

City of Deltona, Florida

Comprehensive Annual Financial Report



Inspiration Playground at
Thornby Park

for the fiscal year ended September 30, 2010

City of Deltona, Florida
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended September 30, 2010

Prepared By:
Department of Finance and Internal Services

This page intentionally left blank

CITY OF DELTONA, FLORIDA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Table of Contents

Introductory Section

Letter of Transmittal i
Certificate of Achievement vi
Organizational Chart vii
Principal Officials viii

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 17
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets 18
Statement of Revenues, Expenditures, and Changes in Fund
Balances – All Governmental Funds 19
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of the Governmental Funds to the
Statement of Activities 20
Statement of Net Assets – Proprietary Funds 21
Statement of Revenues, Expenses, and Changes in Fund Net Assets -
Proprietary Funds 23
Statement of Cash Flows – Proprietary Funds 24
Statement of Fiduciary Net Assets – Pension Trust Funds 26
Statement of Changes in Fiduciary Net Assets – Pension Trust Funds 27

Notes to Financial Statements 28

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual – General Fund 59
Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual – Solid Waste Fund 60
Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual – Stormwater Utility Fund 61

CITY OF DELTONA, FLORIDA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Table of Contents
(Continued)

Required Supplementary Information (Concluded)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – State Housing Initiative Partnership	62
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Transportation Fund	63
Schedules of Funding Progress and Contributions from Employer and Others	64
Notes to the Required Supplementary Information	66

Supplemental Information

Combining Balance Sheet – Nonmajor Governmental Funds	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	69
Schedule of Revenues and Expenditures – Budget and Actual Streetlighting Districts Fund	70
Schedule of Revenues and Expenditures – Budget and Actual Fire/Rescue Service Impact Fees Fund	71
Schedule of Revenues and Expenditures – Budget and Actual Law Enforcement Impact Fees Fund	72
Schedule of Revenues and Expenditures – Budget and Actual Park Impact Fees Fund	73
Schedule of Revenues and Expenditures – Budget and Actual Transportation Impact Fees Fund	74
Schedule of Revenues and Expenditures – Budget and Actual Community Development Block Grant Fund	75
Schedule of Revenues and Expenditures – Budget and Actual Neighborhood Stabilization Program Fund	76
Schedule of Revenues and Expenditures – Budget and Actual Tree Replacement Fees Fund	77
Schedule of Revenues and Expenditures – Budget and Actual Capital Projects – Park Projects Fund	78
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects – Municipal Complex(s) Fund	79
Notes to the Supplemental Information	80

Statistical Section (Unaudited)

Financial Trends:

Net Assets by Component	83
Changes in Net Assets	84
Fund Balances of Governmental Funds	86
Changes in Fund Balances of Governmental Funds	88
Tax Revenues by Source, Governmental Funds	90

CITY OF DELTONA, FLORIDA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

**Table of Contents
(Concluded)**

Revenue Capacity:

Assessed and Estimated Actual Value of Taxable Property	91
Direct and Overlapping Property Tax Rates	92
Principal Taxpayers.....	93
Property Tax Levies and Collections	94

Debt Capacity:

Ratios of Outstanding Debt by Type.....	95
Direct and Overlapping Governmental Activities Debt.....	96
Pledged-Revenue Coverage	97

Demographic and Economic Information:

Demographic and Economic Statistics.....	98
--	----

Operating Information:

Full-time Equivalent City Government Employees by Function/Program	102
Various Indicators by Function/Program	104
Water Sold by Type of Customer	105
Sewer Sold by Type of Customer	106
Principal Employers	107

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

Schedule of Expenditures of Federal Awards and State Financial Assistance Projects	110
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	111
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and State Financial Assistance Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Florida Department of Financial Services, <i>State Projects Compliance Supplement</i>	113
Schedule of Findings and Questioned Costs – State Financial Assistance Projects.....	115
Management Letter.....	117
Management Letter Comments.....	119
Management's Response	123

This page intentionally left blank



City of Deltona

March 7, 2011

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

The Comprehensive Annual Financial Report (CAFR) of the City of Deltona, for the fiscal year ended September 30, 2010, is hereby submitted pursuant to the City Charter, Florida Statutes, and Chapter 10.550, Rules of the Auditor General of the State of Florida.

