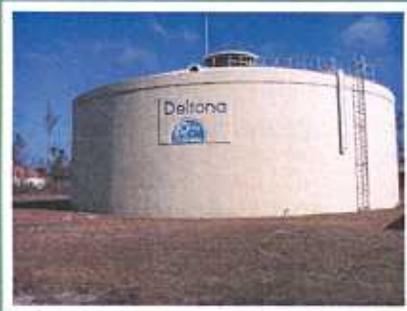


CITY OF DELTONA, FLORIDA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

for fiscal year ended September 30, 2004

City of Deltona, Florida
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended September 30, 2004

Prepared By:
Department of Finance and Internal Services

CITY OF DELTONA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

Table of Contents

Introductory Section

Letter of Transmittal	i
Certificate of Achievement	ix
Organizational Chart.....	x
Principal Officials.....	xi

Financial Section

Independent Auditors' Report	1
Management's Discussion and Analysis	3

Basic Financial Statements

Government-wide Financial Statements:	
Statement of Net Assets.....	15
Statement of Activities	16

Fund Financial Statements:	
Balance Sheet - All Governmental Funds.....	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds	22
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 Funds.....	25
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.....	30
Statement of Changes in Fiduciary Net Assets.....	31

Notes to Financial Statements	32
-------------------------------------	----

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	49
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Stormwater Utility Fund	50
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - State Housing Initiative Partnership	51
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Local Option Gas Tax Fund.....	52
Schedules of Funding Progress and Contributions from Employers and Others	53

CITY OF DELTONA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

Table of Contents
(Continued)

Supplemental Information

Combining Balance Sheet - Nonmajor Governmental Funds	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	56
Budget to Actual Comparison Other Major and Nonmajor Governmental Funds Streetlighting Districts Fund	58
Fire/Rescue Service Impact Fees Fund	59
Park Impact Fees Fund	60
Community Development Block Grant Fund	61
Solid Waste Fund	62
Capital Projects - Municipal Complex(s) Fund	63
Capital Projects - Park Projects Fund	64

Statistical Section (Unaudited)

Table 1 - General Governmental Revenues by Source	66
Table 2 - Tax Revenues by Source	67
Table 3 - General Governmental Expenditures by Function	68
Table 4 - Property Tax Levies and Collections	69
Table 5 - Assessed and Estimated Actual Value of Taxable Property	70
Table 6 - Property Tax Rates - All Direct and Overlapping Governments	71
Table 7 - Principal Taxpayers	72
Table 8 - Special Assessment Billings and Collections	73
Table 9 - Computation of Direct and Overlapping Debt	74
Table 10 - Demographic Statistics	75
Table 11 - Property Value and Construction	76
Table 12 - Miscellaneous Statistics	77

Additional Elements of Report Prepared in Accordance with *Government*

Auditing Standards, Issued by the Comptroller General of the United States; the Provisions of Office of Management and Budget (OMB) Circular A-133; and the *Rules of the Auditor General* of the State of Florida

Schedule of Expenditures of Federal Awards	80
Schedule of Expenditures of State Financial Assistance	82
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	85

CITY OF DELTONA, FLORIDA

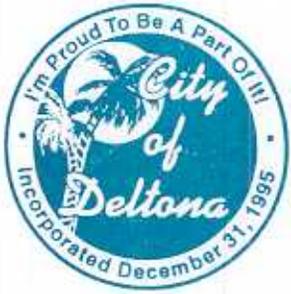
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

Table of Contents
(Concluded)

Additional Elements of Report Prepared in Accordance with *Government Auditing Standards*, Issued by the Comptroller General of the United States; the Provisions of Office of Management and Budget (OMB) Circular A-133; and the *Rules of the Auditor General* of the State of Florida (Concluded)

Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Awards Program and State Financial Assistance Project.....	87
Schedule of Findings and Questioned Costs - Federal Award Programs and State Financial Assistance Projects	89
Summary Schedule of Prior Audit Findings in Accordance with OMB Circular A-133	91
Corrective Action Plan in Accordance with OMB Circular A-133	92
Management Letter.....	93
Management Letter Comments.....	95
Management's Response.....	97

Introductory Section



City of Deltona

March 17, 2005

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

Ladies and Gentlemen:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Deltona, Florida, for the fiscal year ending September 30, 2004. In addition to meeting legal requirements, the report presents the City's commitment of full financial disclosure. This philosophy is reflected by the informative financial analysis provided by the Finance Department and the exhibits and statistical tables included herein.

State law requires that all general purpose local governments publish each fiscal year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with Generally Accepted Auditing Standards by a firm of licensed certified public accountants.

The CAFR's role is to assist in making economic, social and political decisions and to assist in assessing accountability to the citizenry by:

- Comparing actual financial results with the legally adopted budget, where appropriate;
- Assessing financial condition and results of operations;
- Assisting in determining compliance with finance related laws, rules and regulations; and
- Assisting in evaluating the efficiency and effectiveness of City operations.

This report consists of administration's representations concerning the finances of the City of Deltona. The City's management assumes full responsibility for the reliability and completeness of the information presented in this report. To provide a reasonable basis for making these representations, the administration of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. The City of Deltona has designed internal controls to provide reasonable assurance that the financial statements are free from any material misstatement. We believe the data, as presented, is accurate in all material respects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and that all disclosures necessary to enable the reader to gain a comprehensive understanding of the City's financial activity have been included.

The City's basic financial statements have been audited by the independent certified public accountants, Purvis, Gray & Company, CPAs. The purpose of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2004, are free of any material misstatement. The independent auditor concluded, based upon the audit, that there was

reasonable basis for rendering an unqualified opinion that the City of Deltona's financial statements for the fiscal year ended September 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The CAFR is presented in four sections: Introductory, Financial, Statistical and Other Reports. The introductory section includes a transmittal letter, certificate of achievement, organizational chart and list of the City's principal officials. This transmittal letter presents a brief overview of the City's structure and services, a discussion assessing the City's financial condition as well as City awards and acknowledgement indicative of the quality of the City's financial management and controls.

The financial section includes the Management's Discussion and Analysis (MD&A), the basic financial statements, combining statements and supplemental information as well as the independent auditor's report on the financial statements and schedules. GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A provides an excellent overview of the City's financial data, assets, liabilities, program revenues, and expenses, along with comparative data for the preceding fiscal year. The City's MD&A can be found in the financial section (starting on page3) following the independent auditor's report.

THE CITY

The City of Deltona, Florida was incorporated in 1995. The City 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 City is governed by its Charter and by 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 provides a full range of municipal services including law enforcement and fire/rescue protection; solid waste management; stormwater management; the construction and maintenance of roads related to infrastructure; development services; parks and recreational facilities and activities; and general administrative services. New this fiscal year, the City began providing water and sewer service and reuse water for irrigation.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit 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. 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 within each fund. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

THE REPORTING ENTITY

The financial statements of 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. Component units are legally separate entities for which the primary government is financially accountable. Currently, there are no entities outside the primary government that meet the definition of a component unit of the City.

FINANCIAL CONDITION OF THE CITY

The information presented in the financial statements is best understood when considered from the broader perspective of the environment in which the City operates. Financial condition reflects the City's existing and future resources and claims on those resources. Information useful in assessing financial condition includes a summary of the local economy, current and planned Major Initiatives, pension trust funds, risk management policies, debt policy and administration, and cash management policies and practices.

Local Economy

The City of Deltona, Florida is approximately 46 square miles in size and is located in the southwest corner of Volusia County, in the east central part of the Florida Peninsula. Deltona is situated along the Interstate 4 corridor approximately 25 miles northeast of Orlando and approximately 25 miles southwest of Daytona Beach. The City started as a planned community by the Deltona Corporation in 1962, with 36,000 building sites targeted at retirees. It remained unincorporated until 1995 when, through a referendum election, residents chose to organize as a City. The City's operation began on December 31, 1995, and over 80,000 residents of all ages now call Deltona home.

Since its creation, Deltona has been a haven for young and old alike relocating from colder states and other more congested areas of Florida. 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 City currently enjoys a favorable economic environment and local indicators point to continued stability. 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. Employment figures for the area have been favorable. Volusia County had an unemployment rate of 4.8% in September 2004 as compared to the statewide rate of 4.9% and the national rate of 5.7%.

The regional economy has flourished and with it the City continues to experience high levels of building activity and increased population growth. The City's land use is almost entirely residential and over 2/3rd built out. New construction of single-family residential housing has averaged nearly 1,300 homes annually over the last three years, accompanied by a 31% increase in population since 2000. Along with the increase in population, the City continues to see a rise in the estimated actual value of real property and has an increasing growth rate as indicated by an approximate growth of 12% from 2003 to 2004, 10% from 2002 to 2003 and 7% from 2001 to 2002.

While residents enjoy the quiet suburban lifestyle of this community and public sentiment is to maintain and preserve its residential character, the City's largely residential make-up and continued growth presents a significant challenge for the City government, with respect to all aspects of service delivery and diversity in the upcoming years.

Major Initiatives

For the Year: The City's staff, following specific directives of the City Commission and City Manager, has been involved in a variety of projects throughout the year. These projects reflect the City's commitment to ensuring that its citizens are able to live in an enviable environment.

- In October 2002, the City Commission approved a contract to design and construct a Sports Complex on 54 acres of land adjacent to Dewey O. Boster Park. The new facilities were opened in the spring of 2004 and have been much used and enjoyed by the citizens of the City.
- In November 2003, the City acquired a water and sewer utility through the issuance of \$81,725,000 of Utility System Revenue Bonds, Series 2003, for the acquisition of and capital improvement to the utility system. The City immediately assumed responsibility for general operations and began providing water and sewer service and reuse water for irrigation to its citizens. The City initially contracted with Florida Water Service for the provision of billing and customer service to utility customers but took over the responsibility for this function in May 2004.
- The City began administration of the State Housing Initiatives Partnership (SHIP) Program July 1, 2001. Previously, the City's allocation was administered through an interlocal agreement with the County. The City's current allocation is approximately \$600,000 annually. SHIP funding can be used for housing down payment assistance, rehabilitation, emergency repair and construction. The City awarded \$362,000 and \$162,000 in grant funds under this program in its second and third years of operation.
- The City was awarded two Transportation Outreach Program (TOP) grants from the State of Florida to assist with the preliminary design and engineering of improvements to our collector roads. The road projects include: Fort Smith Boulevard from Elkcam to 415; Fort Smith from Courtland to Elkcam; Normandy Boulevard from Saxon to Fort Smith; Normandy Boulevard from Saxon to Firwood; and Courtland Boulevard from Fort Smith to Howland. The projects are currently in final design phase and work will be continuing through the next fiscal year.
- The City's road-resurfacing program continued with over \$2,700,000 expended in the current fiscal year.
- The City continued its sidewalk construction program with approximately \$345,000 expended in the current fiscal year and an additional \$420,000 committed at the end of the fiscal year.
- In July 2003, the City Commission approved the development order of the Interstate 4/State Road 472 area wide development of regional impact (DRI), for the portion of the DRI located within the incorporated jurisdiction of the City of Deltona, consisting of office, commercial and industrial land uses on 967 acres. The City designated \$750,000 of General fund reserves for economic development issues that may arise from the approval of this development order.

For the Future: The City Commission and the City Manager continue to develop a vision for the City's future. The plan looks to both respond to the needs of the community, while at the same time meeting these needs in the most cost effective and efficient manner. The following items are planned for the next fiscal year and beyond.

- Planning for growth and the resulting increase in public safety requirements by appropriating \$2,000,000 as partial funding for construction of a new sheriff's facility and \$500,000 for partial funding of a planned 5th fire station.
- Increase public safety through the addition of three new police personnel through the City's contract with Volusia County and three new positions for the Fire/Rescue Department.
- The City Commission has placed emphasis on improvement and development of park facilities. With this in mind, the City will continue to pursue funding available for such projects through application for various financial assistance programs. Current development projects include the addition of a concession stand at Vann Park, consideration of alternatives for the development of the Community Center, addition of an aquatic feature at Wes Crile Park, and construction of the Whipple Nature Park and the Neighborhood Dog Park.
- The City has \$500,000 appropriated to continue its sidewalk construction program for an additional ten miles in the next fiscal year.
- The City has \$1,000,000 appropriated to continue its road resurfacing program in the next fiscal year.
- The City is committed to investing in capital improvements to the newly acquired water/sewer utility and has appropriated over \$6 million for several capital projects during the next fiscal year.
- The City will continue its Capital Equipment Replacement Program by annually funding depreciation on capital equipment. What this provides the City in years to come is a stable source of designated funds to finance new capital equipment purchases without seeing sharp rises or drops in annual expenditures. This year's funding was \$1,128,000.
- The City set aside \$2,000,000 for participation in the development of the West Volusia Cultural and Corporate Training Complex. This is a large scale project with Daytona Beach Community College as the project leader and Volusia County, Deltona, Orange City, and the Chamber of Commerce of West Volusia as participants, among others. It is a \$23.7 million project to build a projected 140,000 square-foot center in Orange City for activities as diverse as art exhibits, concerts, graduations and large business training seminars.

The items presented above represent the major projects and activities for which action has been taken or funding has been earmarked. The City is moving expeditiously to ensure that needed infrastructure and services will be available as new growth occurs. The past, present and future goal is to provide services and public facilities that meet the expectations of the community at an affordable price. The projects and activities completed, nearing completion, or planned, as evidenced by the lists shown above, will meet that goal, both today and tomorrow.

Pension Trust Funds

The City maintains a single-employer, defined contribution pension plan for its general employees in which the City contributes 10% of each participant's base earnings. An outside party administers the plan; with investments being self-directed by the individual employee amongst the investment options available under the plan. The plan has a five-year graduated vesting schedule granted in 20% increments starting after the attainment of one year of service, with automatic 100% vesting at age 55.

The City maintains a single-employer, defined benefit pension plan for all its firefighters under the provision of Chapter 175, Florida Statutes. Members vest after 10 years of creditable service and earn a rate of 3% annually toward retirement. Administration of the plan is through a five-member board. City management and the pension board closely monitor the future costs of the plan. The annual actuarial valuation continues to reflect a positive trend in the funding of the plan and recommendations of the plan actuary are carefully considered. The City takes appropriate measure to ensure the financial soundness of the plan and State law requires that actuarially required contributions be made annually.

Risk Management

The City has exposure to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. Management has established risk management techniques to reasonably ensure that the City's employees are aware of their responsibilities regarding loss exposures related to their duties. In a similar manner, risk control techniques have been established to reduce possible losses to property owned by the City. Furthermore, supervisory personnel are held responsible for monitoring risk control techniques on an operational level.

To cover itself against exposure to various risks of loss, the City is a member of a local government liability risk pool with approximately 50 local government agency members within the state of Florida. The pool absorbs losses up to a specified amount annually and 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 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.

Debt Policy and Administration

Through voter referendum, the City's Charter was amended on November 2001 concerning bonding and contracting authority. The original Charter restricted the issuance of revenue bonds or lease purchase contracts for the purchase of real property or the construction of capital improvements to a term limit of 36 months and an amount not to exceed \$15 million, unless authorized by voter election. The revised Charter requires the City Commission to adopt a formal debt policy by ordinance. On December 2, 2002, the City Commission adopted Ordinance 26-2002 providing a debt policy of the City.

The City's debt policy provides a general framework of guidance for debt issuance and debt management, while providing flexibility to permit the City to take advantage of market opportunities and to respond to changing conditions without jeopardizing essential public services. The Charter and State law require that general obligation debt or debt pledging property taxes (ad valorem revenue) will only be issued after an affirmative vote of the electors of the City. However, the City Commission can authorize and issue revenue bonds pledging non ad valorem revenues, consistent with the City's debt policy.

In November 2003, the City issued Utility System Revenue Bonds, Series 2003, of \$81,725,000 for the acquisition of and capital improvements to the water and sewer utility. At September 30, 2004, the City had no general obligation debt outstanding.

Cash Management Policies and Practices

The City maintains a pooled cash and investment fund for substantially all City deposits and investments. This gives the City the ability to invest large amounts of idle cash for short periods of time and to maximize earning potential. The City's investment policy places the highest priority on the safety of principal and maintenance of adequate liquidity to meet certain needs, with the optimization of investment returns being secondary to the requirements for safety and liquidity.

