

- (1) Source: Office of Economic & Demographic Research.
- (2) Source: U. S. Dept. of Labor, Bureau of Labor Statistics.
- (3) Source: Volusia County School Board.
- (4) Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

**FULL-TIME EQUIVALENT CITY GOVERNMENT
EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Full-Time Equivalent Employees				
	2002	2003	2004	2005	2006
City Commission	1.0	1.0	1.0	1.0	1.0
City Manager	3.0	3.0	3.0	3.0	3.0
City Clerk	4.0	4.0	5.5	6.0	7.5
Finance	8.0	14.0	16.5	14.0	17.5
Information Technology Services	-	-	-	-	-
City Attorney	1.0	4.0	5.0	6.0	7.0
Planning & Development Services	20.0	11.0	14.0	18.0	21.5
Building & Zoning Services	-	15.0	16.0	21.0	24.0
Human Resources	2.0	5.0	4.5	3.5	6.0
General Government	-	-	-	-	-
Enforcement Services	11.0	11.0	12.0	12.0	15.0
Parks & Recreation	20.0	21.0	29.0	29.0	32.0
Total general government	<u>70.0</u>	<u>89.0</u>	<u>106.5</u>	<u>113.5</u>	<u>134.5</u>
*Police Officers	<u>58.0</u>	<u>60.0</u>	<u>66.0</u>	<u>72.0</u>	<u>72.0</u>
Fire & Rescue:					
Firefighters	45.0	51.0	51.0	54.0	66.0
Administration & Communication	16.5	16.5	19.0	20.5	21.5
Total Fire & Rescue	<u>61.5</u>	<u>67.5</u>	<u>70.0</u>	<u>74.5</u>	<u>87.5</u>
Total public safety	<u>119.5</u>	<u>127.5</u>	<u>136.0</u>	<u>146.5</u>	<u>159.5</u>
Public Works	28.0	29.0	25.0	31.5	28.0
Storm Water	14.0	18.0	26.0	23.0	23.0
Grant funded positions	-	-	-	-	-
Total public services	<u>42.0</u>	<u>47.0</u>	<u>51.0</u>	<u>54.5</u>	<u>51.0</u>
Water/Sewer utility	-	-	48.5	58.0	65.0
Solid Waste	1.0	1.0	1.0	1.0	1.0
Total public services	<u>1.0</u>	<u>1.0</u>	<u>49.5</u>	<u>59.0</u>	<u>66.0</u>
Total government employees	<u>232.5</u>	<u>264.5</u>	<u>343.0</u>	<u>373.5</u>	<u>411.0</u>

* Law enforcement services contracted with Volusia County Sheriff's Office

Source: City Finance Department

2007	2008	2009	2010	2011
1.0	1.0	1.0	1.0	0.5
4.0	4.0	4.0	4.0	5.0
8.0	6.0	5.0	5.0	5.0
17.5	19.0	12.0	12.0	11.0
-	-	5.0	5.0	5.0
6.0	6.0	4.5	4.0	5.0
25.0	15.0	10.0	10.0	9.0
24.0	11.0	9.0	9.0	9.0
7.5	4.5	4.5	4.5	4.5
-	-	1.0	1.0	-
19.0	19.0	15.0	15.0	13.0
37.5	43.5	30.0	30.0	26.0
149.5	129.0	101.0	100.5	93.0
72.0	77.0	69.0	69.0	73.0
69.0	69.0	69.0	69.0	69.0
24.5	26.0	26.0	25.0	24.0
93.5	95.0	95.0	94.0	93.0
165.5	172.0	164.0	163.0	166.0
30.5	39.5	30.5	29.0	27.0
25.0	21.0	26.0	26.0	26.0
-	-	3.0	3.0	2.0
55.5	60.5	59.5	58.0	55.0
68.5	68.5	65.0	64.0	64.0
1.0	2.0	2.0	2.0	2.0
69.5	70.5	67.0	66.0	66.0
440.0	432.0	391.5	387.5	380.0