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

Purvis, Gray & Company, Certified Public Accountants, have issued an unqualified (“clean”) opinion on the City of Deltona’s financial statements for the year ended September 30, 2010. The independent auditors’ report is located at the front of the Financial Section of this report.

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

Profile of the Government

The City of Deltona, Florida, incorporated December 31, 1995, is located in the southwest corner of Volusia County, in the eastern central part of the Florida Peninsula. The City is situated along the Interstate 4 corridor approximately 25 miles northeast of Orlando and approximately 25 miles southwest of Daytona Beach. It currently occupies 46 square miles and serves a population of 84,385. The City started as a planned community by the Deltona Corporation in 1962. 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 of Deltona operates under a Commission-Manager form of government consisting of a seven member Commission. Residents select, through non-partisan elections, a Mayor who represents the City at large and six Commissioners who each represent a specific district of the community. The term of office for each member of the City Commission, including the Mayor’s position, is four (4) years. Neither the Mayor nor any other Commission member may serve more than two successive four (4) year terms of office. The City is governed by the City Charter, State and local laws and regulations. The

DEPARTMENT OF FINANCE & INTERNAL SERVICES

2345 Providence Boulevard, Deltona, Florida 32725

(386) 878-8100 • Fax (386) 878-8551

Webpage: www.deltonafl.gov

Commission is responsible for the establishment and adoption of City policy and appointing a City Manager and City Attorney. The City Manager serves as the Chief Executive Officer of the City and is responsible for the execution of City policy and oversight of the day-to-day operations of the City.

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

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

Local economy

The City's economic environment has been declining the last several years, largely attributable to a significant number of foreclosures and residents leaving the City. However, in FY 2008/2009 the City was awarded \$6.6 million in Neighborhood Stabilization program (NSP) federal funds to purchase, rehabilitate and sell foreclosed homes in the most affected areas of the City. At the end of FY 2009/2010 the City had purchased 2 vacant lots and 51 foreclosed homes, and is in the process of rehabilitating them so they may be returned to the real estate market as "affordable homes". The City intends to apply for NSP3 funding in the amount of approximately \$1.9 million in FY 2010/2011.

The City's economic outlook is largely impacted by the State and regional economy with a great deal of reliance placed on surrounding communities for work, shopping and entertainment. Area employment consists predominately of service-related activities, retail trade, manufacturing, government and construction. Unemployment figures for the area have been trending higher than both State and national rates. The Deltona-Daytona Beach-Ormond Beach Metropolitan area and Volusia County had an unemployment rate of 12.2% in December 2010, compared to 12.0% for the State of Florida and a national rate of 9.1%. In an effort to promote nonresidential development activity, the City budgeted and hired a Business Development Administrator in FY 2010/2011 to help advance sustainable economic growth for the purpose of achieving a more balanced residential-to-nonresidential tax base and to provide more job opportunities with higher wages.

In the past several years, the regional economy has suffered and with it the City experienced lower levels of building activity while population remained essentially unchanged over the previous year. The City's land use is almost entirely residential with over 3/4th of available land being built out. New construction permits for single-family residential housing show a slow down for the seventh year in a row from FY 2002/2003.

Population in the City increased by 41% between the years 2000 and 2007 with 4.3% of that increase occurring between 2005 and 2007. The City's population remained virtually flat from FY 2008/2009 to FY 2009/2010 while experiencing a significant decrease in property values over the same time period. Property tax revenue for FY 2009/2010 was \$222,757 or 1.80% more than in the prior fiscal year. However, property tax revenue for FY 2009/2010 was \$213,956 less than that collected in FY 2006/2007, the City's peak year for property tax collection. The slight increase in FY 2009/2010 over FY 2008/2009 is mostly attributable to new construction, delinquent property taxes, and a final taxable value of property slightly higher than what was estimated by the Property Appraiser at the time of budget preparation.