As of November 7, 2003, \$17,500,000 of the funds obtained from the City's issuance of \$81,725,000 City of Deltona, Florida Utility System Revenue bonds, Series 2003, were specifically set aside for capital improvements to the acquired utility system. The City entered into a guaranteed investment contract with Citigroup Financial Products, Inc. (CFPI) for the investment of these funds. The agreement with CFPI restricts eligible collateral to (1) any bond or other obligations which as to principal and interest constitute direct general obligations of, or are unconditionally guaranteed by, the United States of America; (2) obligations of Government National Mortgage Association, U.S. Federal National Mortgage Association or Federal Home Loan Mortgage Corporation.

Other cash that was temporarily idle during the year was invested in the State of Florida Local Government Surplus Funds Trust Fund Investment Pool and money market funds carrying the highest credit quality rating. An automatic sweep investment service is maintained on the City's operating account. The sweep allows all daily business transaction to be settled against an AAA rated institutional money market account so that excess funds held for operations are continually invested.

OTHER INFORMATION

Independent Audit

Florida Statutes require that an annual audit of each local government entity's accounts and records be conducted by an independent certified public accountant. The certified public accounting firm of Purvis, Gray & Company, CPAs have conducted the audit and issued their report, which can be found on pages 1-2 in the financial section of this report. The audit was also designed to meet the requirements of Government Auditing Standards, OMB Circular A-133 and Chapter 10.550 Rules of the Auditor General. The auditor's reports related to Government Auditing Standards are included in the other reports section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (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, 2003. This was the fourth consecutive year that the City has received this prestigious award. We are pleased to continue to achieve this distinction. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, which conforms to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

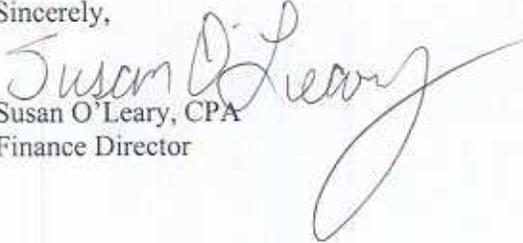
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report represents countless hours of work and could not have been accomplished without the dedicated efforts of the employees of the Finance & Internal Services Department. They have my sincere appreciation for their contributions, as well as the audit team from Purvis Gray & Company and all those individuals who assisted in this effort.

In closing, I would like to acknowledge the City Manager, Mayor and City Commissioners for their leadership, support and assistance in planning and conducting the financial operations of the City in a responsible and progressive manner.

Sincerely,

A handwritten signature in cursive script that reads "Susan O'Leary". The signature is written in black ink and is positioned to the right of the typed name.

Susan O'Leary, 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, 2003

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.



Nancy L. Zielle

President

Jeffrey R. Emer

Executive Director

Organization Chart



Citizens of Deltona

City Commission

Various Appointed
Boards & Committees

City Manager's Office
Fritz Behring, City Manager
(386) 561-2100, Ext. 3106

City Attorney
L. Roland Blossom
(386) 561-2100, Ext. 3107

City Clerk's Office
Faith G. Miller, MMC
(386) 561-2100, Ext. 3110

Human Resources
Clyde Perry
(386) 561-2100, Ext. 3125

Finance & Internal Services
Susan O'Leary, CPA
(386) 561-2100, Ext. 3125

Development Services
Robert Nix, AICP
(386) 561-2100, Ext. 3201

Enforcement Services
Dale Baker
(386) 561-2100, Ext. 3232

Construction Services
Cyrus Butts
(386) 561-2100, Ext. 3218

Law Enforcement
Contractual
(386) 860-7030 Non-Emergency Line

Engineering Services
Contractual

Fire / Rescue Department
Frank Ennist
(386) 575-0309

Public Works
Glenn Kerns
(386) 561-2100

Parks & Recreation
Chris A. Wilsman, PPRP
(407) 302-5205

Deltona Water
Dave Denny
(386) 561-2222

**CITY OF DELTONA, FLORIDA
PRINCIPAL OFFICIALS**

ELECTED OFFICIALS

Mayor-----	John Masiarczyk
Vice Mayor/Commissioner, District 1-----	Lucille Wheatley
Commissioner, District 2-----	David Santiago
Commissioner, District 3-----	Michele McFall
Commissioner, District 4-----	William S. Harvey
Commissioner, District 5-----	Charles DeZaruba
Commissioner, District 6-----	Douglas S. Horn

OTHER OFFICIALS

City Manager-----	Fritz A. Behring
City Attorney-----	L. Roland Blossom
City Clerk-----	Faith G. Miller
Finance Director-----	Susan O'Leary
Human Resources Director-----	Clyde Perry
Development Services Director-----	Robert Nix
Enforcement Services Director-----	Dale Baker
Fire Chief-----	Frank Ennist
Public Works Director-----	Glenn Kerns
Parks & Recreation Director-----	Chris Wilsman
Utilities Director-----	Dave Denny

Financial Section

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

We have audited the accompanying financial statements of governmental activities, 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, 2004, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City as of September 30, 2004, and the respective changes in financial position, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 4, 2005, on our consideration of the City of Deltona, Florida's compliance and on internal control over financial reporting based on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (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
1727 2nd Street • Sarasota, Florida 34236 • (941) 365-3774 • FAX (941) 365-0238

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)

The Management's Discussion and Analysis and the major fund budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by Governmental Auditing Standards Board (GASB). We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively form the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules and statistical tables listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining and individual nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements and in our opinion this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

February 4, 2005
Ocala, Florida

Durvis, Gray and Company

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, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i of the Introductory Section of this report and the City's financial statements beginning on page 15.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$117,564,537 (*net assets*). Of this amount, \$16,198,850 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$3,514,366, or 3.08 percent, in comparison to the prior year.
- Total revenues increased \$16,758,986, or 47.8 percent in comparison to the prior year.
- Total expenses increased \$19,474,246, or 67.6 percent in comparison to the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,751,411, a decrease of \$3,832,198 in comparison with the prior year. Approximately 50% is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$5,583,649 or 21.55% of total General Fund expenditures.
- The City had no general obligation debt during the current or prior fiscal year.

Overview of the Financial Statements

The 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) notes to the financial statements, and 3) fund 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 revenue and expenses and shows how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported in a manner similar to the approach used by a private-sector in that, revenues are recognized when earned, established criteria are satisfied, and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period. Expenses are recorded even though they may not have used cash during the current period.

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 general government, public safety, physical environment, transportation, culture and recreation and economic environment. The business-type activities of the City include the water and sewer utility. Solid waste management is provided by an independent contractor.

The City's government-wide financial statements can be found on pages 15-17 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 or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, Proprietary Funds, and Fiduciary Funds.

Governmental Funds

Governmental fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances. These statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis, and for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled as the fund balance, and generally indicates the amount that can be used to finance the next fiscal years activities. The Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds reports only those revenues and expenditures that were collected or paid during the current period or shortly after the end of the year.

For the most part, the balances and activities accounted for in the governmental funds are also reported in the governmental activities columns of the government-wide financial statements. However, because of the difference in accounting basis used to prepare fund financial statements and government-wide financial statements, there are often significant differences between the totals presented. For this reason, there is an analysis after the balance sheet that reconciles the total fund balances to the amount of net assets presented in the governmental activities column on the Statement of Net Assets. Also, there is an analysis after the Statement of Revenues, Expenditures, and Changes in Fund Balances that reconciles the total change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities column in the Statement of Activities.

The City presents in separate columns funds that are most significant to the City (major funds) and all other governmental funds are aggregated and reported in a single column (non-major funds).

The City's governmental fund financial statements are presented on pages 18-24 of this report.

Proprietary Funds

Proprietary Fund financial statements consist of a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets and Statement of Cash Flows. These statements are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. For financial reporting purposes, Proprietary Funds are grouped into Enterprise Funds and Internal Service Funds.

Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its water and sewer utility.

Proprietary Fund financial statements provide the same type of information as the government-wide financial statements; in more detail. The Proprietary Fund financial statements provide separate information for the City only Enterprise Fund, which is Water and Sewer.

The Proprietary Fund Financial Statements can be found on pages 25-29 of this report.

Fiduciary Funds

Fiduciary Fund financial statements consist of a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. Assets held by the City for other parties, either as a trustee or as an agent, and that cannot be used to finance the City's own operating programs are reported in the Fiduciary Funds. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds. In addition, the City reports Pension Trust Funds.

The Fiduciary Fund financial statements can be found on pages 30-31 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to 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 32-47 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 progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 49-53 of this report.

Combining statements for 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 54-64 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$117,564,537 at the close of the most recent fiscal year.

The following schedule is a summary of the Statement of Net Assets found on page 15 of this report.

City of Deltona's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	27,854,082	24,191,938	28,705,540	-	56,559,622	24,191,938
Capital assets, net of depreciation	95,648,664	94,936,779	58,747,483	-	154,396,147	94,936,779
Total assets	123,502,746	119,128,717	87,453,023	-	210,955,769	119,128,717
Current and other liabilities	6,749,718	4,608,329	2,986,784	-	9,736,502	4,608,329
Long-term liabilities	574,869	470,217	83,079,861	-	83,654,730	470,217
Total liabilities	7,324,587	5,078,546	86,066,645	-	93,391,232	5,078,546
Net Assets:						
Investment in capital assets net of related debt	95,648,664	94,936,779	(3,589,804)	-	92,058,860	94,936,779
Restricted	7,636,213	9,780,380	1,670,614	-	9,306,827	9,780,380
Unrestricted	12,893,282	9,333,012	3,305,568	-	16,198,850	9,333,012
Total net assets	116,178,159	114,050,171	1,386,378	-	117,564,537	114,050,171

The overall position of the City improved in both the 2004 and 2003 fiscal years. Changes in net assets over time can be one of the best and most useful indicators of financial position. The total net assets of the City increased by \$3,514,366, or approximately 3.1%, from \$114 million in 2003 to \$117 million in 2004. Net assets of both the governmental and business-type activities increased primarily as a result of operations. Business-type activities reflect the addition of the water and sewer utility during FY03/04.

A significant portion of the City's net assets (78%) reflect its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these 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.

An additional portion of the City's net assets (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$16,198,850) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all three categories of net assets for both governmental activities and for 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/sewer utility.

The following is a summary of the information presented in the Statement of Activities found on pages 16-17 of this report:

City of Deltona's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for services	6,533,651	6,317,539	9,762,388	-	16,296,039	6,317,539
Operating grants and contributions	5,625,081	427,917	-	-	5,625,081	427,917
Capital grants and contributions	4,550,222	6,395,670	642,214	-	5,192,436	6,395,670
General Revenues:						
Property taxes	7,334,228	6,626,383	-	-	7,334,228	6,626,383
Franchise fees	2,815,567	2,717,374	-	-	2,815,567	2,717,374
Other taxes	6,411,966	6,298,994	-	-	6,411,966	6,298,994
State Shared Revenues	5,841,122	5,721,785	-	-	5,841,122	5,721,785
Other	636,727	532,561	1,644,042	-	2,280,769	532,561
Total Revenues	39,748,564	35,038,223	12,048,644	-	51,797,208	35,038,223
Expenses:						
Governmental Activities:						
General government	6,163,917	5,142,033	-	-	6,163,917	5,142,033
Public safety	11,116,849	9,459,870	-	-	11,116,849	9,459,870
Physical environment	5,484,689	5,845,114	-	-	5,484,689	5,845,114
Transportation	12,251,123	6,567,642	-	-	12,251,123	6,567,642
Culture & recreation	2,442,211	1,431,971	-	-	2,442,211	1,431,971
Economic environment	161,787	361,966	-	-	161,787	361,966
Business-type Activities:						
Water and sewer	-	-	10,662,266	-	10,662,266	-
Total Expenses	37,620,576	28,808,596	10,662,266	-	48,282,842	28,808,596
Change in Net Assets	2,127,988	6,229,627	1,386,378	-	3,514,366	6,229,627
Net Assets-beginning of year	114,050,171	107,820,545	-	-	114,050,171	107,820,545
Net Assets-end of year	116,178,159	114,050,172	1,386,378	-	117,564,537	114,050,172

Governmental Activities

Governmental activities increased the City's net assets by \$2,127,988, accounting for 61% of the total growth in the net assets of the City. The following section provides details regarding the increase in net assets through comparison of the change in revenue and expenditures between the current and prior fiscal years.

Operating grants and contributions received by the City increased in 2004 by \$5,197,164 from 2003. The majority of this change was caused by the recording of expected reimbursements from FEMA of

\$5,352,953 for hurricane-related damages. However, this increase in grant revenue was offset by a corresponding increase in transportation expenditures for hurricane-related debris removal.

Capital grants and contributions decreased by \$1,845,448 from 2003, a 28.9% decline. This change is a result of a \$335,918 decrease in TOP Grants, a \$371,000 decrease in various park project grants, and a \$1,130,366 decrease in land sales proceeds.

General government expenses increased by \$1,021,884. Personal service costs increased by \$846,894 and are reflective of the planned growth in staff needed to keep pace with the overall growth of the City. Insurance increased by \$58,355, repairs & maintenance by \$49,713, and contractual & professional services by \$98,429. The increase in personal service costs included approximately \$57,000 of hurricane-related overtime.

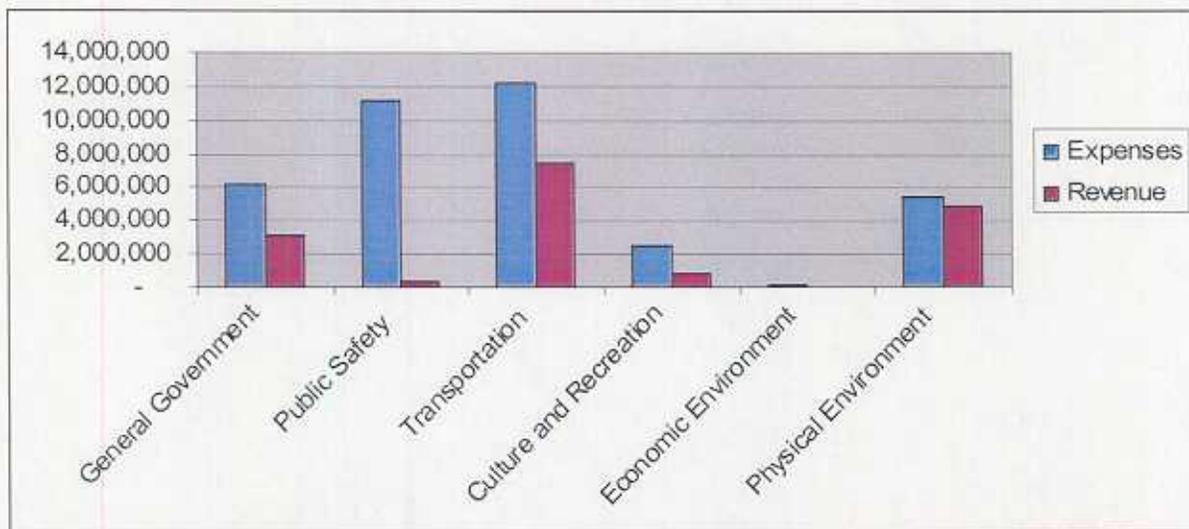
Public Safety expenses increased by \$1,656,979 in 2004. The cost of the law enforcement contract with Volusia County increased by \$971,616 which includes the addition of three law enforcement personnel. Personal service costs increased by \$665,373 and are reflective of the planned growth in staff needed to keep pace with the overall growth of the City. Depreciation expense increased by \$55,463. The increase in personal service costs included approximately \$55,000 of hurricane-related overtime.

Transportation expenses increased by \$5,683,481. The City incurred hurricane-related debris removal costs of \$5,133,369. Personal service costs increased by \$80,788, sidewalk expenses increased by \$115,177, and the remainder of the increase was attributable to depreciation expense. Most of the increase in personal service costs is attributable to hurricane-related overtime.