**VARIOUS INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General										
Last charter amendment	November 4, 2008									
Number of Commissioners	7	7	7	7	7	7	7	7	7	7
Form of government	Commissioner: 4 Year Term of Office - Appointed City Manager									
Municipal boundaries (1)	46	46	46	46	46	46	46	46	46	46
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Protection per 1,000										
Number of Police officers	58	65	66	72	72	72	69	69	73	76
Number of patrol vehicles	n/a	n/a	40	40	40	40	69	69	73	73
Number of arrests	n/a	n/a	5,068	9,386	6,544	3,435	3,879	3,229	4,091	4,131
Fire										
Number of stations	4	4	4	4	4	4	4	4	4	5
Protection per 1,000										
Number of vehicles	4	4	5	5	6	6	6	6	8	8
Number of calls	7,199	7,430	8,713	7,782	7,804	8,180	7,087	7,872	8,134	8,311
Building										
Building permits issued	4,217	5,036	5,662	10,294	5,857	5,062	3,787	3,216	3,551	3,143
Average price of single family Residential construction	134,625	151,862	157,440	164,428	204,176	243,510	238,640	222,361	209,572	295,597
Value of permits issued (\$1,000's of dollars)	170,116	235,369	234,744	435,386	211,986	97,110	55,653	50,534	30,894	32,549
Recreation										
Number of parks	14	14	14	14	15	15	16	16	19	19
Acres maintained	148	202	202	202	216	216	226	226	230	244
Number of buildings	11	11	13	14	15	15	16	16	17	29
Number of people served	n/a	n/a	90,041	168,428	223,533	235,105	220,122	238,521	223,882	250,000
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of streets	423.54	423.54	423.54	423.54	423.54	423.54	423.54	423.54	423.54	423.54
Number of street lighting districts	23	23	26	26	29	31	37	41	40	40
Number of city maintained traffic signals	4	4	4	4	5	7	9	9	12	16
Number of school signals	22	22	22	25	25	25	37	38	35	35
Number of buildings	1	1	1	1	1	1	1	1	1	1
Water (3)										
Number of units served	n/a	n/a	30,295	30,981	31,811	32,419	31,778	31,610	31,731	31,195
Average daily flow (2)	n/a	n/a	12.26	11.06	12.71	12.94	11.90	10.89	9.59	9.59
Miles of water main	n/a	n/a	475	480	480	500	500	500	500	500
Number of plants	n/a	n/a	17	17	17	17	17	17	17	17
Number of vehicles	n/a	n/a	26	27	22	34	34	34	34	34
Number of buildings	n/a	n/a	28	28	28	28	28	28	28	28
Wastewater (3)										
Miles of sanitary sewers	n/a	n/a	75	75	75	75	93	93	93	93
Number of vehicles	n/a	n/a	11	11	9	15	15	15	15	15
Number of buildings	n/a	n/a	4	4	4	4	4	4	4	4
Number of plants	n/a	n/a	1	1	1	1	1	1	1	1

(1) Square miles.

(2) Millions of gallons.

(3) Water and Wastewater utility purchased in fiscal year 2004.

Source: Various City Departments

**WATER SOLD BY TYPE OF CUSTOMER AND
ASSOCIATED RATES LAST THREE FISCAL YEARS
(In Millions of Gallons)**

Type of Customer	Fiscal Year		
	2009	2010	2011
Single Family Residences	3,303.02	2,810.85	2,753.18
Multi Family Residences	2.12	2.27	2.22
Commercial	91.47	90.90	90.45
Multi Family Commercial	3.31	2.03	2.11
Hydrant	3.43	2.55	1.97
Bulk	53.54	49.54	68.40
Irrigation	68.07	45.09	28.56
Totals	<u>3,524.96</u>	<u>3,003.23</u>	<u>2,946.89</u>
Water Rates (Per 1,000 gallons consumed)			
Residential			
0 - 6,000	\$ 1.02	\$ 1.20	\$ 1.41
6,000 - 12,000	\$ 1.43	\$ 1.68	\$ 1.97
12,000 - 18,000	\$ 2.50	\$ 2.93	\$ 3.44
over 18,000	\$ 5.00	\$ 5.86	\$ 6.87
Commercial			
Rates apply to all usage - no cap	\$ 1.43	\$ 1.68	\$ 1.97
All Customers			
Rates apply to all usage - no cap	\$ 1.27	\$ 1.27	\$ 1.27

Note: The City of Deltona purchased the water & sewer utility in the 2003/2004 fiscal year.