Preliminary estimates from the Volusia County Property Appraiser indicate additional declines in property values of 15% or more in FY 2011/2012 which means that ad-valorem revenues will decline a comparable percentage unless the "rolled back" rate is adopted by the City Commission. We are, however, hopeful that the housing market will finally have reached bottom so that future revenues will level off. We expect only very minimal growth in new construction in FY 2010/2011.

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

Long-term financial planning

Unreserved, undesignated fund balance in the General Fund, which is 53% percent of the total General Fund revenues, falls well above the policy guidelines set by the City Manager for budgetary and planning purposes (i.e., between 5% and 15% of total General Fund revenues). The City Commission and the City Manager continue to develop a vision for the City's future. The plan looks to respond to the needs of the community, while at the same time meeting those needs in a cost-effective and efficient manner.

We expect many difficult financial challenges in the next few years as the economy continues to slow down and the slump in the real estate market slowly recovers. The City will continue to face these financial challenges even as the real estate market improves because of the "Save Our Homes" provision which limits the maximum annual increase in taxable value of a homesteaded home to 3.0%. For the third year in a row, the FY 2010/2011 budget experienced a decline in our tax base and as mentioned above we expect to see this decline continue into the 2011/2012 budget year.

In the FY 2009/2010 budget, the City reduced General Fund operating expenditures by \$1.76 million, or 5.4%, this is in addition to a \$6 million reduction in budgeted operating expenditures accomplished in the prior budget year. This means that over the last two years General Fund operating expenditures have been reduced by nearly \$8 million saving the residents of Deltona nearly \$80 million per decade. Approximately 94% of this savings came from General Government and not Public Safety in keeping with public and Commission priorities.

General Fund transfers out to capital project funds were increased due to the \$2.55 million transfer for Fire Station 65. A large part of the reduction in budgeted General Fund operating expenditures is attributable to a reduction in staff in various departments due to attrition and/or elimination of open positions.

The Comprehensive Policy Plan Amendment, known also as the EAR-Based Amendments, was adopted by the Department of Community Affairs (DCA) and they issued a Notice of Intent (NOI) to the City on October 25, 2010, making their adoption official. The Unified Land Development Code (ULDC) effort has been altered into an amendment of the existing Land Development Code (LDC), using elements from

the provided ULDC document. That process is being completed in-house with staff and not using consultants. However, there may be the need to hire an outside LDC expert to review the document, as peer review, but that determination will not be made until mid-year 2011. The anticipated completion date for an amended LDC is not anticipated until early 2012.

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

Planning for increased demands on public safety requirements and improving efficiency for the delivery of these services is demonstrated through the \$7.6 million purchase of land for a future Public Safety Complex to include a 5th Fire Station (FS65). The land purchase was finalized in FY 2009/2010; however, the construction of the Public Safety building has been put on indefinite hold until the economic climate improves. The FY 2010/2011 budget includes an appropriation of \$1,800,000 to finish construction of Fire Station 65. The Public Safety Complex will be built at an undetermined future date with the expectation to debt finance the construction costs at that time. In addition to initial construction costs, the City of Deltona will likely incur significant additional operating costs to operate and maintain the new facility. Due to a recognized need in the City and the realization that the City's ratio of police officers to residents is well below acceptable levels, the City added three Sergeants and one Deputy in the FY 2010/2011 budget, as directed by the Commission.

The demand on the City's roadways continues to increase. In FY 2010/2011, the City has \$7.745 million appropriated to continue road resurfacing, complete the Normandy Boulevard widening and project continue on with the Ft. Smith Boulevard widening projects. \$1.75 million of this funding was budgeted in the form of a budget transfer from the General Fund to fund the road widening of Ft. Smith Blvd. from Rookery Avenue to Stallings Avenue.

In FY 2008/2009, the City incurred \$6.5 million in debt in the Stormwater fund for various stormwater improvement projects. A bank note was obtained from Branch Banking & Trust Company (BB&T) at a fixed interest rate of 5.01% for the funding of the debt. In FY 2010/2011 the City budgeted \$6.1 million for various stormwater projects throughout the City.