Culture & recreation expenses increased by \$1,010,240. Most of the increase was caused by increased personal service costs of \$232,757 with the remainder being attributable to depreciation expense.

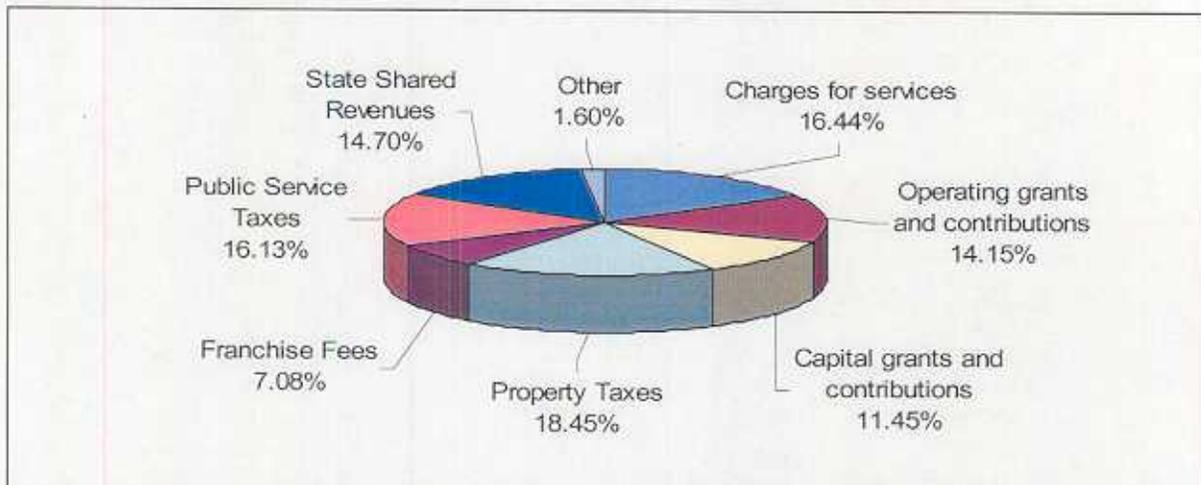
The following chart compares expenses with program revenues for the City's governmental activities:

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

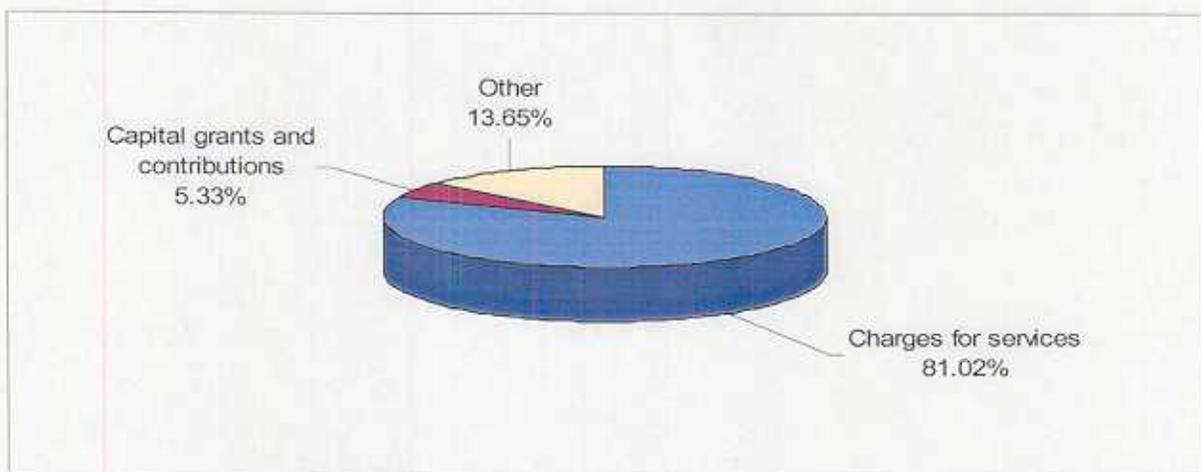


Business-type Activities

Business-type activities increased the City's net assets by \$1,386,378 accounting for 39% of the total growth in the City's net assets. The City had no business-type activities in the prior fiscal year. The business-type activities for the current fiscal year are a result of water and sewer utility acquisition and operations.

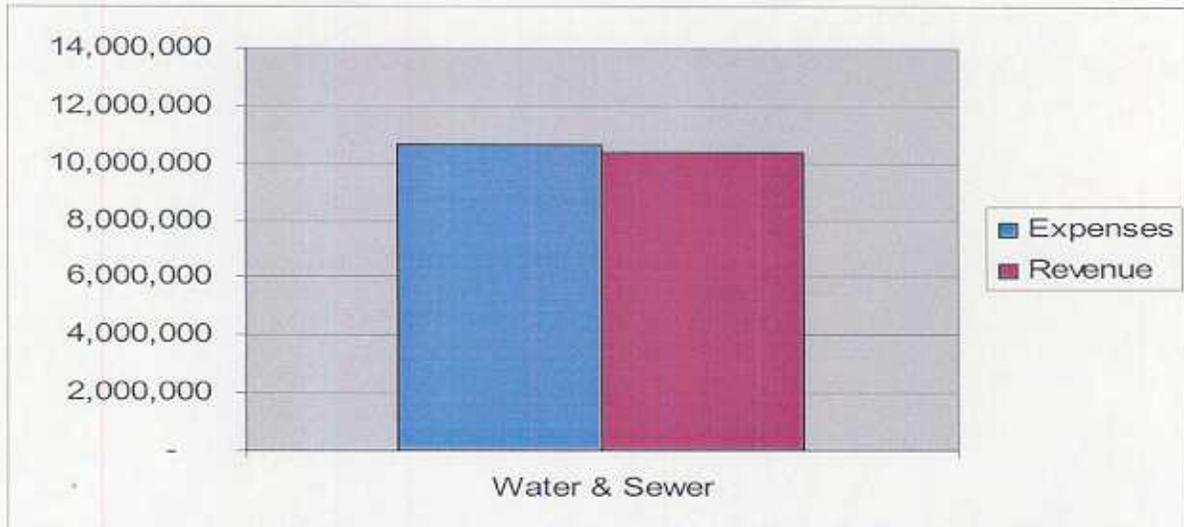
The following graph shows the composition of revenues for the City's business-type activities:

Revenues by Source – Business-type Activities



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

Expenses and Program Revenues – 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 fund financial statements for the governmental funds are provided on pages 18-24. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,751,411, a decrease of \$3,832,198 in comparison with the prior year. Approximately 49% of this amount (\$7,666,371) constitutes unreserved fund balance, which is available for spending at the City's discretion; subject to budgetary constraints. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and for purchase orders of the prior period including general encumbrances (\$448,827), road and street expenditures (\$4,844,528) and capital projects (\$2,791,685).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the entire General Fund balance (\$5,583,649) was unreserved. As a measure of the General Fund's liquidity, it is useful to compare unreserved fund balance and total fund balance to total fund expenditures. In both instances, this represents 21.6% of total General Fund expenditures.

Revenues and transfer in for the City's General Fund increased by \$1,332,569 over the prior year. While revenues increased so did expenditures and transfers out by \$2,054,135. Key factors for the revenue increase are:

The City's millage rate for the current year remained the same as the prior year at 4.198 mills but property tax revenue (ad valorem revenue) increased by \$707,845, a 10.7% jump. This increase is the result of a rise in assessed values and the addition of new property through construction.

Franchise fees increased by \$98,193, Public Service tax increased by \$112,972, State Revenue Sharing increased by \$169,364, Intergovernmental revenues decreased by \$47,591, Charges For Services increased by \$164,170, Fines and Forfeitures decreased by \$71,630, and Interest Income decreased by \$67,373.

Miscellaneous income increased by \$266,619. Most of this increase is attributed to a \$190,000 reimbursement of bond issue costs paid by the General Fund on behalf of Deltona Water plus a \$20,485 increase in recycling proceeds.

Key factors for the expenditure and other financing uses increases are:

General Government expenditures increased by \$950,736. Personal service costs increased by \$742,242 and are reflective of the planned growth in staff needed to keep pace with the overall growth of the City. Insurance expense increased by \$58,355, repairs & maintenance by \$49,713, and contractual & professional services by \$98,429. The increase in personal service costs included approximately \$57,000 of hurricane-related overtime.

Public Safety expenditures increased by \$1,601,516 in 2004. The cost of the law enforcement contract with Volusia County increased by \$971,616 which includes the addition of three new law enforcement personnel. Personal service costs increased by \$665,373 and is reflective of the planned growth in staff needed to keep pace with the overall growth of the City. The increase in personal service costs included approximately \$55,000 of hurricane-related overtime.

Transportation expenditures increased by \$5,320,675. The City incurred hurricane-related debris removal costs of \$5,133,369. Personal service costs increased by \$80,788 and sidewalk expenditures increased by \$115,177. Most of the increase in personal service costs is attributable to hurricane-related overtime.

Culture & recreation expenditures increased by \$208,334. Most of the increase was caused by increased personal service costs.

Capital outlay expenditures decreased by \$427,126.

Transfer out decreased by \$5,600,000 for the current year. This decrease was from the reduction of transfers to the Stormwater Fund.

The Local Option Gas Tax Fund accounts for the revenue from the City's share of the six-cent and five-cent option tax on fuel. The City's allocation of the tax revenue is based on an interlocal agreement with the County of Volusia. This fund has a total fund balance of \$4,844,528. The net decrease in fund balance for the year was \$1,644,851 which represents budgeted expenditures for road resurfacing and capital improvement projects including \$2,763,700 for road resurfacing and nearly \$1 million for the Courtland Boulevard, Fort Smith Boulevard and Normandy Boulevard road projects.

Proprietary Funds

The fund financial statements for the City's Proprietary Funds provide essentially the same type of information found in the government-wide financial statements, but in more detail. The City's only Proprietary Fund is the water and sewer utility which was acquired during fiscal year ending 2004. Therefore, there is no comparison with prior year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$1,048,750 and are summarized as follows:

\$5,150,000 increase for hurricane debris removal related expenditures.

\$6,200,000 decrease in transfers to stormwater fund.

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, 2004 is \$154,396,147 (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 utility). The total increase (additions less retirements and depreciation) in the City's investment in capital assets was \$59,459,368; an increase of 62.63%. This consisted of a 0.75% increase for governmental activities and a 61.88% increase for business-type activities. The increase from business-type activities was due to the acquisition of the water and sewer utility and constituted \$58,747,483 of the total increase in the City's investment in capital assets.

City of Deltona's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	4,826,210	4,503,532	1,638,527	-	6,464,737	4,503,532
Infrastructure Right of Way	4,372,500	4,372,500	-	-	4,372,500	4,372,500
Construction in Progress	1,638,199	6,064,989	270,350	-	1,908,549	6,064,989
Buildings & Improvements	37,888,427	31,718,666	2,285,177	-	40,173,604	31,718,666
Machinery & Equipment	4,285,946	4,438,531	3,807,176	-	8,093,122	4,438,531
Infrastructure	42,637,382	43,838,561	50,746,253	-	93,383,635	43,838,561
Total	95,648,664	94,936,779	58,747,483	-	154,396,147	94,936,779

Additional information on the City's capital assets can be found in note 4 on pages 39-40 of this report.

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$81,225,000. This entire amount represents bonds secured solely by specified revenue sources; specifically, revenue bonds related to the acquisition of the water and sewer utility. The City has no other bonds outstanding and has no loans payable.

City of Deltona's Bonded Debt and Loans Payable

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General Obligations Bonds	-	-	-	-	-	-
Special Obligations Bonds	-	-	-	-	-	-
Revenue Bonds	-	-	81,225,000	-	81,225,000	-
Total Bonds	-	-	81,225,000	-	81,225,000	-
Loans Payable	-	-	-	-	-	-
Total Bonds and Loans	-	-	81,225,000	-	81,225,000	-

The bond ratings reflect that the City's bonds have the characteristics of strong investment quality as shown below:

	Standard & Poor's	Moody's Investors Service	Fitch Ratings
Water and Sewer Revenue Bond	AAA	Aaa	AAA

Additional information on the City's long-term debt can be found in note 7 on pages 41-42 of this report.

Economic Factors and Next Year's Budget and Rates

The unemployment rate at the end of fiscal year 2004 for Volusia County was 4.8 % and remains unchanged from the previous year. However, when compared to the State of Florida as a whole, the unemployment rate for Volusia County is lower. The following is a summary of the applicable unemployment rates for Volusia County, the State of Florida, United States:

Region Name	Current Year 9/2004	Previous Year 9/2003
Volusia County	4.8%	5.1%
State of Florida	4.9%	5.5%
United States	5.7%	5.8%

The tax base for the City is composed of real property, personal property and centrally assessed property. The taxable value of such property increased 7.38% over the previous year.

The City's population increased 4.87% from 76,332 in 2003 to 80,054 in 2004.

The General Fund property tax millage was not changed for the 2004-05 fiscal year and remains at 4.198 mills. The General Fund's property tax millage rate has remained at 4.198 mills since the City's incorporation in 1995.

The City's stormwater assessments were increased from \$30 to \$60 per ERU (Equivalent Residential Unit) for all developed parcels and from \$17 to \$34 for undeveloped parcels.

Solid Waste assessments increased from \$108 per year to \$120 per year.

The City relies on information provided by the state in forecasting many revenue streams.

During the current fiscal year, unreserved General Fund balance for governmental activities was reported at \$5,583,649. The following offsets were considered when developing the budget for 2004-2005.

Budgeted Unreserved Fund Balance	\$8,106,482
Less: Designated	\$3,000,000
Working Capital/Reserves	\$5,000,000
Eligible for appropriation in 2004-2005 budget	\$ 106,482

In past years, the City set aside \$5,000,000 of reserve funds to be utilized in the event of a natural disaster, economic slowdown or other unforeseen situation. A portion of this reserve was used during fiscal year 2003-2004 to cover hurricane-related expenditures.

Requests for Information

The financial report is designed to provide a general overview of the City of Deltona, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Office of the Finance Director, City of Deltona, 2345 Providence Blvd., Deltona, Florida 32725. You can also access our website at www.ci.deltona.fl.us.