**WASTEWATER SOLD BY TYPE OF CUSTOMER AND
ASSOCIATED RATES LAST THREE FISCAL YEARS
(In Millions of Gallons)**

Type of Customer	Fiscal Year		
	2009	2010	2011
Single Family Residences	216.02	212.01	210.39
Multi Family Residences	0.85	0.66	0.66
Commercial	67.60	65.70	25.79
Multi Family Commercial	0.74	1.17	1.24
Bulk	21.68	20.43	21.61
Totals	<u>306.88</u>	<u>299.97</u>	<u>259.69</u>
<u>Sewer Rates (Per 1,000 gallons consumed)</u>			
Residential			
0 - 6,000	\$ 9.20	\$ 10.79	\$ 12.65
over 6,000 (no charge)	\$ -	\$ -	\$ -
Commercial			
Rates apply to all usage - no cap	\$ 11.04	\$ 12.94	\$ 15.17
Bulk			
0 - 1,800,000	\$ 8.79	\$ 8.79	\$ 8.79
over 1,800,000 (no cap)	\$ 9.67	\$ 9.67	\$ 9.67

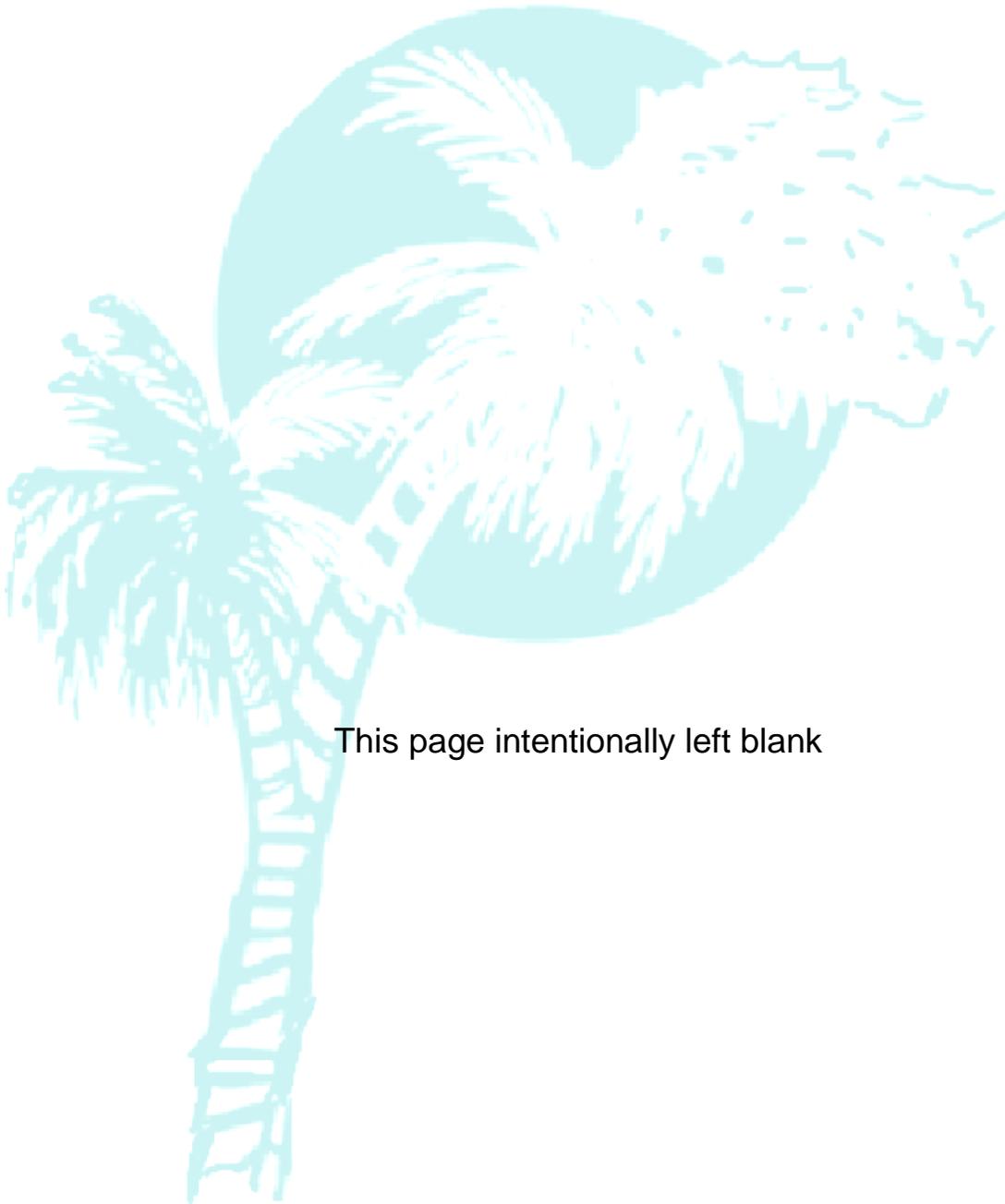
Note: The City of Deltona purchased the water & sewer utility in the 2003/2004 fiscal year.