Relevant financial policies

The City implemented GASB Statement No. 53 "Accounting and Reporting for Derivative Instruments" during the fiscal year ended September 30, 2010. The City engaged a Financial Consultant to provide the required Mark-to-market calculations GASB 53 Effectiveness Test in order to comply with this statement. The findings are presented in the Notes on pages 43-44 of this document.

The City implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions" during the fiscal year ended September 30, 2009. The City engaged an actuary to provide preliminary estimates of the potential liability the City is required to disclose. The estimated total unfunded actuarial accrued liability as of March 1, 2008 was \$1,362,000 for all governmental and enterprise funds combined. Of that total approximately two-thirds, or \$905,000, is attributable to Fire & Rescue Services.

Major initiatives

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

ordinance for the FY 2010/2011 tax year granting low income seniors an additional \$25,000 homestead exemption. This resulted in a \$96,800 reduction in property tax revenue in FY 2010/2011.

Awards and acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial reporting to the City of Deltona, Florida, for its Comprehensive Annual Financial Report for the fiscal year ending September 30, 2009. This was the tenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe this CAFR continues to meet the Certificate of Achievement Program's requirements and we intend to submit it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended September 30, 2010. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,



Faith G. Miller, MMC, MPA
City Manager



Robert Clinger, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Deltona
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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.



President

Executive Director

ORGANIZATIONAL CHART



Citizens of Deltona

Elected Officials
 Dennis Mulder, Mayor
 Vice Mayor, Michele McFall-Conte, District 3
 Zenaida Denizac, District 1 Paul Treusch, District 4
 Herb Zischkau, District 2 Michael Carmolingo, District 6
 Janet Deyette, District 5

**Various Appointed
Boards & Committees**

City Clerk's Office
 Joyce Kent, CMC, City Clerk

Enforcement Services
 Dale Baker, Director

- Animal Control
- Code Enforcement
- Solid Waste

Finance
 Robert "Bob" Clinger, Director

- Accounting/Payroll
- Budget & Operational Services
- Fiscal Services
- Purchasing
- Business Tax

Human Resources
 Tom Acquaro, Director

- Human Resources
- Risk Management

City Manager
 Faith G. Miller, MMC, MPA

Deputy City Manager
 William "Dave" Denny

Building & Zoning Services
 Cyrus "Cy" Butts, Director

- Permitting

Information Technology
 Steve Narvaez, IT Manager

Parks & Recreation
 William "Steve" Moore, Director

- Facilities Maintenance
- LEC/Amphitheatre Scheduling
- Community/Special Events

Public Works
 Glenn Whitcomb, Director

- Utilities
- Engineering
- Field Operations
- Fleet Maintenance
- Stormwater
- Traffic Operations
- Water & Wastewater Operations

City Attorney
 Gary J. Cooney

Fire / Rescue Department
 Robert "Bob" Staples, CMO
 Fire Chief

- Operations/Combat
- Emergency Management/ Administration
- Communications
- Fire Loss Management

Law Enforcement
 Captain David "Dave" Brannon
 District Commander

Contracted services with Volusia County Sheriff's Office

Planning & Development Services
 Chris Bowley, Director

- Economic Development
- Short Range Planning
- Long Range Planning
- Community Development

**CITY OF DELTONA, FLORIDA
PRINCIPAL OFFICIALS**

ELECTED OFFICIALS

Mayor -----Dennis Mulder
Vice Mayor/Commissioner, District 3 -----Michele McFall-Conte
Commissioner, District 1 -----Zenaida Denizac
Commissioner, District 2 -----Herb Zischkau
Commissioner, District 4 -----Paul Treusch
Commissioner, District 5 -----Janet Deyette
Commissioner, District 6 -----Michael Carmolingo

OTHER OFFICIALS

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

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Deltona, Florida (the City), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note III F to the financial statements, the City adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, in 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Certified Public Accountants

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

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

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial schedules, and statistical section are presented for the purpose of additional analysis, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and Chapter 69I-5, *Rules of the Florida Department of Financial Services*; and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the financial statements. The combining and individual nonmajor fund schedules and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.