CITY OF DELTONA, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

Assets	Governmental Activities	Business-Type Activities	Total
Cash and Investments	\$ 19,494,839	\$ 25,121,914	\$ 44,616,753
Receivables (Net)	991,247	613,503	1,604,750
Due from Other Governments	7,362,606	-	7,362,606
Prepaid Items	5,390	-	5,390
Inventory	-	147,583	147,583
Other Assets	-	2,822,540	2,822,540
Capital Assets:			
Assets Not Being Depreciated	10,836,909	1,908,877	12,745,786
Assets Being Depreciated	133,808,585	58,789,590	192,598,175
(Accumulated Deprecation)	(48,996,830)	(1,950,984)	(50,947,814)
Total Assets	<u>123,502,746</u>	<u>87,453,023</u>	<u>210,955,769</u>
Liabilities			
Accounts Payable	4,014,970	450,953	4,465,923
Accrued Liabilities	549,845	2,042,784	2,592,629
Contracts/Retainage Payable	299,183	-	299,183
Deposits	134,208	493,047	627,255
Due to Other Governments	95,130	-	95,130
Deferred Revenue	1,656,382	-	1,656,382
Long-term Liabilities:			
Due Within One Year	344,921	525,444	870,365
Due in More Than One Year	229,948	82,554,417	82,784,365
Total Liabilities	<u>7,324,587</u>	<u>86,066,645</u>	<u>93,391,232</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	95,648,664	(3,589,804)	92,058,860
Restricted for:			
Road and Street Expenditures	4,844,528	-	4,844,528
Capital Projects	2,791,685	1,170,614	3,962,299
Debt Service	-	500,000	500,000
Unrestricted	12,893,282	3,305,568	16,198,850
Total Net Assets	<u>\$ 116,178,159</u>	<u>\$ 1,386,378</u>	<u>\$ 117,564,537</u>

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

**CITY OF DELTONA, FLORIDA
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2004**

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 6,163,917	\$ 2,927,245	\$ 153,485	\$ -
Public Safety	11,116,849	291,199	105,475	-
Transportation	12,251,123	-	5,352,953	2,158,941
Culture/Recreation	2,442,211	129,146	-	752,076
Economic Environment	161,787	-	-	-
Physical Environment	5,484,689	3,186,061	13,168	1,639,205
Total Governmental Activities	<u>37,620,576</u>	<u>6,533,651</u>	<u>5,625,081</u>	<u>4,550,222</u>
Business-Type Activities				
Water and Sewer Utility	10,662,266	9,762,388	-	642,214
Total Business-Type Activities	<u>\$ 10,662,266</u>	<u>\$ 9,762,388</u>	<u>-</u>	<u>\$ 642,214</u>

General Revenues:

Taxes:

Property Taxes

Franchise Fees

Public Service Tax

State Shared Revenues

Grants and Contributions - Nonprogram Specific

Investment Income

Miscellaneous

Total General Revenues, Special Items and Transfers

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

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

Net (Expense) Revenue and Change in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (3,083,187)	\$ -	\$ (3,083,187)
(10,720,175)	-	(10,720,175)
(4,739,229)	-	(4,739,229)
(1,560,989)	-	(1,560,989)
(161,787)	-	(161,787)
(646,255)	-	(646,255)
<u>(20,911,622)</u>	<u>-</u>	<u>(20,911,622)</u>
-	(257,664)	(257,664)
-	(257,664)	(257,664)
7,334,228	-	7,334,228
2,815,567	-	2,815,567
6,411,966	-	6,411,966
5,841,122	-	5,841,122
160,013	463,551	623,564
476,714	1,180,491	1,657,205
<u>23,039,610</u>	<u>1,644,042</u>	<u>24,683,652</u>
2,127,988	1,386,378	3,514,366
114,050,171	-	114,050,171
<u>\$ 116,178,159</u>	<u>\$ 1,386,378</u>	<u>\$ 117,564,537</u>

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

**CITY OF DELTONA, FLORIDA
BALANCE SHEET
ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004**

	<u>General Fund</u>	<u>Stormwater Utility Fund</u>	<u>State Housing Initiatives Partnership</u>
Assets			
Cash and Investments	\$ 7,336,346	\$ 2,484,792	\$ 1,657,861
Receivables (Net)	976,589	7,500	
Due from Other Funds	23,751		
Due from Other Governments	6,487,002	49,987	
Prepaid Items	5,390		
Total Assets	<u>14,829,078</u>	<u>2,542,279</u>	<u>1,657,861</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	3,143,802	286,789	5,979
Accrued Liabilities	514,836	33,424	
Contracts/Retainage Payable		122,180	
Due to Other Governments	95,130		
Deposits	134,208		
Deferred Revenues	5,357,453		1,651,882
Total Liabilities	<u>9,245,429</u>	<u>442,393</u>	<u>1,657,861</u>
Fund Balances			
Reserved for:			
Road and Street Expenditures			
Capital Projects			
Encumbrances		448,827	
Unreserved:			
Undesignated	5,583,649	1,651,059	
Total Fund Balances	<u>5,583,649</u>	<u>2,099,886</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 14,829,078</u>	<u>\$ 2,542,279</u>	<u>\$ 1,657,861</u>

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

Local Option Gas Tax Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,700,208	\$ 3,315,632	\$ 19,494,839
	7,158	991,247
		23,751
355,997	445,869	7,338,855
		5,390
<u>5,056,205</u>	<u>3,768,659</u>	<u>27,854,082</u>
34,674	543,726	4,014,970
	1,585	549,845
177,003		299,183
		95,130
		134,208
		7,009,335
<u>211,677</u>	<u>545,311</u>	<u>12,102,671</u>
4,844,528		4,844,528
	2,791,685	2,791,685
		448,827
	431,663	7,666,371
<u>4,844,528</u>	<u>3,223,348</u>	<u>15,751,411</u>
<u>\$ 5,056,205</u>	<u>\$ 3,768,659</u>	<u>\$ 27,854,082</u>

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

CITY OF DELTONA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2004

Total Fund Balances of Governmental Funds	\$ 15,751,411
Amounts Reported for Governmental Activities in the Statement of 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 \$144,645,494 and the accumulated depreciation is \$48,996,830.	95,648,664
Deferred revenue in the governmental funds is recognized in the statement of activities which carries to fund balance in the statement of net assets.	5,352,953
Long-term liabilities are not due and payable in the current period and accordingly are not reported as in the governmental funds. Long-term liabilities at the year-end consist of:	
Compensated Absences	<u>(574,869)</u>
Total Net Assets of Governmental Activities	<u><u>\$ 116,178,159</u></u>

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

This page intentionally left blank

CITY OF DELTONA, FLORIDA
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004

	General Fund	Stormwater Utility Fund	State Housing Initiatives Partnership
Revenues			
Property Taxes	\$ 7,334,228	-	-
Franchise Fees	2,815,567	-	-
Public Service Tax	6,411,966	-	-
State Revenue Sharing	1,956,265	-	-
Intergovernmental	3,887,293	13,168	153,485
Charges for Services	3,075,506	1,080,009	-
Fines and Forfeitures	258,376	-	-
Impact Fees	-	-	-
Interest Income	71,569	11,383	8,302
Miscellaneous	422,711	-	-
Total Revenues	<u>26,233,481</u>	<u>1,104,560</u>	<u>161,787</u>
Expenditures			
Current:			
General Government	5,685,004	-	-
Public Safety	10,687,423	-	-
Transportation	7,146,004	-	-
Culture/Recreation	1,462,220	-	-
Economic Environment	-	-	161,787
Physical Environment	-	1,216,238	-
Capital Outlay	924,101	1,760,852	-
(Total Expenditures)	<u>(25,904,752)</u>	<u>(2,977,090)</u>	<u>(161,787)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>328,729</u>	<u>(1,872,530)</u>	<u>-</u>
Other Financing Sources (Uses)			
Transfers in	-	3,900,000	-
Transfers out	(3,900,000)	-	-
Total Other Financing (Uses) Sources	<u>(3,900,000)</u>	<u>3,900,000</u>	<u>-</u>
Net Change in Fund Balances	(3,571,271)	2,027,470	-
Fund Balances, Beginning of Year	<u>9,154,920</u>	<u>72,416</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 5,583,649</u>	<u>\$ 2,099,886</u>	<u>-</u>

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

Local Option Gas Tax Fund	Other Governmental Funds	Total Governmental Funds
-	-	\$ 7,334,228
-	-	2,815,567
-	-	6,411,966
-	-	1,956,265
2,153,415	476,569	6,683,930
-	3,265,701	7,421,216
-	-	258,376
-	755,063	755,063
39,481	29,278	160,013
-	176,276	598,987
<u>2,192,896</u>	<u>4,702,887</u>	<u>34,395,611</u>
-	4,760	5,689,764
-	-	10,687,423
211,298	73,552	7,430,854
-	-	1,462,220
-	-	161,787
-	3,522,538	4,738,776
<u>3,626,449</u>	<u>1,745,583</u>	<u>8,056,985</u>
<u>(3,837,747)</u>	<u>(5,346,433)</u>	<u>(38,227,809)</u>
<u>(1,644,851)</u>	<u>(643,546)</u>	<u>(3,832,198)</u>
-	1,115,000	5,015,000
-	(1,115,000)	(5,015,000)
-	-	-
<u>(1,644,851)</u>	<u>(643,546)</u>	<u>(3,832,198)</u>
<u>6,489,379</u>	<u>3,866,894</u>	<u>19,583,609</u>
<u>\$ 4,844,528</u>	<u>\$ 3,223,348</u>	<u>\$ 15,751,411</u>

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

CITY OF DELTONA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (3,832,198)

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Governmental funds report capital purchases as expenditure. 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 \$4,990,164 less net book value of disposals of \$2,925 exceeded depreciation expense of \$4,275,354. 711,885

Revenue not available in the governmental funds is deferred. However, in the statement of activities, this criteria is not relevant and therefore the revenue is recognized. 5,352,953

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

Compensated Absences (104,652)

Change in Net Assets of Governmental Activities \$ 2,127,988

**CITY OF DELTONA, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2004**

	<u>Business-Type Activities Water and Sewer Utility Fund</u>
Assets	
Current Assets	
Cash	\$ 3,133,062
Restricted Assets Available for Current Liabilities	2,940,610
Accounts Receivable (Net)	613,503
Inventory	147,583
Total Current Assets	<u>6,834,758</u>
Non Current Assets	
Restricted Assets	
Sinking Fund - Cash with Fiscal Agent	2,447,563
Renewal and Replacement Account	528,400
Bond Construction Account	17,877,628
Customer Deposits	493,047
Water Impact Fees	633,314
Sewer Impact Fees	8,900
Less: Portion Classified as Current	(2,940,610)
Total Restricted Assets	<u>19,048,242</u>
Capital Assets	
Land	1,638,527
Improvements Other Than Buildings	52,125,563
Buildings	2,338,774
Equipment	4,325,253
Construction in Progress	270,350
(Accumulated Depreciation)	(1,950,984)
Total Capital Assets - Cost Less Depreciation	<u>58,747,483</u>
Other Assets	
Bond Issue Costs (Net)	2,822,540
Total Non Current Assets	<u>80,618,265</u>
Total Assets	<u>\$ 87,453,023</u>

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

**CITY OF DELTONA, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2004
(Concluded)**

	<u>Business-Type Activities Water and Sewer Utility Fund</u>
Liabilities and Fund Equity	
Current Liabilities Payable from Current Assets:	
Accounts and Retainages Payable	\$ 450,953
Accrued Expenses	95,221
Compensated Absences - Current Portion	25,444
Total Current Liabilities Payable from Current Assets	<u>571,618</u>
Current Liabilities Payable from Restricted Assets	
Deposits	493,047
Accrued Interest Payable	1,947,563
Revenue Bonds Payable - Current Portion	500,000
Total Current Liabilities Payable from Restricted Assets	<u>2,940,610</u>
Long-term Liabilities	
Revenue Bonds Payable - Long-term Portion	81,225,000
Unamortized Bond Premium	1,312,455
Compensated Absences - Long-term Portion	16,962
Total Long-term Liabilities	<u>82,554,417</u>
Total Liabilities and Fund Equity	<u>86,066,645</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	(3,589,804)
Reserved for Current Year Impact Fees	642,214
Reserved for Debt Service	500,000
Reserved for Renewal and Replacement	528,400
Unreserved	3,305,568
Total Net Assets	<u>\$ 1,386,378</u>

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

CITY OF DELTONA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Business-Type Activities
	Water and Sewer Utility Fund
Operating Revenues	
Charges for Services - Water	\$ 6,511,194
Charges for Services - Waste Water	3,251,194
Connection Fees	818,632
Other Miscellaneous Revenues	361,859
Total Operating Revenues	10,942,879
Operating Expenses	
Personal Services	1,823,063
Operating Expenses	2,423,113
Professional Services	718,050
Depreciation	1,950,983
Insurance	119,116
Bad Debts	59,437
(Total Operating Expenses)	(7,093,762)
Operating Income	3,849,117
Nonoperating Revenues (Expenses)	
Interest Earnings	463,551
Capital Contributions - Water	633,314
Capital Contributions - Waste Water	8,900
Interest Expense and Issue Costs	(3,568,504)
Total Nonoperating (Expenses)	(2,462,739)
Change in Net Assets	1,386,378
Net Assets:	
Beginning of Year	-
End of Year	\$ 1,386,378

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

**CITY OF DELTONA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Business-Type Activities</u> <u>Water and Sewer System Fund</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 10,762,988
Cash Payments to Suppliers for Goods and Services	(2,956,909)
Cash Payments for Employee Services	(1,685,436)
Net Cash Provided by (Used in) Operating Activities	<u>6,120,643</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(60,698,467)
Purchase of Investments	(17,877,628)
Utility Revenue Bond Proceeds:	
Face Amount of Bonds	81,725,000
Premium on Bonds	1,357,712
Accrued Interest on Bonds	54,099
Bond Issue Costs	(2,919,869)
Interest Paid on Revenue Bonds	(1,622,969)
Proceeds from Capital Contributions	642,214
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>660,092</u>
Cash Flows from Investing Activities	
Interest	463,551
Net Increase (Decrease) in Cash and Cash Equivalents	7,244,286
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,244,286</u>

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

CITY OF DELTONA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
(Concluded)

	<u>Business-Type Activities</u> <u>Water and Sewer System Fund</u>
<u>Reconciliation of Cash and Cash Equivalents to Balance Sheet</u>	
Total Unrestricted Cash and Investments Per the Balance Sheet	\$ 3,133,062
Total Restricted Cash and Investments Per the Balance Sheet	21,988,852
Total Cash and Investments	<u>25,121,914</u>
Less Investments not Meeting the Definition of Cash Equivalents	<u>(17,877,628)</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,244,286</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>	
Operating Income (Loss)	\$ 3,849,117
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Used in Operating Activities:	
Depreciation	1,950,983
Provision for Uncollectible Accounts	59,439
(Increase) Decrease in Assets:	
Accounts Receivable	(672,940)
Inventories	(147,583)
Increase (Decrease) in Liabilities:	
Accounts Payable	450,953
Utility Deposits	493,047
Accrued Expenses	<u>137,627</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 6,120,643</u>

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

CITY OF DELTONA, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
SEPTEMBER 30, 2004

	<u>Employee Retirement Funds</u>
Assets	
Cash and Investments	<u>\$ 6,767,057</u>
Liabilities	
Accounts Payable	9,210
Due to Other Funds	<u>23,751</u>
Total Liabilities	32,961
Net Assets	
Reserved for Employees' Pension Benefits	<u><u>\$ 6,734,096</u></u>

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

CITY OF DELTONA, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Employee Retirement Funds</u>
Additions	
Contributions:	
Employer	\$ 891,350
State of Florida	153,983
Employee	183,587
Total Contributions	<u>1,228,920</u>
Investment Income	598,910
(Less) Investment Management Fees	<u>(21,815)</u>
Net Investment Income	<u>577,095</u>
Total Additions	<u>1,806,015</u>
Deductions	
Benefit Payments	24,856
Refunds to Employees	74,561
Administration	32,279
Forfeitures	29,153
(Total Deductions)	<u>(160,849)</u>
Net Increase	<u>1,645,166</u>
Net Assets Reserved for Employees' Pension Benefits:	
Beginning of Year	<u>5,088,930</u>
End of Year	<u>\$ 6,734,096</u>

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

**CITY OF DELTONA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS**

Note 1 - Description of Funds and Summary of Significant Accounting Policies

The financial statements of the City of Deltona (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the reporting year ended September 30, 2004, the City has implemented GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Significant City accounting policies are described below.

Reporting Entity

Through a referendum election held September 7, 1995, citizens of the County of Volusia, Florida, residing in the prescribed boundaries known as Deltona, voted to incorporate the City. The City's operations began on December 31, 1995. The City is a political subdivision of the State of Florida located in the County of Volusia, Florida. The legislative branch of the City is composed of a seven-member elected City Commission (the Commission), including a city-wide elected Mayor. The City is governed by its Charter (House Bill 1515) and by state and local laws and regulations. The Commission is responsible for the establishment and adoption of policy. The execution of such policy resides with the City Manager, appointed by the Commission.

These financial statements present all those separately administered departments, funds and account groups of the City. The City has no component units, entities that meet the criteria for inclusion within the financial reporting entity of the City.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Fund Financial Statements

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

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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF DELTONA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

Fund Financial Statements

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 of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty 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 so have been recognized as revenues of 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 government.

The City operates the following major governmental funds:

- **General Fund** - is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Stormwater Fund** - accounts for the fiscal activity relating to fees for 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 and funds budgeted, received or generated by the City under its Local Housing Assistance Plan.
- **Local Option Gas Tax 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 improvement 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.
- **Special Revenue Funds** - account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

CITY OF DELTONA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

Fund Financial Statements (Concluded)

Additionally, the City reports the following nonmajor fund types:

- **Capital Projects Funds** - account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.
- **Pension Trust 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. The pension trust funds account for the assets of the City's employees' pension plans.