**PRINCIPAL EMPLOYERS
CURRENT AND TEN YEARS AGO**

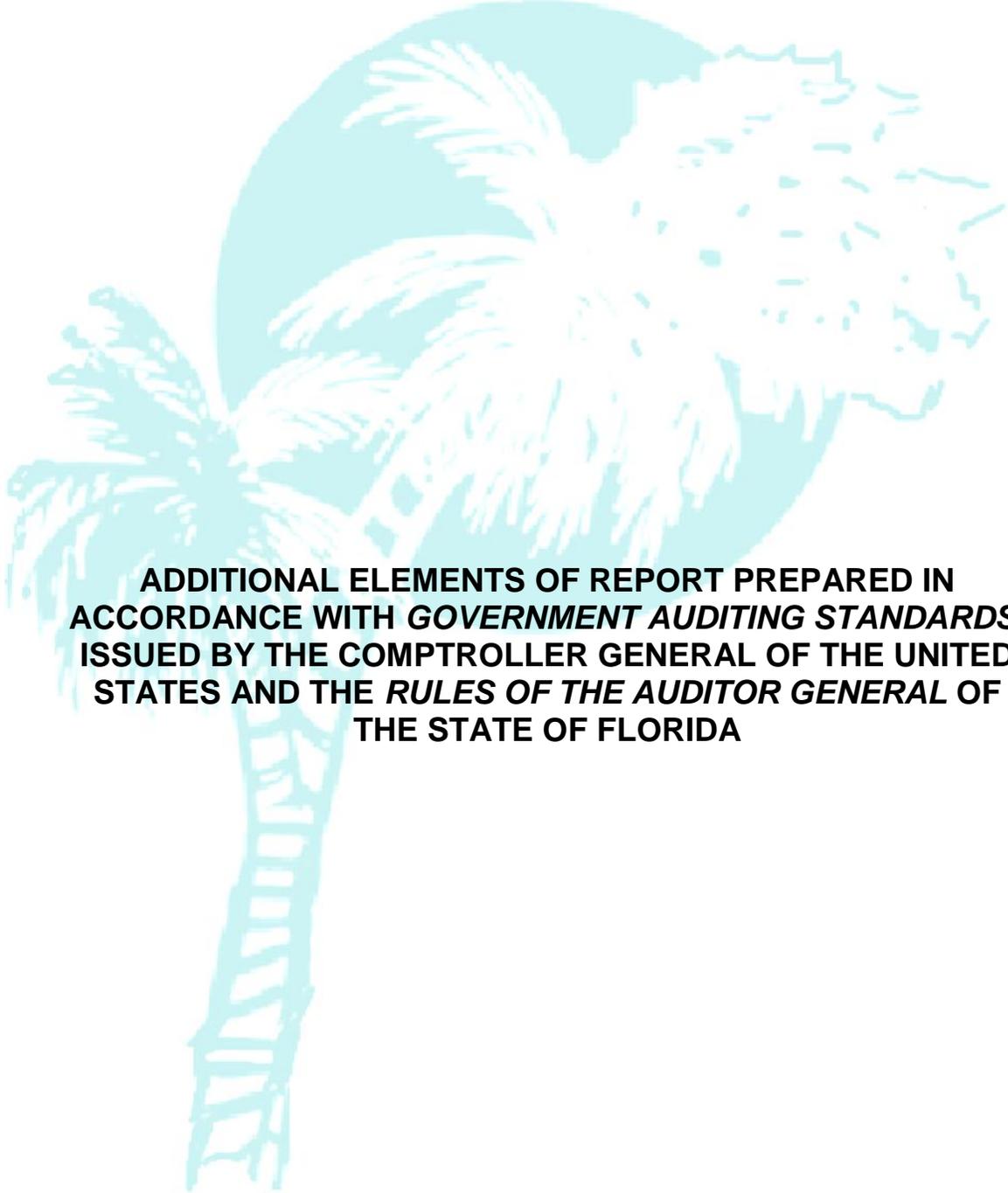
Employer	2011			2007 *		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Publix Supermarkets	566	1	6.18%	314	3	2.96%
Deltona High School	300	2	3.27%	N/A		N/A
Pine Ridge High School	250	3	2.73%	250	4	2.36%
Winn Dixie Stores	184	4	2.01%	360	1	3.68%
Methodist Children's Home	180	5	1.96%	N/A		N/A
Galaxy Middle School	160	6	1.75%	160	8	1.51%
Florida United Methodist	150	7	1.64%	380	2	3.59%
McDonalds	132	8	1.44%	N/A		N/A
Heritage Middle School	130	9	1.42%	200	7	1.89%
YMCA	127	10	1.39%	N/A		N/A
Wal-Mart				220	5	2.08%
Albertson's				200	6	1.89%
Friendship Elementary				150	10	1.42%
Total	2,179		23.78%	2,234		21.38%