March 7, 2011
Ocala, Florida

Management's Discussion and Analysis

As management of the City of Deltona (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010. 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 pages i-v.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$153,152,952. Of this amount, \$27,277,874 (*unrestricted net assets*) may be used to meet the government's on-going obligations to citizens and creditors.
- The City's total net assets increased by \$6,786,344. This increase in net assets is attributable to both governmental and business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$39,121,614; a decrease of \$5,957,245 in comparison with the prior year. Approximately 49.5% 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 \$17,738,795 or 60.1% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of its costs through user fees and charges (*business-type activities*). The governmental activities of the City include law enforcement and fire/rescue protection, solid waste management, stormwater management, construction and maintenance of road and street facilities, planning and development services, recreational and cultural activities and general administrative services. The business-type activities of the City include services provided by the water and sewer utility.

The City's government-wide financial statements can be found on pages 15-16 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, enterprise funds and fiduciary funds.

Governmental funds. *Governmental fund* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains fifteen individual governmental funds. Six of these funds are considered to be major funds. Information for the major funds is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund. Data from the non-major governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements are presented on pages 17-20 of this report.

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

Enterprise fund financial statements provide the same type of information as the government-wide financial statements. However the enterprise fund financial statements provide more detail. The water and sewer utility fund is considered a major fund of the City of Deltona. The basic enterprise fund financial statements can be found on pages 21-25 of this report.

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

The basic fiduciary fund financial statements can be found on pages 26-27 of this report.

Notes to the financial statements. The notes to the financial statements provide additional information that is essential in order to obtain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-56 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City. This required supplementary information presents combining and individual fund statements and schedules and also provides information regarding the City’s funding progress in meeting its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 57-66 of this report.

This report also includes supplemental information on non-major funds. The combining statements referred to earlier in regards to non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 67-80 of this report. While this information is not required, it is helpful to the reader in order to gather a complete picture of the whole governmental unit.

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 \$153,152,952 at the close of the most recent fiscal year.

By far, the largest portion of the City’s net assets (74.5%) reflect its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment), less any related debt issued to acquire those capital assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these capital assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

City of Deltona’s Net Assets

Capital assets, net of depreciation	124,264,029	117,004,956	73,633,504	72,107,846	197,897,533	189,112,802
Total assets	171,123,458	168,129,407	106,242,723	101,769,181	277,366,181	269,898,588
Current and other liabilities	6,009,872	7,454,470	6,623,688	5,362,624	12,633,560	12,817,094
Long-term liabilities	22,580,312	23,212,065	88,999,357	87,502,821	111,579,669	110,714,886
Total liabilities	28,590,184	30,666,535	95,623,045	92,865,445	124,213,229	123,531,980
Net Assets:						
Investment in capital assets net of related debt	116,238,698	112,872,553	(2,093,842)	(4,539,555)	114,144,856	108,332,998
Restricted	5,178,367	7,985,972	6,551,855	7,389,375	11,730,222	15,375,347
Unrestricted	21,116,209	16,604,347	6,161,665	6,053,916	27,277,874	22,658,263
Total net assets	\$ 142,533,274	\$ 137,462,872	\$ 10,619,678	\$ 8,903,736	\$ 153,152,952	\$ 146,366,608

A portion of the City’s net assets (7.7%) represents resources that are subject to external restrictions on how they may be used. The total of unrestricted net assets, \$27,277,874, may be used to meet the City’s on-going obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in net assets for both governmental activities and restricted and unrestricted assets for business-type activities. The negative balance for investment in capital assets net of related debt for the business-type activity is a result of the accounting treatment for the acquisition of the water and sewer utility.

Government-Wide Activities. Governmental activities increased the City's net assets by \$5,070,402 while business-type activities experienced an increase in net assets of \$1,715,942. Key elements of these changes are as follows.