The City operated the following major enterprise funds:

- **Water and Sewer Utility Fund** - to account for the acquisition and operation of the City owned Water and Sewer utility operations.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet or statement of plan net assets. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g. expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A 60 to 90 day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is increased. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

CITY OF DELTONA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Concluded)

Basis of Accounting (Concluded)

All major revenue, except property taxes and licenses, are considered measurable and available and, as such, susceptible to accrual.

Proprietary Funds

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Based on the accounting and reporting standards set forth in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has opted to apply only the accounting and reporting pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, for business-type activities and enterprise funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund is charged to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to generally use restricted resources first, and then unrestricted resources, as they are needed for their intended purposes, however, this decision is frequently made on a case-by-case basis based upon facts and circumstances.

Summary of Significant Accounting Policies

The City conforms all significant accounting policies to GAAP applicable to governmental units. The following is a summary of the more significant principles and practices used in the preparation of these financial statements.

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31. Interest earnings on the City's cash and investment pool are allocated based on each funds' proportionate ownership of the cash and investment pool's fund equity.

Water and Sewer Revenues and Receivables

Water and sewer charges are recognized when billed. The water and sewer system uses the allowance method of bad debt recognition. Receivables of \$613,503 are shown net of an allowance for doubtful accounts at September 30, 2004. There was no concentration of credit risk at September 30, 2004.

CITY OF DELTONA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 1 - Description of Funds and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Short-term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between funds for goods provided or services rendered. These are classified as "Interfund Balances." Other interfund transactions that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "Interfund balance receivables/payables."

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities columns in the government-wide financial statements. Property, plant, and equipment with initial, individual costs that equal or exceed \$750 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs equal or exceed \$25,000 and possess estimated useful lives of more than one year.

Capital assets used in governmental fund types of the City are recorded at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Expenditures for repair and maintenance are expensed when incurred. Additions and improvements that increase the useful lives of the assets are capitalized.

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

	<u>Useful Lives</u>
Buildings	10-40 Years
Improvements Other Than Buildings	15-50 Years
Equipment	3-40 Years
Infrastructure	15-50 Years

Compensated Absences

In governmental fund financial statements, the amount of compensated absences associated with employee vacations that are recorded as expenditures represent the amounts accrued during the year that would normally be liquidated with available spendable resources. The amount of compensated absences associated with employee sick leave is based on the historical annual trend of adjusted sick leave payments made at retirement. Accordingly, only the amount of the compensated absence liability that would normally be liquidated with expendable available resources in the next fiscal year is reflected in the fund financial statements of governmental funds. In the government-wide financial statements, all governmental fund compensated absences are recorded and split between the current and noncurrent portions.

CITY OF DELTONA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 1 - Description of Funds and Summary of Significant Accounting Policies (Concluded)

Summary of Significant Accounting Policies (Concluded)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities in the statement of net assets.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Property Taxes

Under state law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the county property appraiser and tax collector. The laws of the state regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The City's current millage is 4.198 mills.

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.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets, as required by state statutes, 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 enacted through City Commission resolution.

CITY OF DELTONA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 2 - Stewardship, Compliance, and Accountability (Concluded)

Budgetary Information (Concluded)

The budget is prepared and adopted by fund, function, department and division. The City Manager may make transfers of appropriations within a department within each fund. Transfers of appropriations between departments require the approval of the City Commission. Therefore, the legal level of budgetary control is the department level within each fund. The City Commission made supplemental budgetary appropriations throughout the year.

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.

Inventory

Inventory is composed of material and supplies on hand for the water and sewer utility fund.

Note 3 - Cash and Investments

The City, for accounting and investment purposes, maintains a pooled cash and investment fund for substantially all City deposits and investments. This gives the City the ability to invest large amounts of idle cash for short periods of time and to maximize earning potential.

The City's investment policy is established by local resolution and is governed by state statutes. 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; direct obligations of the U.S. Treasury, and Federal agencies and instrumentalities.

The LGSF Pool is not a registrant with the Securities and Exchange Commission; however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund. In accordance with these requirements, the method used to determine participants' shares sold and redeemed is the amortized cost method which approximates market value.

Investments made by the City are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1 - Insured or registered, or securities held by the City or its agent in the City's name;
- Category 2 - Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the City's name;
- Category 3 - Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the City's name.

CITY OF DELTONA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 3 - Cash and Investments (Concluded)

	<u>Category</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Firefighters Pension Trust Fund				
Stock and Bond Mutual Funds	\$ -	\$ -	\$ 5,091,180	\$ 5,091,180
General Employees' Pension Trust				
Stock and Bond Mutual Funds	-	-	1,675,877	1,675,877
Subtotal	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,767,057</u>	<u>\$ 6,767,057</u>
State Board of Administration of Florida				
Local Government Pooled Investment Account				\$ 2,049,197
Guaranteed Investment Contract				17,877,628
Total Investments				26,693,882
Cash Deposits				24,689,928
Total Cash and Investments				<u>\$ 51,383,810</u>

Shown in the accompanying combined balance sheet as follows:

Entity-wide - Cash and Investments	\$ 44,616,753
Fiduciary Funds - Cash and Investments	6,767,057
Total	<u>\$ 51,383,810</u>

Note 4 - Capital Assets

A summary of changes in fixed assets is shown below:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 4,503,532	\$ 322,678	\$ -	\$ 4,826,210
Infrastructure Right of Way	4,372,500	-	-	4,372,500
Construction in Progress	6,064,989	3,014,538	(7,441,328)	1,638,199
Total Capital Assets Not Being Depreciated	<u>14,941,021</u>	<u>3,337,216</u>	<u>(7,441,328)</u>	<u>10,836,909</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	37,043,409	7,836,501	-	44,879,910
Machinery and Equipment	11,655,490	908,247	(204,750)	12,358,987
Infrastructure (Road and Streets)	76,220,160	349,528	-	76,569,688
Total Capital Assets Being Depreciated	<u>124,919,059</u>	<u>9,094,276</u>	<u>(204,750)</u>	<u>133,808,585</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(5,324,743)	(1,666,741)	-	(6,991,484)
Machinery and Equipment	(7,216,959)	(1,057,907)	201,825	(8,073,041)
Infrastructure (Roads and Streets)	(32,381,599)	(1,550,706)	-	(33,932,305)
Total Accumulated Depreciation	<u>(44,923,301)</u>	<u>(4,275,354)</u>	<u>201,825</u>	<u>(48,996,830)</u>
Total Being Depreciated, Net	<u>79,995,758</u>	<u>4,818,922</u>	<u>(2,925)</u>	<u>84,811,755</u>
Governmental Activities Net	<u>\$ 94,936,779</u>	<u>\$ 8,156,138</u>	<u>\$ (7,444,253)</u>	<u>\$ 95,648,664</u>

CITY OF DELTONA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 4 - Capital Assets (Concluded)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 0	\$ 1,638,527	\$ 0	\$ 1,638,527
Construction in Progress	<u>0</u>	<u>270,350</u>	<u>0</u>	<u>270,350</u>
Total Capital Assets Not Being Depreciated	<u>0</u>	<u>1,908,877</u>	<u>0</u>	<u>1,908,877</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	0	2,338,774	0	2,338,774
Improvements Other Than Buildings	0	52,125,563	0	52,125,563
Machinery and Equipment	<u>0</u>	<u>4,325,253</u>	<u>0</u>	<u>4,325,253</u>
Total Capital Assets Being Depreciated	<u>0</u>	<u>58,789,590</u>	<u>0</u>	<u>58,789,590</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	0	(53,598)	0	(53,598)
Improvements Other Than Buildings	0	(1,379,309)	0	(1,379,309)
Machinery and Equipment	<u>0</u>	<u>(518,077)</u>	<u>0</u>	<u>(518,077)</u>
Total Accumulated Depreciation	<u>0</u>	<u>(1,950,984)</u>	<u>0</u>	<u>(1,950,984)</u>
Total Being Depreciated, Net	<u>0</u>	<u>56,838,606</u>	<u>0</u>	<u>56,838,606</u>
Business-type Activities, Net	<u>\$ 0</u>	<u>\$ 58,747,483</u>	<u>\$ 0</u>	<u>\$ 58,747,483</u>
 Depreciation Expense - Governmental Activities				
General Government and Administration				\$ 366,576
Public Safety				429,426
Transportation				2,056,569
Culture and Recreation				676,870
Physical Environment				<u>745,913</u>
Total Depreciation Expense - Governmental Activities				<u>\$ 4,275,354</u>
 Depreciation Expense - Business-type Activities				
Water and Sewer Utility				<u>\$ 1,950,984</u>

CITY OF DELTONA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 5 - Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2004, is as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Employees' Pension		
General Fund	\$ 0	\$ 23,751
General Fund		
General Employees' Pension	<u>23,751</u>	<u>0</u>
Totals	<u>\$ 23,751</u>	<u>\$ 23,751</u>

The payable from the General Employees' Pension Trust Fund represents forfeitures from members that will be netted against future contributions due.

Note 6 - Operating Leases

The City leases office equipment under noncancelable operating leases. Total costs for such leases were \$11,115 for the year ended September 30, 2004. Lease payments are payable on a month-to-month basis.

Note 7 - Long-term Liabilities

During the year ended September 30, 2004, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Compensated Absences	\$ 470,217	\$ 619,784	\$ (515,132)	\$ 574,869	\$ 344,921
Business Type Activities					
Utility System Revenue Bonds, Series 2003	\$ 0	\$ 81,725,000	\$ 0	\$ 81,725,000	\$ 500,000
Add: Unamortized Premium	<u>0</u>	<u>1,312,455</u>	<u>0</u>	<u>1,312,455</u>	<u>0</u>
Subtotal	0	83,037,455	0	83,037,455	500,000
Compensated Absences	<u>0</u>	<u>64,374</u>	<u>(21,968)</u>	<u>42,406</u>	<u>25,444</u>
Total Business Type Activities	<u>\$ 0</u>	<u>\$ 83,101,829</u>	<u>\$ (21,968)</u>	<u>\$ 83,079,861</u>	<u>\$ 525,444</u>

Business-type Activity Liabilities

The following is a summary of all long-term liabilities of the proprietary funds at September 30, 2004:

CITY OF DELTONA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 7 - Long-term Liabilities (Concluded)

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, bear interest ranging from 2.00% to 5.00% (TIC 4.91%) 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.

Note 8 - 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 a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

Note 9 - 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, on October 1, 1999, the City became a member of Public Risk Management of Florida (the Pool), a local government liability risk pool. The Pool has approximately 50 local government agency members. The Pool administers activities relating to property, general liability, police professional, automobile liability, public officials liability, workers' compensation, and machinery. 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 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 cost of the insurance is allocated among the appropriate departments and funds.

There has been no significant reduction in insurance coverage from the prior year and there have been no settlements in excess of insurance coverage in any of the prior three years. There were no additional assessments levied against the City for the fiscal year ended September 30, 2004.

CITY OF DELTONA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 10 - Commitments

The City has entered into an Interlocal Agreement 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. Application for renewal should be made in writing no later than July 1, 2005. Either party can terminate the agreement without cause or further liability with 180 days written notice. The annual contractual commitment is a minimum of \$555,000 payable from the City's General Fund and Stormwater Utility Fund.

The City has entered into an Interlocal Agreement with the County of Volusia, Florida for the provision of law enforcement services within the City. The agreement term is three years ending September 30, 2007. Either party can terminate the agreement without cause or further liability with 365 days written notice. The annual contractual commitment is approximately \$6,417,486 payable from the City's General Fund.

The City provides weekly residential garbage pick-up and curbside recycling to its residents through a contract with a private company. The agreement expires December 31, 2004. Under the contract the company is compensated \$8.96 per household per month. The City has entered into a contract with another private company effective January 1, 2005. Under the terms of this 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 \$3,273,984 payable from the City's Solid Waste Management Fund.

The City has entered into a contract for asphalt paving and resurfacing of roads in an amount not to exceed of \$665,000. The contract expires April 2005 with all work for specified streets to be completed by that date. In December 2004, the City Commission approved \$335,000 for additional streets to also be completed prior to the expiration of the contract.

Note 11 - Employee Retirement Plans

City of Deltona 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.

CITY OF DELTONA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 11 - Employee Retirement Plans (Continued)

City of Deltona Firefighters' Pension Plan (Continued)

Plan Description (Concluded)

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. 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. 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 or at least 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 choose 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.

Membership

As of the actuarial valuation dated October 1, 2003, there are 54 active members in the Plan and one retiree, one disabled retiree and 2 vested terminated members.

For the fiscal year ended September 30, 2004, the City's total covered payroll for employees eligible to participate in the Plan was \$2,295,566 compared with a total payroll for the City of \$8,832,699.

Funding Policy

The Florida Constitution requires local governments to make the actuarially determined contributions. The Florida Division of Retirement reviews and approves each local governments' 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 their actuarial funding requirement for the most recently completed fiscal year.

CITY OF DELTONA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 11 - Employee Retirement Plans (Continued)

City of Deltona Firefighters' Pension Plan (Continued)

Funding Policy (Concluded)

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 offset for estimated insurance premium receipts and contributions from members. The current contribution rate for fiscal year ended September 30, 2004, is 11.84% (9.37% by the City, 2.47% by insurance premium excise tax) of annual covered payroll based on an actuarial valuation dated October 1, 2002. The City has set its actual contribution rate at 15.5% of covered payroll for 2004.

Direct costs for Plan administration are paid from Plan assets; however, City staff performs certain administrative functions free of charge.

The actuarial valuation, dated October 1, 2002, 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 as a level dollar amount from the date of inception. Assets of the plan are valued at market. Significant actuarial assumptions used include an 8% investment rate of return, salary rate increases of 3%, 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 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, 2004, the annual pension cost was \$183,861 and the amount actually contributed by the City was \$355,813 or 15.50% of covered payroll. The insurance premium tax distribution from the State for calendar year 2003 was \$153,982 or 6.7% of covered payroll. Member contributions for the year totaled \$183,587 or 8.0% of covered payroll. For the fiscal year ended September 30, 2004, the City has funded in excess of the annual required contribution (15.50% funded, 9.37% required) and continues to have a negative net pension obligation. The development of the net pension obligation to date, the annual pension cost (APC) and the percentage of APC contributed is as follows:

CITY OF DELTONA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 11 - Employee Retirement Plans (Continued)

City of Deltona Firefighters' Pension Plan (Concluded)

Annual Pension Cost (Concluded)

	September 30		
	2002	2003	2004
Actuarially Determine Contribution (A)	\$ 277,202	\$ 253,385	\$ 183,861
Interest on Net Pension Obligation (NPO)	(5,237)	(2,836)	(7,858)
Adjustment to (A)	(5,955)	0	0
Annual Pension Cost (APC) (1)	266,010	250,549	176,003
Employer Contributions Made	(284,041)	(313,324)	(355,813)
Increase in NPO	(18,031)	(62,775)	(179,810)
NPO, Beginning of Year	(17,418)	(35,449)	(98,224)
NPO, End of Year	\$ (35,449)	\$ (98,224)	\$ (278,034)
Percentage of APC Contributed	107%	125%	202%

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

City of Deltona General Employees' Pension Plan

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. As of September 30, 2004, there were 192 employees enrolled in the Plan.

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.

For the fiscal year ended September 30, 2004, the City's total covered payroll for employees eligible to participate in the Plan was \$5,355,370 compared with a total payroll for the City of \$8,832,699. The required employer contribution and the contribution actually made amounted to \$535,537 or 10% of covered payroll. No participant contributions were made for the fiscal year. Investments are reported at fair value. There have been no revisions to the Plan since its adoption.