Source: InfoGroup Employer Database 2012 ed.1

* NOTE: The City does not have Principal Employer information further back than 2007;
Source - City's Comprehensive Annual Financial Report for FYE 09/30/07



This page intentionally left blank



**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED
STATES AND THE *RULES OF THE AUDITOR GENERAL OF
THE STATE OF FLORIDA***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

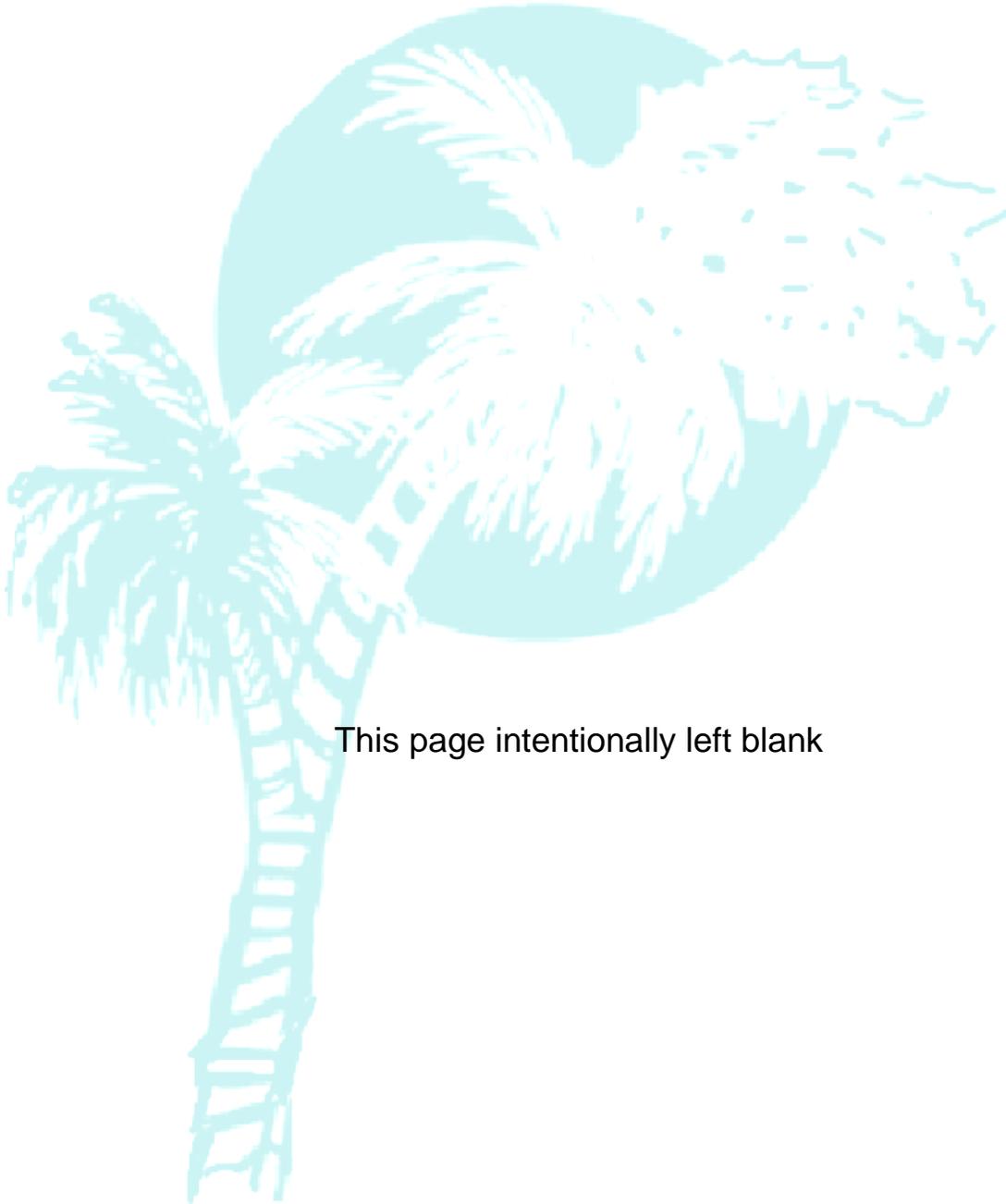
Grantor/Pass-Through Grantor/Program Title	Grant Number	CFDA / CSFA Number
<u>FEDERAL AWARDS</u>		
U.S. Department of Housing and Urban Development		
Community Development Block Grant	B-08-MC-12-0049	14.218
Community Development Block Grant	B-09-MC-12-0049	14.218
Community Development Block Grant	B-10-MC-12-0049	14.218
Community Development Block Grant - NSP	B-08-MN-12-0006	14.218
Community Development Block Grant - NSP #3	B-11-MN-12-0006	14.218
Total Community Development Block Grant		
<i>Passed Through County of Volusia</i>		
Community Development Block Grant - FFY 2008 Disaster Recovery Program	10DB-K4-06-74-01-K36	14.228
U.S. Department of Energy		
Energy Efficiency and Conservation Block Grant, Recovery	DE-SC0003127	81.128
U.S. Department of Homeland Security		
<i>Passed Through State of Florida, Department of Financial Services</i>		
FY 2009 State Homeland Security Grant Program	010-DS-39-13-0-16-414	97.067
Federal Emergency Management Agency		
<i>Passed Through State of Florida, Division of Emergency Management (DEM)</i>		
Hazard Mitigation Grant	09HM-12-06-74-02-005	97.039
U.S. Department of Transportation		
<i>Passed Through State of Florida, Department of Transportation</i>		
Highway Planning and Construction	APW 08	20.205
TOTAL FEDERAL AWARDS		
<u>STATE FINANCIAL ASSISTANCE</u>		
Florida Department of Environmental Protection		
Statewide Surface Water Restoration and Wastewater Projects	S0262	37.039
Statewide Surface Water Restoration and Wastewater Projects	WW641800	37.077
Total Florida Department of Environmental Protection		
Florida Housing Finance Corporation		
State Housing Initiatives Partnership Program	FY10/11	52.901
State Housing Initiatives Partnership Program	FY09/10	52.901
State Housing Initiatives Partnership Program	FY08/09	52.901
Total Florida Housing Finance Corporation		
TOTAL STATE FINANCIAL ASSISTANCE		
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE		