City of Deltona's Changes in Net Assets

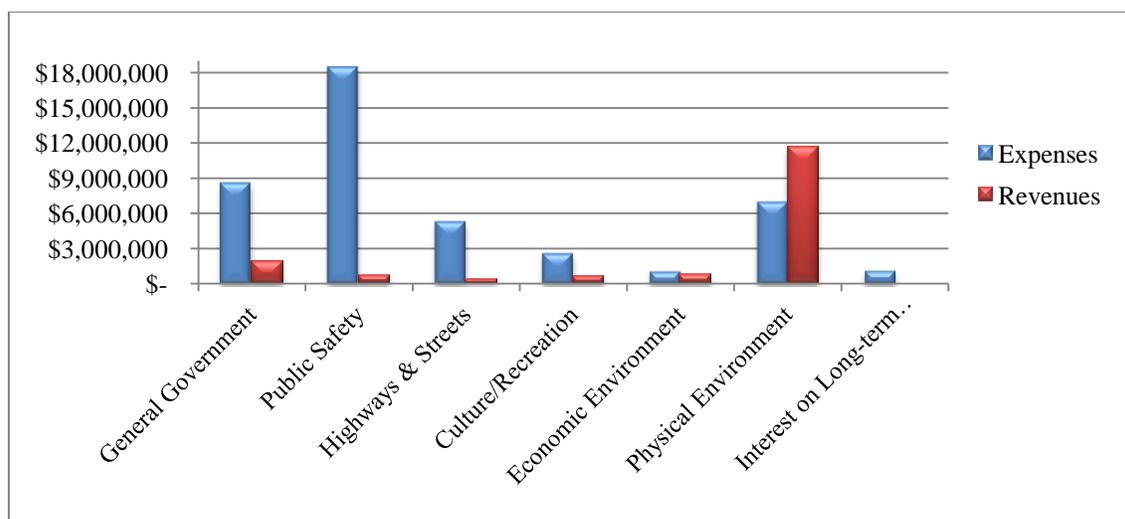
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for services	\$ 9,097,278	\$ 9,309,234	\$ 14,368,278	\$ 13,965,454	\$ 23,465,556	\$ 23,274,688
Operating grants and contributions	2,055,276	1,105,105	-	102,179	2,055,276	1,207,284
Capital grants and contributions	4,950,675	3,631,902	22,839	229,554	4,973,514	3,861,456
General Revenues:						
Property taxes	12,568,945	12,346,188	-	-	12,568,945	12,346,188
Franchise fees	4,106,081	4,040,268	-	-	4,106,081	4,040,268
Other taxes	13,611,032	13,500,302	-	-	13,611,032	13,500,302
State Shared Revenues	2,006,079	2,019,205	-	-	2,006,079	2,019,205
Other	853,444	1,014,591	1,576,606	(8,548)	2,430,050	1,006,043
Total Revenues	49,248,810	46,966,795	15,967,723	14,288,639	65,216,533	61,255,434
Expenses:						
Governmental Activities:						
General government	8,608,657	8,403,728	-	-	8,608,657	8,403,728
Public safety	18,442,646	18,356,301	-	-	18,442,646	18,356,301
Physical environment	6,982,097	6,804,695	-	-	6,982,097	6,804,695
Highways and Streets	5,333,601	6,927,195	-	-	5,333,601	6,927,195
Culture & recreation	2,626,028	2,713,803	-	-	2,626,028	2,713,803
Economic environment	1,069,663	593,424	-	-	1,069,663	593,424
Interest on long-term debt	1,115,716	973,351	-	-	1,115,716	973,351
Business-type Activities:						
Water and sewer	-	-	14,251,781	14,286,495	14,251,781	14,286,495
Total Expenses	44,178,408	44,772,497	14,251,781	14,286,495	58,430,189	59,058,992
Change in Net Assets	5,070,402	2,194,298	1,715,942	2,144	6,786,344	2,196,442
Net Assets-beginning of year	137,462,872	135,268,574	8,903,736	8,901,592	146,366,608	144,170,166
Net Assets-end of year	\$ 142,533,274	\$ 137,462,872	\$ 10,619,678	\$ 8,903,736	\$ 153,152,952	\$ 146,366,608