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

CITY OF DELTONA, FLORIDA
NOTES TO FINANCIALS STATEMENTS
(Concluded)

Note 11 - Employee Retirement Plans (Concluded)

SCHEDULE OF PENSION PLAN NET ASSETS AS OF SEPTEMBER 30, 2004

	Firefighters' Pension Trust Fund	General Employees' Pension Trust Fund	Total
Assets			
Cash and Investments	\$ 5,091,180	\$ 1,675,877	\$ 6,767,057
Liabilities			
Accounts Payable	9,210	-	9,210
Due to Other Funds	-	23,751	23,751
Total Liabilities	9,210	23,751	32,961
Net Assets			
Reserved for Employees' Pension Benefits	\$ 5,081,970	\$ 1,652,126	\$ 6,734,096

SCHEDULE OF CHANGE IN PENSION PLAN NET ASSETS AS OF SEPTEMBER 30, 2004

	Firefighters' Pension Trust Fund	General Employees' Pension Trust Fund	Total
Additions			
Contributions:			
Employer	\$ 355,813	\$ 535,537	\$ 891,350
State of Florida	153,983	-	153,983
Employee	183,587	-	183,587
Total Contributions	693,383	535,537	1,228,920
Investment Income	498,114	100,796	598,910
(Less) Investment Management Fees	(21,815)	-	(21,815)
Net Investment Income	476,299	100,796	577,095
Total Additions	1,169,682	636,333	1,806,015
Deductions			
Benefit Payments	24,856	-	24,856
Refunds to Employees	21,982	52,579	74,561
Administration	26,870	5,409	32,279
Forfeitures	-	29,153	29,153
(Total Deductions)	(73,708)	(87,141)	(160,849)
Net Increase	1,095,974	549,192	1,645,166
Net Assets Reserved for Employees' Pension Benefits:			
Beginning of Year	3,985,996	1,102,934	5,088,930
End of Year	\$ 5,081,970	\$ 1,652,126	\$ 6,734,096

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 7,300,000	\$ 7,300,000	\$ 7,334,228	\$ 34,228
Franchise Fees	2,460,000	2,460,000	2,815,567	355,567
Public Service Tax	6,040,000	6,040,000	6,411,966	371,966
State Revenue Sharing	1,970,000	1,970,000	1,956,265	(13,735)
Intergovernmental Revenue	3,950,000	3,950,000	3,887,293	(62,707)
Charges for Services	2,040,000	2,040,000	3,075,506	1,035,506
Fines and Forfeitures	270,000	270,000	258,376	(11,624)
Interest Income	200,000	200,000	71,569	(128,431)
Miscellaneous	690,000	690,000	422,711	(267,289)
Total Revenues	<u>24,920,000</u>	<u>24,920,000</u>	<u>26,233,481</u>	<u>1,313,481</u>
Expenditures				
Current:				
General Government and Administration:				
City Commission	294,000	294,000	244,770	49,230
City Manager	266,000	266,000	265,039	961
City Clerk	374,000	374,000	356,460	17,540
Finance and Internal Services	1,140,000	1,014,000	1,013,175	825
Human Resources	266,000	266,000	247,173	18,827
City Attorney	376,000	436,000	435,260	740
Development Services	1,838,000	1,881,000	1,880,107	893
Enforcement Services	747,000	747,000	666,962	80,038
General Services	697,000	577,000	576,058	942
Total General Government and Administration	<u>5,998,000</u>	<u>5,855,000</u>	<u>5,685,004</u>	<u>169,996</u>
Public Safety				
Law Enforcement	6,000,000	6,000,000	5,989,399	10,601
Fire Rescue	4,464,000	4,699,000	4,698,024	976
Total Public Safety	<u>10,464,000</u>	<u>10,699,000</u>	<u>10,687,423</u>	<u>11,577</u>
Transportation				
Engineering	100,000	101,000	100,324	676
Field Operations	1,535,000	6,575,000	6,572,506	2,494
Maintenance	442,000	473,200	473,174	26
Total Transportation	<u>2,077,000</u>	<u>7,149,200</u>	<u>7,146,004</u>	<u>3,196</u>
Culture and Recreation	1,515,000	1,515,000	1,462,220	52,780
Capital Outlay	966,000	953,050	924,101	28,949
(Total Expenditures)	<u>(21,020,000)</u>	<u>(26,171,250)</u>	<u>(25,904,752)</u>	<u>266,498</u>
Excess of Revenues Over Expenditures	<u>3,900,000</u>	<u>(1,251,250)</u>	<u>328,729</u>	<u>1,579,979</u>
Other Financing Sources (Uses)				
Transfers to Other Funds	(10,100,000)	(3,900,000)	(3,900,000)	-
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	<u>(6,200,000)</u>	<u>(5,151,250)</u>	<u>(3,571,271)</u>	<u>1,579,979</u>
Fund Balance, Beginning of Year	<u>9,154,920</u>	<u>9,154,920</u>	<u>9,154,920</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,954,920</u>	<u>\$ 4,003,670</u>	<u>\$ 5,583,649</u>	<u>\$ 1,579,979</u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STORMWATER UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	-	-	\$ 13,168	\$ 13,168
Charges for Services	1,000,000	1,000,000	1,080,009	80,009
Interest Income	-	-	11,383	11,383
Total Revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,104,560</u>	<u>104,560</u>
Expenditures				
Current:				
Physical Environment	2,120,000	2,120,000	1,216,238	903,762
Capital outlay	1,800,000	1,800,000	1,760,852	39,148
(Total Expenditures)	<u>(3,920,000)</u>	<u>(3,920,000)</u>	<u>(2,977,090)</u>	<u>942,910</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(2,920,000)</u>	<u>(2,920,000)</u>	<u>(1,872,530)</u>	<u>1,047,470</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	10,100,000	3,900,000	3,900,000	-
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	7,180,000	980,000	2,027,470	1,047,470
Fund Balance, Beginning of Year	<u>72,416</u>	<u>72,416</u>	<u>72,416</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 7,252,416</u>	<u>\$ 1,052,416</u>	<u>\$ 2,099,886</u>	<u>\$ 1,047,470</u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STATE HOUSING INITIATIVE PARTNERSHIP
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental Revenue	\$ 565,000	\$ 565,000	\$ 153,485	\$ (411,515)
Interest	-	-	8,302	8,302
Total revenues	<u>565,000</u>	<u>565,000</u>	<u>161,787</u>	<u>(403,213)</u>
Expenditures				
Current:				
Physical Environment	565,000	565,000	161,787	403,213
(Total Expenditures)	<u>(565,000)</u>	<u>(565,000)</u>	<u>(161,787)</u>	<u>403,213</u>
Excess of Revenues Over Expenditures	<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>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LOCAL OPTION GAS TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 2,325,000	\$ 2,325,000	\$ 2,153,415	\$ (171,585)
Interest	25,000	25,000	39,481	14,481
Total Revenues	<u>2,350,000</u>	<u>2,350,000</u>	<u>2,192,896</u>	<u>(157,104)</u>
Expenditures				
Current:				
Transportation	210,000	210,000	211,298	(1,298)
Capital Outlay	3,500,000	5,943,560	3,626,449	2,317,111
(Total Expenditures)	<u>(3,710,000)</u>	<u>(6,153,560)</u>	<u>(3,837,747)</u>	<u>2,315,813</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(1,360,000)</u>	<u>(3,803,560)</u>	<u>(1,644,851)</u>	<u>2,158,709</u>
Fund Balance, Beginning of Year	<u>6,489,379</u>	<u>6,489,379</u>	<u>6,489,379</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,129,379</u>	<u>\$ 2,685,819</u>	<u>\$ 4,844,528</u>	<u>\$ 2,158,709</u>

**CITY OF DELTONA, FLORIDA
SCHEDULES OF FUNDING PROGRESS AND CONTRIBUTIONS
FROM EMPLOYER AND OTHERS
SEPTEMBER 30, 2004**

DEFINED BENEFIT PENSION PLAN TREND INFORMATION

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

Schedule of Contributions from Employer and Others

Year Ended September 30,	Required Contribution	Contributions Made (1)			Percentage Contributed
		Employer	State	Member	
2004	\$ 388,945	\$ 355,813	\$ 153,982	\$ 183,587	178%
2003	404,076	313,324	127,168	161,163	149%
2002	469,123	284,041	110,986	146,601	115%
2001	481,441	283,428	90,319	146,446	108%
2000	458,273	252,321	82,282	142,100	104%
1999	438,006	220,554	114,522	124,257	105%
1998	416,821	298,573	-	118,247	100%

- (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

Actuarial Valuation Date October 1,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	(1) Funded Ratio	Annual Covered Payroll
2003	\$ 3,755,476	\$ 4,433,201	\$ 677,725	85%	\$ 2,118,096
2002	3,087,572	3,984,413	896,841	77%	1,902,335
2001	2,759,881	4,564,648	1,804,767	60%	1,719,472
2000	2,169,479	3,951,371	1,781,892	55%	1,786,387
1999	1,564,060	3,365,838	1,801,778	46%	1,594,260
1998	700,000	2,509,454	1,809,454	28%	1,387,912

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

- (2) The ratio of the unfunded actuarial accrued liability to annual covered payroll.

**CITY OF DELTONA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004**

	<u>Special Revenue Funds</u>				
	<u>Streetlighting Districts</u>	<u>Fire/Rescue Service Impact Fees</u>	<u>Park Impact Fees</u>	<u>Community Development Block Grant</u>	<u>Solid Waste</u>
Assets					
Cash and Investments	\$ 22,615	\$ 283,804	\$ 123,825		\$ 676,952
Receivables					7,158
Due from Other Governments				\$ 262,069	
Total Assets	<u>22,615</u>	<u>283,804</u>	<u>123,825</u>	<u>262,069</u>	<u>684,110</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable				262,069	273,477
Accrued Liabilities					1,585
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,069</u>	<u>275,062</u>
Fund Balances					
Reserved for:					
Capital Projects		283,804	123,825		
Unreserved/Undesignated	22,615				409,048
Total Fund Balances	<u>22,615</u>	<u>283,804</u>	<u>123,825</u>	<u>-</u>	<u>409,048</u>
Total Liabilities and Fund Balances	<u>\$ 22,615</u>	<u>\$ 283,804</u>	<u>\$ 123,825</u>	<u>\$ 262,069</u>	<u>\$ 684,110</u>

<u>Capital Projects - Municipal Complex(s)</u>	<u>Capital Projects - Park Projects Fund</u>	<u>Total</u>
\$ 1,458,114	\$ 750,322	\$ 3,315,632
		7,158
	<u>183,800</u>	<u>445,869</u>
<u>1,458,114</u>	<u>934,122</u>	<u>3,768,659</u>
328	7,852	543,726
		1,585
<u>328</u>	<u>7,852</u>	<u>545,311</u>
1,457,786	926,270	2,791,685
		431,663
<u>1,457,786</u>	<u>926,270</u>	<u>3,223,348</u>
<u>\$ 1,458,114</u>	<u>\$ 934,122</u>	<u>\$ 3,768,659</u>

CITY OF DELTONA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Special Revenue Funds				
	Streetlighting Districts	Fire/Rescue Service Impact Fees	Park Impact Fees	Community Development Block Grant	Solid Waste
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ 262,069	\$ -
Special Assessments	79,640	-	-	-	3,186,061
Impact Fees	-	217,487	537,576	-	-
Interest Income	293	2,129	2,354	-	9,590
Miscellaneous	-	-	-	-	176,276
Total Revenues	<u>79,933</u>	<u>219,616</u>	<u>539,930</u>	<u>262,069</u>	<u>3,371,927</u>
Expenditures					
Current:					
General Government and Administration	-	-	-	4,760	-
Physical Environment	-	-	-	-	3,522,538
Transportation	73,552	-	-	-	-
Capital Outlay	-	25,000	-	257,309	-
(Total Expenditures)	<u>(73,552)</u>	<u>(25,000)</u>	<u>-</u>	<u>(262,069)</u>	<u>(3,522,538)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,381</u>	<u>194,616</u>	<u>539,930</u>	<u>-</u>	<u>(150,611)</u>
Other Financing Sources (Uses)					
Transfers from Other Funds	-	-	-	-	-
Transfers to Other Funds	-	(200,000)	(915,000)	-	-
Total Other Financing (Uses) Sources	<u>-</u>	<u>(200,000)</u>	<u>(915,000)</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>6,381</u>	<u>(5,384)</u>	<u>(375,070)</u>	<u>-</u>	<u>(150,611)</u>
Fund Balances, Beginning of Year	<u>16,234</u>	<u>289,188</u>	<u>498,895</u>	<u>-</u>	<u>559,659</u>
Fund Balances, End of Year	<u>\$ 22,615</u>	<u>\$ 283,804</u>	<u>\$ 123,825</u>	<u>\$ -</u>	<u>\$ 409,048</u>

Capital Projects - Municipal Complex(s)	Capital Projects - Park Projects Park Projects	Total
\$ -	\$ 214,500	\$ 476,569
-	-	3,265,701
-	-	755,063
9,825	5,087	29,278
-	-	176,276
<u>9,825</u>	<u>219,587</u>	<u>4,702,887</u>
-	-	4,760
-	-	3,522,538
-	-	73,552
98,572	1,364,702	1,745,583
<u>(98,572)</u>	<u>(1,364,702)</u>	<u>(5,346,433)</u>
<u>(88,747)</u>	<u>(1,145,115)</u>	<u>(643,546)</u>
200,000	915,000	1,115,000
-	-	(1,115,000)
<u>200,000</u>	<u>915,000</u>	<u>-</u>
111,253	(230,115)	(643,546)
<u>1,346,533</u>	<u>1,156,385</u>	<u>3,866,894</u>
<u>\$ 1,457,786</u>	<u>\$ 926,270</u>	<u>\$ 3,223,348</u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
STREETLIGHTING DISTRICTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues			
Special Assessments	\$ 79,640	\$ 80,000	\$ (360)
Interest Income	293	1,000	(707)
Total Revenues	<u>79,933</u>	<u>81,000</u>	<u>(1,067)</u>
Expenditures			
Current:			
Transportation	73,552	87,000	13,448
(Total Expenditures)	<u>(73,552)</u>	<u>(87,000)</u>	<u>13,448</u>
Excess of Revenues Over Expenditures	<u>6,381</u>	<u>(6,000)</u>	<u>12,381</u>
Fund Balance, Beginning of Year	<u>16,234</u>	<u>16,234</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 22,615</u>	<u>\$ 10,234</u>	<u>\$ 12,381</u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FIRE/RESCUE SERVICE IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues			
Impact Fees	\$ 217,487	\$ 180,000	\$ 37,487
Interest	2,129	7,000	(4,871)
Total Revenues	<u>219,616</u>	<u>187,000</u>	<u>32,616</u>
Expenditures			
Capital Outlay	25,000	25,000	-
(Total Expenditures)	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>194,616</u>	<u>162,000</u>	<u>32,616</u>
Other Financing Sources (Uses)			
Transfers to Other Funds	(200,000)	(200,000)	-
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	(5,384)	(38,000)	32,616
Fund Balance, Beginning of Year	<u>289,188</u>	<u>289,188</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 283,804</u>	<u>\$ 251,188</u>	<u>\$ 32,616</u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
PARK IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues			
Impact Fees	\$ 537,576	\$ 500,000	\$ 37,576
Interest Income	2,354	5,000	(2,646)
Total Revenues	<u>539,930</u>	<u>505,000</u>	<u>34,930</u>
(Total Expenditures)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>539,930</u>	<u>505,000</u>	<u>34,930</u>
Other Financing Sources (Uses)			
Transfers to Other Funds	<u>(915,000)</u>	<u>(915,000)</u>	<u>-</u>
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	<u>(375,070)</u>	<u>(410,000)</u>	<u>34,930</u>
Fund Balance, Beginning of Year	<u>498,895</u>	<u>498,895</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 123,825</u>	<u>\$ 88,895</u>	<u>\$ 34,930</u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 262,069	\$ 596,000	\$ (333,931)
Expenditures			
Current:			
General Government and Administration	4,760	25,000	20,240
Capital Outlay	257,309	1,467,340	1,210,031
(Total Expenditures)	<u>(262,069)</u>	<u>(1,492,340)</u>	<u>1,230,271</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>(896,340)</u>	<u>896,340</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	(896,340)	896,340
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ (896,340)</u>	<u>\$ 896,340</u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
SOLID WASTE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues			
Special Assessment	\$ 3,186,061	\$ 3,110,000	\$ 76,061
Interest Income	9,590	16,000	(6,410)
Miscellaneous	176,276	150,000	26,276
Total Revenues	<u>3,371,927</u>	<u>3,276,000</u>	<u>95,927</u>
Expenditures			
Current:			
Physical Environment	3,522,538	3,523,000	462
(Total Expenditures)	<u>(3,522,538)</u>	<u>(3,523,000)</u>	<u>462</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(150,611)</u>	<u>(247,000)</u>	<u>96,389</u>
Fund Balance, Beginning of Year	<u>559,659</u>	<u>559,659</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 409,048</u>	<u>\$ 312,659</u>	<u>\$ 96,389</u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
CAPITAL PROJECTS - MUNICIPAL COMPLEX(S) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues			
Interest	\$ 9,825	\$ 10,000	\$ (175)
Expenditures			
Capital Outlay	98,572	1,324,750	1,226,178
(Total Expenditures)	<u>(98,572)</u>	<u>(1,324,750)</u>	<u>1,226,178</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(88,747)</u>	<u>(1,314,750)</u>	<u>1,226,003</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	111,253	(1,114,750)	1,226,003
Fund Balance, Beginning of Year	<u>1,346,533</u>	<u>1,346,533</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,457,786</u>	<u>\$ 231,783</u>	<u>\$ 1,226,003</u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
CAPITAL PROJECTS - PARK PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 214,500	\$ 774,000	\$ (559,500)
Interest	5,087	1,000	4,087
Total Revenues	<u>219,587</u>	<u>775,000</u>	<u>(555,413)</u>
Expenditures			
Capital Outlay	<u>1,364,702</u>	<u>2,673,600</u>	<u>1,308,898</u>
(Total Expenditures)	<u>(1,364,702)</u>	<u>(2,673,600)</u>	<u>(1,308,898)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>1,584,289</u>	<u>3,448,600</u>	<u>753,485</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	<u>915,000</u>	<u>915,000</u>	<u>-</u>
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	2,499,289	4,363,600	(1,864,311)
Fund Balance, Beginning of Year	<u>1,156,385</u>	<u>1,156,385</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,655,674</u>	<u>\$ 5,519,985</u>	<u>\$ (1,864,311)</u>