Note to the Schedule of Expenditures of Federal Awards**Basis of Presentation**

The accompanying schedule of federal awards is presented on the 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 and Non-Profit Organizations and Chapter 10.550, Rules of the Auditor General, Local Governmental Entity Audits. Rules of the Auditor General, Local Governmental Entity Audits.*

Schedule of Expenditures of Federal Awards and State Financial Assistance

Program or Award Amount	Expenses	Subrecipient Award Amount
499,088	144,942	-
505,040	204,569	-
543,184	177,446	62,627
6,635,909	2,714,910	-
1,964,066	9,441	-
	<u>3,251,306</u>	
937,500	2,000	-
730,200	357,554	-
9,000	6,170	-
286,725	11,208	-
10,000	2,100	-
	<u>3,630,338</u>	<u>62,627</u>
1,113,724	296,639	-
1,445,904	665,226	-
	<u>961,865</u>	<u>-</u>
90,898	166	-
92,311	-	-
1,339,175	497,255	-
	<u>497,421</u>	<u>-</u>
	<u>1,459,286</u>	<u>-</u>
	<u>5,089,624</u>	<u>62,627</u>



This page intentionally left blank

**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***

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund and the remaining aggregate fund information of the City of Deltona (the City), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

**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
(Concluded)**

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*.

However, we noted certain matters that we reported to management of the City in a separate letter dated March 6, 2012.