Statistical Section

**STATISTICAL SECTION
(UNAUDITED)**

CITY OF DELTONA, FLORIDA
TABLE 1 - UNAUDITED
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

Since Incorporation
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses & Permits</u>	<u>Intergovernmental Revenue</u>	<u>Charges for Services</u>	<u>Fines & Forfeitures</u>	<u>Special Assessments</u>	<u>Impact Fees</u>	<u>Interest Income</u>	<u>Other</u>	<u>Total</u>
2004	\$ 16,562	\$ 1,925	\$ 8,640	\$ 1,151	\$ 258	\$ 4,346	\$ 755	\$ 160	\$ 599	\$ 34,396
2003	\$ 15,643	\$ 2,212	\$ 9,499	\$ 699	\$ 330	\$ 4,213	\$ 737	\$ 262	\$ 1,443	\$ 35,038
2002	\$ 13,711	\$ 1,694	\$ 7,888	\$ 83	\$ 289	\$ 4,071	\$ 582	\$ 390	\$ 885	\$ 29,593
2001	\$ 10,359	\$ 1,170	\$ 7,243	\$ 95	\$ 394	\$ 3,946	\$ 465	\$ 818	\$ 1,282	\$ 25,772
2000	\$ 9,393	\$ 751	\$ 6,383	\$ 131	\$ 226	\$ 3,849	\$ 450	\$ 967	\$ 831	\$ 22,981
1999	\$ 9,011	\$ 757	\$ 5,487	\$ 77	\$ 204	\$ 3,744	\$ 359	\$ 584	\$ 604	\$ 20,827
1998	\$ 8,956	\$ 678	\$ 5,723	\$ 92	\$ 136	\$ 3,684	\$ 397	\$ 539	\$ 379	\$ 20,584
1997	\$ 8,200	\$ 432	\$ 4,792	\$ 87	\$ 138	\$ 3,693	\$ 344	\$ 276	\$ 148	\$ 18,110

(1) Includes all Governmental Funds.

CITY OF DELTONA, FLORIDA
TABLE 2 - UNAUDITED
TAX REVENUES BY SOURCE (1)
 Since Incorporation
(amounts expressed in thousands)

Fiscal Year	Ad Valorem Tax	Franchise Fees			Public Service Tax			Total
		Electric	Cable Television	Other	Electric	Telecommunication	Gas	
2004	\$ 7,334	\$ 2,763	\$ -	\$ 53	\$ 3,271	\$ 3,047	\$ 94	\$ 16,562
2003	\$ 6,626	\$ 2,650	\$ -	\$ 68	\$ 3,398	\$ 2,811	\$ 90	\$ 15,643
2002	\$ 6,140	\$ 1,424	\$ -	\$ 4	\$ 3,349	\$ 2,715	\$ 79	\$ 13,711
2001	\$ 5,951	\$ -	\$ 315	\$ 55	\$ 2,935	\$ 1,021	\$ 82	\$ 10,359
2000	\$ 5,465	\$ -	\$ 252	\$ 90	\$ 2,815	\$ 701	\$ 70	\$ 9,393
1999	\$ 5,320	\$ -	\$ 221	\$ 8	\$ 2,799	\$ 600	\$ 63	\$ 9,011
1998	\$ 5,209	\$ -	\$ 375	\$ -	\$ 2,798	\$ 505	\$ 69	\$ 8,956
1997	\$ 5,319	\$ -	\$ -	\$ -	\$ 2,415	\$ 404	\$ 62	\$ 8,200

(1) Includes all Governmental Funds.

CITY OF DELTONA, FLORIDA
TABLE 3 - UNAUDITED
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
 Since Incorporation
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Physical Environment</u>	<u>Transportation</u>	<u>Economic Environment</u>	<u>Culture / Recreation</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
2004	\$ 5,690	\$ 10,687	\$ 4,739	\$ 7,431	\$ 162	\$ 1,462	\$ 8,057	\$ -	\$ 38,228
2003	\$ 4,748	\$ 9,086	\$ 5,169	\$ 4,693	\$ 362	\$ 1,254	\$ 10,394	\$ -	\$ 35,706
2002	\$ 3,974	\$ 7,891	\$ 4,478	\$ 2,798	\$ 233	\$ 986	\$ 7,057	\$ -	\$ 27,417
2001	\$ 3,445	\$ 7,416	\$ 3,381	\$ 2,137	\$ -	\$ 821	\$ 5,797	\$ -	\$ 22,997
2000	\$ 3,179	\$ 7,074	\$ 3,038	\$ 2,981	\$ -	\$ 816	\$ 2,465	\$ 579	\$ 20,132
1999	\$ 3,152	\$ 7,033	\$ 3,062	\$ 2,847	\$ -	\$ 707	\$ 1,348	\$ 262	\$ 18,411
1998	\$ 2,629	\$ 6,348	\$ 2,896	\$ 2,228	\$ -	\$ 673	\$ 2,193	\$ 275	\$ 17,242
1997	\$ 2,696	\$ 5,805	\$ 3,080	\$ 2,002	\$ -	\$ 668	\$ -	\$ 114	\$ 14,365

(1) Includes all Governmental Funds.

CITY OF DELTONA, FLORIDA
TABLE 4 - UNAUDITED
PROPERTY TAX LEVIES AND COLLECTIONS
 Since Incorporation
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Total Tax Collections</u>	<u>Tax Collections as a Percentage of Tax Levy</u>
2004	\$ 7,609,418	\$ 7,334,228	96.4%
2003	\$ 6,845,840	\$ 6,626,383	96.8%
2002	\$ 6,341,059	\$ 6,139,833	96.8%
2001	\$ 6,094,183	\$ 5,950,617	97.6%
2000	\$ 5,664,939	\$ 5,464,575	96.5%
1999	\$ 5,504,990	\$ 5,319,728	96.6%
1998	\$ 5,386,434	\$ 5,209,402	96.7%
1997	\$ 5,222,553	\$ 5,318,507	101.8%

CITY OF DELTONA, FLORIDA
TABLE 5 - UNAUDITED
ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY
 Since Incorporation
(amounts expressed in thousands)

Fiscal Year	Real Property		Personal Property		Total		Ratio Assessed/ Just Value	Total Taxable Value	Ratio Taxable/ Just Value
	Assessed Value	Just Value	Assessed Value	Just Value	Assessed Value	Just Value			
2004	\$ 2,415,849	\$ 2,622,765	\$ 110,081	\$ 110,081	\$ 2,525,930	\$ 2,732,846	92.4%	\$ 1,812,629	66.3%
2003	\$ 2,209,069	\$ 2,343,762	\$ 104,265	\$ 104,265	\$ 2,313,334	\$ 2,448,027	94.5%	\$ 1,630,738	66.6%
2002	\$ 2,068,642	\$ 2,133,775	\$ 101,735	\$ 101,735	\$ 2,170,377	\$ 2,235,510	97.1%	\$ 1,510,495	67.6%
2001	\$ 1,942,488	\$ 1,987,952	\$ 100,571	\$ 100,571	\$ 2,043,059	\$ 2,088,523	97.8%	\$ 1,451,687	69.5%
2000	\$ 1,827,743	\$ 1,850,171	\$ 88,246	\$ 88,246	\$ 1,915,989	\$ 1,938,417	98.8%	\$ 1,349,462	69.6%
1999	\$ 1,757,122	\$ 1,769,611	\$ 105,934	\$ 105,934	\$ 1,863,056	\$ 1,875,545	99.3%	\$ 1,311,360	69.9%
1998	\$ 1,708,300	\$ 1,716,704	\$ 107,140	\$ 107,140	\$ 1,815,440	\$ 1,823,844	99.5%	\$ 1,283,113	70.4%
1997	\$ 1,667,802	\$ 1,683,162	\$ 94,915	\$ 94,915	\$ 1,762,717	\$ 1,778,077	99.1%	\$ 1,244,073	70.0%

Source: County of Volusia Property Appraiser.

CITY OF DELTONA, FLORIDA
TABLE 6 - UNAUDITED
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 Since Incorporation
(Per \$1,000 of Assessed Taxable Value)

Fiscal Year	City of Deltona	County of Volusia	Volusia County School Board	St. Johns River Water Management District	Florida Inland Navigation District	West Volusia Hospital Authority	Total
2004	4.19800	6.60400	8.69900	0.46200	0.03850	1.80000	21.80150
2003	4.19800	6.60400	8.89900	0.46200	0.03850	1.59680	21.79830
2002	4.19800	6.60400	9.01500	0.46200	0.03850	1.59680	21.91430
2001	4.19800	6.36700	9.15800	0.47200	0.04100	1.59681	21.83281
2000	4.19800	6.37300	9.91700	0.48200	0.04400	1.56918	22.58318
1999	4.19800	6.37800	10.37600	0.48200	0.04700	1.60000	23.08100
1998	4.19800	6.38100	10.48700	0.48200	0.05000	1.87206	23.47006
1997	4.19800	6.21700	10.82100	0.48200	0.03800	1.90000	23.65600

Source: County of Volusia Property Appraiser.

CITY OF DELTONA, FLORIDA
TABLE 7 - UNAUDITED
PRINCIPAL TAXPAYERS
Fiscal Year Ended September 30, 2004

Taxpayer	Type of Business	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Florida Power Corporation	Utility	\$ 17,000,285	0.9%
Florida Power & Light Company	Utility	\$ 12,938,735	0.7%
Publix Super Markets, Inc.	Supermarket	\$ 11,357,255	0.6%
Bellsouth Telecommunication, Inc.	Utility	\$ 8,443,185	0.5%
Bright House Networks LLC	Utility	\$ 7,997,888	0.4%
Sprint Florida, Inc.	Utility	\$ 7,637,767	0.4%
Deltona Associates LTD	Property Management	\$ 6,043,477	0.3%
Tiger Partner LLC	Hospitality	\$ 4,913,384	0.3%
Storaway Self Storage Deltona		\$ 4,316,608	0.2%
Nortwood Oaks LLC		\$ 4,289,433	0.2%
All Other		\$ 1,727,691,335	95.3%
	Total	<u>\$ 1,812,629,352</u>	<u>100.0%</u>

Source: County of Volusia Property Appraiser.

CITY OF DELTONA, FLORIDA
TABLE 8 - UNAUDITED
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
Since Incorporation

Fiscal Year	Special Assessments Billed	Special Assessments Collected	Collection Ratio
2004	\$ 5,113,385	\$ 4,980,437	97.4%
2003	\$ 4,324,945	\$ 4,212,496	97.4%
2002	\$ 4,174,237	\$ 4,070,672	97.5%
2001	\$ 4,063,232	\$ 3,945,997	97.1%
2000	\$ 3,970,781	\$ 3,848,770	96.9%
1999	\$ 3,863,540	\$ 3,744,362	96.9%
1998	\$ 3,819,077	\$ 3,683,741	96.5%
1997	\$ 3,669,393	\$ 3,693,026	100.6%

CITY OF DELTONA, FLORIDA
TABLE 9 - UNAUDITED
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
September 30, 2004

<u>Taxing Authority</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Deltona</u>	<u>Amount Applicable to Deltona</u>
City of Deltona	\$ -	100%	\$ -
County of Volusia (1)	\$ -	8.38%	\$ -
Volusia County School Board (2)	<u>\$ 27,965,000</u>	8.38%	<u>\$ 2,343,467</u>
Total Direct and Overlapping Debt	<u>\$ 27,965,000</u>		<u>\$ 2,343,467</u>

(1) Source: County of Volusia Finance Department.

(2) Source: Volusia County School Board.

CITY OF DELTONA, FLORIDA
TABLE 10 - UNAUDITED
DEMOGRAPHIC STATISTICS
 Since Incorporation

Fiscal Year	Population (1)	Unemployment Rate (2)	School (3)	
			Enrollment	Attendance
2004	80,052	4.8%	15,994	96.3%
2003	76,332	5.1%	15,376	96.0%
2002	71,599	5.4%	14,920	96.6%
2001	69,543	4.3%	14,583	96.6%
2000	61,191	2.8%	14,058	96.7%
1999	59,717	3.1%	13,530	96.2%
1998	58,434	3.4%	12,845	96.0%
1997	56,148	3.9%	12,737	95.7%

(1) Source: University of Florida, Bureau of Economic Research.

(2) Source: State of Florida, Department of Labor and Employment Security

(3) Source: Volusia County School Board.

CITY OF DELTONA, FLORIDA
TABLE 11 - UNAUDITED
PROPERTY VALUE AND CONSTRUCTION
 Since Incorporation
(amounts expressed in thousands)

Fiscal Year	Estimated Actual Value of Real Property (1)						New Construction (3)	
	Residential	Commercial	Industrial	Rural Acreage	Other (2)	Total	Permits	Amount (4)
2004	\$ 2,432,279	\$ 102,608	\$ 5,134	\$ 7,336	\$ 75,408	\$ 2,622,765	5,952	\$ 160,779
2003	\$ 2,165,052	\$ 97,982	\$ 4,749	\$ 6,314	\$ 69,665	\$ 2,343,762	5,397	\$ 156,416
2002	\$ 1,957,626	\$ 98,683	\$ 3,058	\$ 6,214	\$ 68,194	\$ 2,133,775	4,755	\$ 147,758
2001	\$ 1,815,628	\$ 95,996	\$ 2,776	\$ 6,532	\$ 67,020	\$ 1,987,952	3,382	\$ 101,590
2000	\$ 1,696,247	\$ 89,211	\$ 2,588	\$ 5,632	\$ 56,492	\$ 1,850,170	3,066	\$ 72,593
1999	\$ 1,628,120	\$ 80,249	\$ 2,496	\$ 4,989	\$ 53,757	\$ 1,769,611	3,226	\$ 73,206
1998	\$ 1,586,982	\$ 74,083	\$ 2,481	\$ 4,746	\$ 48,412	\$ 1,716,704	1,903	\$ 62,315
1997	\$ 1,557,773	\$ 71,422	\$ 1,518	\$ 5,417	\$ 47,032	\$ 1,683,162	Not Available	

(1) Source: Volusia County Property Appraiser.