The City's responses to the findings identified in our audit are described in the accompanying response to management letter comments. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Honorable Mayor and City Commissioners, management, and the Florida Auditor General. It is not intended to be used and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

March 6, 2012
Ocala, Florida

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL
PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES,
*STATE PROJECTS COMPLIANCE SUPPLEMENT***

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

Compliance

We have audited the compliance of the City of Deltona, Florida (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and the requirements described in the Department of Financial Services, *State Projects Compliance Supplement*, that could have a direct and material effect on the City's major federal programs and state projects for the year ended September 30, 2011. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 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 program and state projects for the year ended September 30, 2011.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762

5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309

MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL
PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES,
STATE PROJECTS COMPLIANCE SUPPLEMENT
(Concluded)**

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state financial assistance projects. 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 or state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal controls 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 or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

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

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

Purvis, Gray and Company, LLP

March 6, 2012
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF DELTONA, FLORIDA**

PART A - SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements of the City of Deltona, Florida.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of the basic financial statements of the City of Deltona, Florida.
3. No instances of noncompliance material to the basic financial statements of the City of Deltona, Florida, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal programs and state projects are reported in the report on compliance with requirements applicable to each major federal program and state project on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.
5. The auditors' report on compliance for the major state projects the City of Deltona, Florida, expresses an unqualified opinion.
6. The audit disclosed no findings required to be reported related to federal programs under Section 510(a) of OMB Circular A-133, or did not audit disclose any findings related to State projects required to be disclosed under Chapter 10.557.
7. The programs/projects tested as major programs/projects included the following:
 - **Federal Program**
 - U.S. Department of Housing and Urban Development:
 - ▶ Community Development Block Grant; CFDA No. 14.218
 - U.S. Department of Energy
 - ▶ Energy Efficiency and Conservation Block Grant, Recovery; CFDA No. 81.128
 - **State Projects**
 - Florida Department of Environmental Protection
 - ▶ Statewide Surface Water Restoration and Wastewater Projects, CSFA No. 37.039
 - ▶ Statewide Surface Water Restoration and Wastewater Projects, CSFA No. 37.077
8. The threshold for distinguishing Type A and Type B projects was \$300,000 for major federal programs or state financial assistance projects.
9. The City of Deltona did qualify as a low-risk auditee pursuant to OMB Circular A-133.

PART B - FINDINGS - FINANCIAL STATEMENTS

1. No matters were reported.

PART C - FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS

1. No matters were reported.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF DELTONA, FLORIDA
(Concluded)**

PART D - OTHER ISSUES

1. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to federal programs or state projects.
2. No Corrective Action Plan is required because there were no findings required to be reported under the Federal or Florida *Single Audit Acts*.

MANAGEMENT LETTER

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, and each major fund and the remaining aggregate fund information of the City of Deltona, Florida (the City), as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated March 6, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our report on internal control over financial reporting and on compliance and other matters, independent auditors' report on compliance with requirements applicable to each major federal program or state project and on internal control over compliance, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated March 6, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which 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 auditors' reports or schedule:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective action has 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 (see attached management letter comments).
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding investment of public funds. In connection with our audit, we noted no instance of noncompliance 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 the City's financial management, accounting procedures, and internal controls (see attached management letter comments).

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309

MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

MANAGEMENT LETTER
(Concluded)

- 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 occurred or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., *Rules of the Auditor General*, also requires that the name or official title and legal authority for the primary government be disclosed in the management letter, unless disclosed in the notes to the financial statements. See Note 1 of the September 30, 2011, the City's basic financial statements for this information; there were no component units related to the City.
- Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City 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, 2011, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.
- 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.

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 Honorable Mayor and City Commissioners, management, and the Florida Auditor General, and is not intended to be and should be used by anyone other than these specific parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, accompanying reports, or other matters.

Purvis, Gray and Company, LLP

March 6, 2012
Ocala, Florida

MANAGEMENT LETTER COMMENTS

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

In planning and performing our audit of the financial statements of the City of Deltona, Florida (the City) for the year ended September 30, 2011, we obtained an understanding of the design of relevant controls to plan our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control. However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration.

Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control and/or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional review of these matters, or to assist in the implementation of the recommendations.

This letter does not affect our report dated March 6, 2012, on the basic financial statements of the City.

Our comments are summarized as follows:

Prior Year Recommendations

All prior year recommendations have been addressed by the City, the following item remains in process:

Interlocal Agreement with the Sheriff's Department

The City has entered into an interlocal agreement with the Volusia County Sheriff Department to provide police services to the City. The interlocal agreement defines the number of officers and nonofficers that will be provided to the City and that there will be staffing 24 hours per day. During our prior year audit, we were unable to identify any type of monitoring tools in place to ensure that the number of staff allocated to the City has remained constant and the services are being provided around the clock. We recommended last year that the City work with the Sheriff Department to establish reporting of the services provided.