(2) Includes governmental, institutional, utility and other miscellaneous property.

(3) Source: City of Deltona Department of Development Services.

(4) Average price of single family residential construction

CITY OF DELTONA, FLORIDA
TABLE 12 - UNAUDITED
MICELLANEOUS STATISTICS
September 30, 2004

Date of Incorporation	December 31, 1995
Form of Government	Commission - City Manager
Number of Employees	274
Area in Square Miles	46 square miles
Miles of Streets	423.54 miles
Fire Protection:	
Number of Fire Stations	4
Number of Firefighters and Officers	51
Law Enforcement Protection	
Number of Stations	1
Number of Sworn Officers	66
Parks & Recreation	
Number of Community Parks	7
Number of Neighborhood Parks	7
Number of Urban Open Spaces	1
Number of Tot Lots	1
Number of Libraries	1
Developed Park Area	202 Acres
Undeveloped Park Area	262 Acres
Public Schools	
Elementary Schools	6
Middle Schools	3
High Schools	2

This page intentionally left blank

Other Reports

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED
STATES; THE PROVISIONS OF OFFICE OF MANAGEMENT
AND BUDGET (OMB) CIRCULAR A-133; AND THE *RULES OF
THE AUDITOR GENERAL OF THE STATE OF FLORIDA***

**CITY OF DELTONA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>
U.S. Department of Housing and Urban Development	
Community Development Block Grant	B-03-MC-12-0049
Passed Through Volusia County, Florida:	
Community Development Block Grant (2000-2001)	B00-UC-120008
Community Development Block Grant (2001-2002)	B01-UC-120008
Community Development Block Grant (2002-2003)	B02-UC-120008
Total Department of Housing and Urban Development	
Department of Homeland Security	
Assistance to Firefighters	AFG-EMW-2004-FG-21176
Passed Through Florida Department of Community Affairs:	
Public Assistance (Hurricane Disaster Relief)	05-PA-C%-06-74-02-695
Emergency Management Preparedness and Assistance	04CG-2J-06-74-330
Flood Mitigation Assistance	03FM-53-06-74-02-246
Total Department of Homeland Security	
U.S. Department of Transportation	
Highway Planning and Construction (Federal-aid Highway Program)	
Total U.S. Department of Transportation	
U.S. Department of the Interior National Park Service	
Passed Through Florida Department of Environmental Protection	
Outdoor Recreation, Acquisition, Development, and Planning - Deltona Festival	LW12-00450
Outdoor Recreation, Acquisition, Development, and Planning - Soccer Complex	LW12-00404
Total Department of Housing and Urban Development	

Total Expenditures of Federal Awards

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*.

<u>CFDA Number</u>	<u>Program or Award Amount</u>	<u>Expenses</u>
14.218	\$ 596,000	\$ 257,229
14.218	336,647	4,840
14.218	334,720	0
14.218	410,185	0
	<u>1,677,552</u>	<u>262,069</u>
97.004	51,985	0
97.036	5,112,353	5,112,353
97.042	44,670	0
97.029	50,000	13,168
	<u>5,259,008</u>	<u>5,125,521</u>
20.205	<u>240,600</u>	<u>240,600</u>
	<u>240,600</u>	<u>240,600</u>
15.916	74,000	48,180
15.916	150,000	26,000
	<u>224,000</u>	<u>74,180</u>
	<u>\$ 7,401,160</u>	<u>\$ 5,702,370</u>

**CITY OF DELTONA, FLORIDA
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2004**

<u>State Grantor/Program Title</u>	<u>Grant Number</u>
Florida Department of Environmental Protection	
Florida Recreation Development Assistance Programs:	
Wes Crile Park Improvements	F-40243
Soccer Complex	F-03457
Total Florida Department of Environmental Protection	
Florida Housing Finance Corporation	
State Housing Initiatives Partnership Program	N/A
Total Florida Housing Finance Corporation	
Florida Department of Transportation	
Transportation Outreach Program:	
Courtland Boulevard	FM 410987-1
Fort Smith Boulevard	AL035
Normandy Boulevard	FM 410985-1
Total Florida Department of Transportation	
Florida Department of Health	
Emergency Medical Services Trust Fund	EMS-03-005
Emergency Medical Services Grant	M4042
Total Florida Department of Health	
Total Expenditures of State Awards	

Note to the Schedule of Expenditures of State Financial Assistance

Basis of Presentation

The accompanying schedule of expenditures of state financial assistance is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, *Rules of the Auditor General, Local Governmental Entity Audits*.

<u>CSFA Number</u>	<u>Program or Award Amount</u>	<u>Expenses</u>
37.017	\$ 200,000	\$ 183,441
37.017	200,000	48,971
	<u>400,000</u>	<u>232,412</u>
52.901	<u>1,875,114</u>	<u>161,788</u>
	<u>1,875,114</u>	<u>161,788</u>
55.022	175,000	44,469
55.022	128,000	34,263
55.022	138,850	22,448
	<u>441,850</u>	<u>101,180</u>
64.003	23,732	23,732
64.003	105,375	0
	<u>129,107</u>	<u>23,732</u>
	<u>\$ 2,846,071</u>	<u>\$ 519,112</u>

This page intentionally left blank

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING 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 City of Deltona, Florida (the City) as of and for the year ended September 30, 2004, and have issued our report thereon dated February 4, 2005. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the City Commission in a separate letter dated February 4, 2005.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (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
1727 2nd Street • Sarasota, Florida 34236 • (941) 365-3774 • FAX (941) 365-0238

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 ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
(Concluded)**

This report is intended solely for the information and use of the City Commission, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

February 4, 2005
Ocala, Florida

Quinn, Gray and Company

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO
EACH MAJOR FEDERAL AWARDS PROGRAM AND STATE
FINANCIAL ASSISTANCE PROJECT

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* that are applicable to each of its major federal programs for the year ended September 30, 2004. The City's major federal programs and state financial assistance 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 financial assistance 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 and state financial assistance projects 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 requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (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
1727 2nd Street • Sarasota, Florida 34236 • (941) 365-3774 • FAX (941) 365-0238

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 ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO
EACH MAJOR FEDERAL AWARDS PROGRAM AND STATE
FINANCIAL ASSISTANCE PROJECT
(Concluded)**

Internal Control Over Compliance

The 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. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state financial assistance project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program or state financial assistance project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the basic financial statements of the City. As of and for the year ended September 30, 2004, and have issued our report dated February 4, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Commission, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

February 4, 2005
Ocala, Florida

Quinn, Gray and Company

**CITY OF DELTONA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL
AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS**

1. **Summary of Audit Results**

I. **Type of Audit Report Issued on Basic Financial Statements**

Unqualified Opinion

II. **Reportable Conditions and/or Material Weaknesses in Internal Control**

Audit disclosed no instances of reportable conditions in internal control or reportable conditions which were material weaknesses in internal control.

III. **Noncompliance Material to Auditee Financial Statements**

Audit disclosed no material instances of noncompliance.

IV. **Reportable Conditions and/or Material Weaknesses in Internal Control Over the Major Program**

Audit disclosed no instances of reportable conditions in internal control over the major program or reportable conditions which were material weaknesses in internal control over the major program.

V. **Type of Audit Report Issued on Compliance with Requirements Applicable to the Major Program**

Unqualified Opinion

VI. **Audit Findings Relative to Major Federal Awards and State Financial Assistance Projects**

The audit disclosed no findings required to be reported under Section .510(a) of OMB Circular A-133.

VII. **Programs/Projects Tested as Major Programs/Projects**

■ **Federal Program**

U.S. Department of Homeland Security, Passed Through the Florida Department of Community Affairs:

Public Assistance Grant—CFDA No. 97.036

■ **State Project**

Florida Department of Environmental Protection:

Florida Recreation Development Assistance Program—CFSA No. 37.017

Florida Department of Transportation:

Transportation Outreach Program—CFSA No. 55.022

CITY OF DELTONA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL
AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
(Concluded)

1. **Summary of Audit Results (Concluded)**

VIII. **Dollar Threshold Used to Distinguish Between Type A and Type B Programs**

\$300,000

IX. **Auditee Qualification as Low-risk Auditee for Federal Award Programs**

The auditee qualifies as a low-risk auditee per criteria set forth in Section .530 of OMB Circular A-133.

2. **Findings Related to the Financial Statements Required to be Reported Under GAGAS**

The audit disclosed no findings which are required to be reported under GAGAS.

3. **Findings and Questioned Costs for Federal Awards Required to be Reported Under Section .510(a) of OMB Circular A-133**

The audit disclosed no findings which are required to be reported.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS IN
ACCORDANCE WITH OMB CIRCULAR A-133
CITY OF DELTONA, FLORIDA**

1. **Status of Prior Audit Findings**

There were no audit findings reported in our prior year's audit schedule of findings and questioned costs.

**CORRECTIVE ACTION PLAN IN
ACCORDANCE WITH OMB CIRCULAR A-133
CITY OF DELTONA, FLORIDA**

1. **Corrective Action Planned for Current Year Audit Findings**

There are no current year audit findings included in the current year's schedule of findings and questioned costs.

MANAGEMENT LETTER

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

We have audited the financial statements of the City of Deltona, Florida (the City) as of and for the fiscal year ended September 30, 2004, and have issued our report thereon dated February 4, 2005.

We have issued our independent auditors' report on compliance and on internal control over financial reporting dated February 4, 2005. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida, and require that certain items be addressed in this letter.

The *Rules of the Auditor General* [Section 10.554(1)(h)1.] require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no such matters disclosed in the preceding audit report. All prior year recommendations have been addressed by the City.

The *Rules of the Auditor General* [Section 10.554(1)(h)2.] require that we determine whether the City complied with Section 218.415, Florida Statutes, regarding investment of public funds. Our audit disclosed a matter requiring comment as outlined in Section 218.415, Florida Statutes. See Management Letter Comments dated February 4, 2005 - Investment Policy.

The *Rules of the Auditor General* [Section 10.554(1)(h)3.] require that we comment as to whether we have any recommendations to improve the City's financial management, accounting procedures, and internal controls. The recommendation made in the preceding audit report has been addressed by the City of Deltona, Florida. Please see current year Management Letter Comments dated February 4, 2005.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (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
1727 2nd Street • Sarasota, Florida 34236 • (941) 365-3774 • FAX (941) 365-0238

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)

The *Rules of the Auditor General* [Sections 10.554(1)(h)4(a), (b), and (c)] require disclosure in the management letter of the following matters that are not clearly inconsequential, considering both quantitative and qualitative factors, including the following: violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered in the scope of the audit; illegal or improper expenditures discovered within the scope of the audit that may or may not materially affect the financial statements; deficiencies in internal control that are not reportable conditions, including, but not limited to improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, and defalcations and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no such items.

The *Rules of the Auditor General* [Section 10.554(1)(h)5.] also require that the name or official title and legal authority for the government be disclosed in the management letter, unless disclosed in the notes to the financial statements (see note 1 to the financial statements).

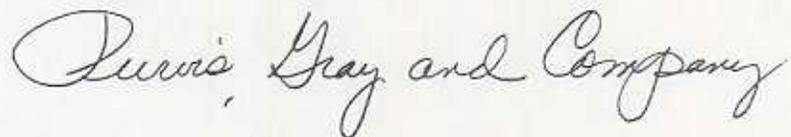
As required by the *Rules of the Auditor General* [Section 10.554(1)(h)6.(a)], the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the City is not in a state of financial emergency as a consequence of the conditions described by Section 218.503(1), Florida Statutes.

As required by the *Rules of the Auditor General* [Section 10.554(1)(h)6.(b)], we determined that the financial report for the City for the fiscal year ended September 30, 2004, filed with the Department of Banking and Finance 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, 2004.

As required by the *Rules of the Auditor General* [Section 10.554(1)(h)6.(c)1.], we have applied the financial condition assessment procedures pursuant to Rules 10.556(8).

This management letter is intended solely for the information and use of the City Commissioners, management, and the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

February 4, 2005
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, 2004, 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 February 4, 2005, on the basic financial statements of the City. Our comments are summarized as follows:

Current Year Recommendations

■ **Water and Sewer System**

During the November of 2003, the City acquired the local water and wastewater facilities of the Florida Water Corporation representing the City's first venture into the utility industry. A major part of the assimilation of this large new activity into the City involves utility billing and collecting for approximately 35,000 water customers and approximately 6,000 wastewater customers on a monthly basis. This is a relatively complex function involving both micro and macro administrative oversight and monitoring. We offer the following comments and recommendations to help strengthen internal and administrative controls over the water and wastewater billing and collecting process and overall financial management of the fund:

• **Billing Adjustments**

During the course of operations it is often necessary to adjust customer accounts for meter misreads or other similar issues. This is done by preparing a billing adjustment to credit the affected customer's account. Our review of the billing adjustment process indicates that the City has appropriately limited the ability to prepare such adjustments to supervisory personnel; however, there is currently no independent review and approval process for this function. We recommend that someone other than the preparer formally approve all billing adjustments.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (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
1727 2nd Street • Sarasota, Florida 34236 • (941) 365-3774 • FAX (941) 365-0238

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
(Concluded)

Current Year Recommendations (Concluded)

■ **Water and Sewer System (Concluded)**

• **Inventory of Materials and Supplies**

The City has an inventory of materials and supplies associated with the water and wastewater fund that has not been recorded and tracked in the general ledger. An estimate of the amount on hand as of September 30, 2004, was prepared by the department Director and recorded at year-end. We recommend that the City review this area to determine if a perpetual inventory system would be cost beneficial to track and record inventory balances and usage.

• **Administrative/Financial Oversight of Utility Customer Service**

The customer service department responsible for billing and collection of all water and wastewater revenues is within the Water/Sewer department in the City's organization chart. Because so much of the activity of this division is financial in nature, we recommend that the Finance and Accounting departments be formally given some degree of cross responsibility for this activity. This might include oversight and monitoring of all billing and collecting activity and other related items.

■ **Cash Management - City Wide**

Many local governments invest surplus funds in Treasuries, Agency Securities and similar items, with short to intermediate maturities and are able to earn investment income well in excess of the State Board of Administration. We recommend that the City review its cash management practices to determine if increased investment income could be achieved over current practices, while maintaining the security of the amounts invested.

■ **Investment Policy**

As a part of the Utility Bond issue, the City revised its Investment Policy to allow a guaranteed investment contract for a portion of the bond proceeds to be used for future system additions and upgrades. Prior to this amendment, the Investment Policy limited the City to investing only in the "Safe Harbor" investments defined in Florida Statute 218.415. By amending the policy to permit the new investment, the City has left the "Safe Harbor" and must now conform its investment policy to address all of the pertinent aspects of Florida Statute 218.415 that apply to other investments.

February 4, 2005
Ocala, Florida

Durvis, Gray and Company



City of Deltona

RESPONSES TO MANAGEMENT LETTER COMMENTS

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

Water and Sewer System

- **Billing Adjustments**

Management has instituted internal controls by allowing only supervisory personnel to prepare billing adjustments. However, management agrees that it can further strengthen these internal controls by having someone other than the preparer formally approve all billing adjustments. Therefore, appropriate actions are being taken to institute this change.

- **Inventory of Materials and Supplies**

Management will review this area to determine if a perpetual inventory system would be cost beneficial to track and record inventory balances and usage.

- **Administrative/Financial Oversight of Utility Customer Service**

While the customer service department responsible for billing and collection of all water and wastewater revenues is within the Water/Sewer department in the City's organization chart, it is understood within the organization that the Finance and Accounting department has some oversight responsibility for this function. The recommendation for formalizing the responsibility will be considered.

Cash Management – City Wide

The City's primary investment objective is the preservation of capital and, as such, investments have historically been limited to the SBA or comparable investment accounts. Staff has discussed the desirability of investing surplus funds in Treasuries, Agency Securities and similar items with short to intermediate maturities and will further explore such options as staff time allows.

Investment Policy

The City's investment policy is currently under review and revision for compliance with Florida Statute 218.415.

March 17, 2005
Deltona, FL