During 2011, the City contacted the Sheriff's Office regarding this matter and received time sheet information to support the number of officers assigned to the City; however, there is no documentation of whether or not they were actually working within the City or not. Accordingly, we recommend that the City continue to work with the Sheriff Department to determine if it is possible to obtain additional documentation to support contract compliance.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Recommendations

Deltona Water Base Rate Increase

On November 4, 2008, the City Commission approved Resolution 2008-56 (the Resolution) implementing new “Base Facility Charges” and “Gallonge” rates for the water and wastewater utility, effective December 1, 2008. The Resolution also provided for 17.25% automatic increases in the “Gallonge” portion of the rate each year from October 1, 2009 through 2013.

Effective October 1, 2009, the City increased only the “Gallonge” portion of the rate in accordance with the language of the Resolution; however, effective October 1, 2010 and 2011, the City increased both the “Gallonge” and “Base Facility Charge” believing that the intent of the Resolution was to increase both rates as recommended in the rate consultant’s report and discussed at the Commission meeting when the original Resolution was approved.

We recommend that the City Commission review this area to determine if any action needs to be taken with respect to the implementation of these rates. We also recommend that management review their control procedures to ensure that all rate changes are timely implemented in the utility billing system.

Purvis, Gray and Company, LLP

March 6, 2012
Ocala, Florida



City of Deltona

RESPONSES TO MANAGEMENT LETTER COMMENTS

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

Prior Year Recommendations:

Information Technology (IT) Strategy

Information Technology - General Controls and User Administration

In response to segregating duties, the City has implemented a procedural change and has transitioned the overall administrative authority of the City's FIS to the ITSD.

Information Technology – Organization, Structure and Resources

The City has evaluated making the ITSD its own department and has decided not to do so at this time. The City does intend to establish a Steering Committee to ensure goals and activities of the ITSD function are aligned with those of the users and City as a whole.

Derivative Financial Instrument – Swaption

The current contract with the City's Financial Advisor is due to expire in April, 2012. In response to this, the City has recently put out an RFP for Financial Advisory Services and the Selection Committee will make their recommendation to the Commission in March or April of 2012. Once the Financial Advisor is selected, the City will develop a swaption team using both internal and external resources (Financial Advisor, Bond Counsel) to educate and prepare Commission of possible scenarios regarding the swaption.

Building Permits and Impact Fees

Building permits and impact fees are reconciled daily in order to immediately catch any discrepancies between any independent systems and the City's FIS system.

DEPARTMENT OF FINANCE & INTERNAL SERVICES

2345 Providence Boulevard, Deltona, Florida 32725

(386) 878-8100 • Fax (386) 878-8551

webpage: www.deltonafl.gov

Prior Year Recommendations: (continued)

Interlocal Agreement with the Sheriff's Department

City staff will continue to work with the Sheriff's Department to see what additional data is available beyond the detailed time records already provided.

Current Year Recommendations:

Deltona Water Base rate Increase

City staff has individually met with and fully informed six of the seven City Commissioners on this matter. The City Attorney has issued a legal opinion, a copy of which has been provided to the auditors, in which she expressed the opinion that the resolution authorizing the implementation of the rate increases, as drafted, did not accurately reflect the intent of the City Commission as reflected in the public hearings, the recommendation of the rate consultant, and the common understanding of all parties involved, and that it was appropriate for staff to look beyond the specific language in the resolution to determine "legislative intent" when implementing the resolution.

Additionally, the rate consultant confirmed in writing, a copy of which has been provided to the auditors, that at no point in the process was it the intent to recommend nor was it recommended that the increases be applied only to the usage component of the rate structure. To the contrary, all information presented involved the application of the increases to all components of the rate structure and the consultant's recommendation presented to and adopted by the Commission was specifically to apply the increases to all components of the rate structure. Staff is of the opinion that it was proper to apply the increases to the base charge as well as the usage component and received no input to the contrary from the six Commissioners met with individually. The failure to do so on October 1, 2009 was an oversight.

Staff believes that it is not appropriate to retroactively correct the oversight in 2009, as it benefitted customers. Staff believes it was done properly on October 1, 2010 and going forward, absent any Commission direction to the contrary, intends to apply remaining increases to all rate components.

March 6, 2011
Deltona, FL