- In FY 2009/2010 charges for services decreased by \$211,956 or 2.3%. This is representative of an economy that has, for the most part, bottomed out and has become somewhat level.
- In FY 2009/2010 operating grants and contributions received by the City increased in FY \$950,171. This increase is primarily attributable to increased activity in both the State Housing Initiative Program (SHIP) Fund and Community Development Block Grant (CDBG) Fund. In the SHIP Fund, the City had received \$500,000 for TS Fay assistance which was spent in FY 2009/2010.
- In FY 2009/10 capital grants and contributions increased by \$1,318,773 or 36.3% over the prior year. This increase is almost solely attributable to the expenditures occurred in the Neighborhood Stabilization Program (NSP) Fund for the purchase and rehabilitation of foreclosed homes.

- In FY 2009/2010 general revenues increased \$225,027 or less than 1%, indicating a leveling off of the economy. As expected, interest earnings were down by \$189,279 while public service tax revenue was up by more than \$200,000 due to an abnormally cold winter season. Property tax revenue increased by \$222,757 or 1.8% which is mostly attributable to new construction and a final taxable value of property being slightly higher than what was estimated by the Property Appraiser at the time of budget preparation.
- Overall, Governmental Activities experienced a modest decrease in expenses of \$594,089, or 1.3%.
- General Government expenses increased by \$204,929 or 2.4%. The bulk of this increase is attributable to increased administrative spending activity within the State Housing Initiative Program (SHIP) and Community Development Block Grant (CDBG) grant programs. As program expenditures increase (see below), the allowable administrative costs also increase.
- Highways and Streets expenses decreased by \$1,593,594 or 23.0%, mostly attributable to a \$1.3 million dollar decrease in road resurfacing expenditures.
- Culture and Recreation expenses decreased by \$87,775 or 3.2%. This was primarily attributable to personal services which decreased by \$76,880 as vacant positions were either frozen or eliminated.
- Economic Environment and Physical Environment expenses increase a combined total of \$653,641. These increases are primarily attributable to increased spending activity within the State Housing Initiative Program (SHIP) and Community Development Block Grant (CDBG) grant programs.
- Public Safety had a modest increase in expenditures of \$86,345 in FY 2009/2010 or 0.5%.

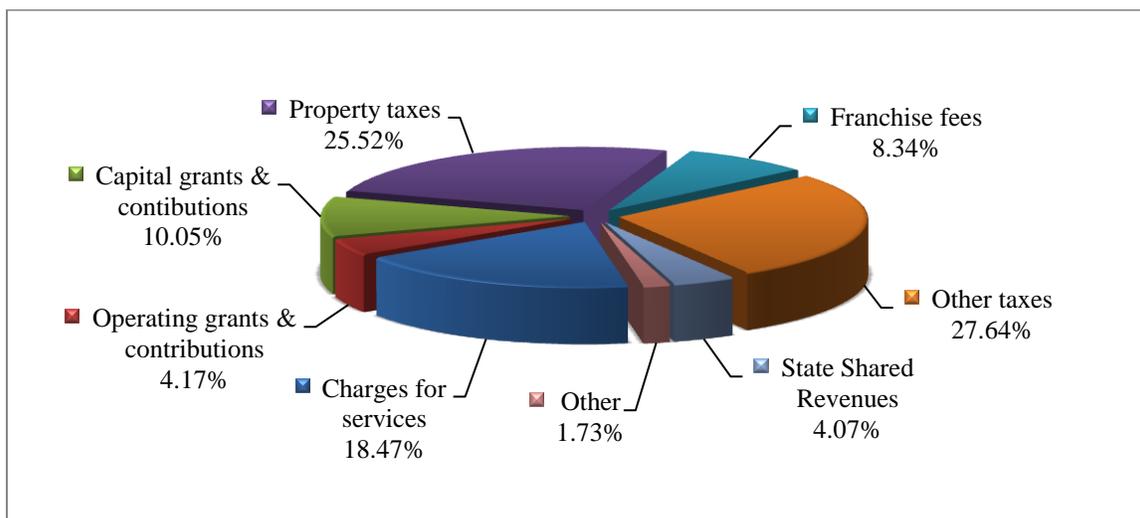
The following chart compares expenses with program revenues for the City’s governmental activities:

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



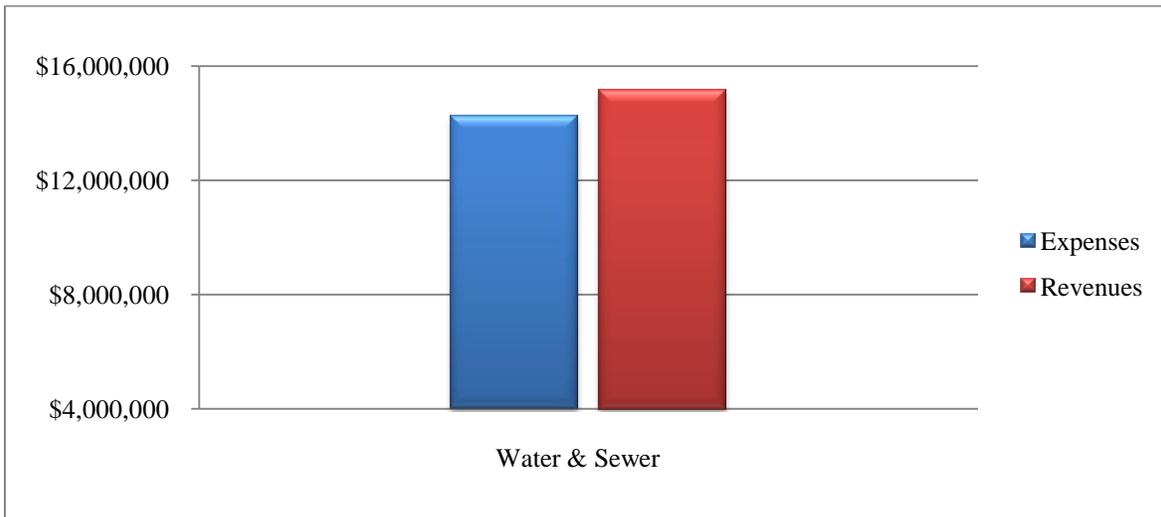
Business-type Activities

Business-type activities increased the City's net assets by \$1,715,942. Nearly one half of this increase, \$813,169, was caused by the special accounting treatment required by the implementation of GASB 53 for the utility's swaption agreement and represents unrealized income that is not a normal part of operations and that is not available to pay any expenses or obligations of the utility. See Note III F. under Derivative Instruments – Option to enter into an interest rate swap (swaption). Business-type activities accounted for just over one-fourth of the total growth in the City's net assets this year. This increase in business-type activities was nearly \$1.7 million more than the increase in net assets last year, after a prior year restatement of net assets caused by the implementation of GASB 53. Had the implementation of GASB 53 not been required, the increase in net assets from Business-type activities would have actually been less than the increase in the prior year. Key elements of the increase in net assets for business-type activities (comparing last year to this year) are as follows:

- Charges for services increased by \$402,824 or 2.9%. This increase is far short of the planned growth in revenues considering the implementation of a 17.25% rate increase for the year. The planned growth in revenues was not achieved because of significant water conservation efforts made by customers in response to a decline in the local economy and the water conservation rate structure imposed by St. John's River Water Management District. This decline in consumption is consistent with what has occurred in surrounding communities.
- Capital grants and contributions decreased by \$102,179 as a result of decreased water and waste water impact fees due to a continued slump in new growth.
- Interest revenue decreased by \$56,977 as a result of continually declining interest rates and declining cash balances.
- Operating costs decreased by \$34,714. It is important to note that depreciation increased by \$232,661 while other operating costs essentially decreased by almost \$270,000 as the utility responded to lower than anticipated revenues.

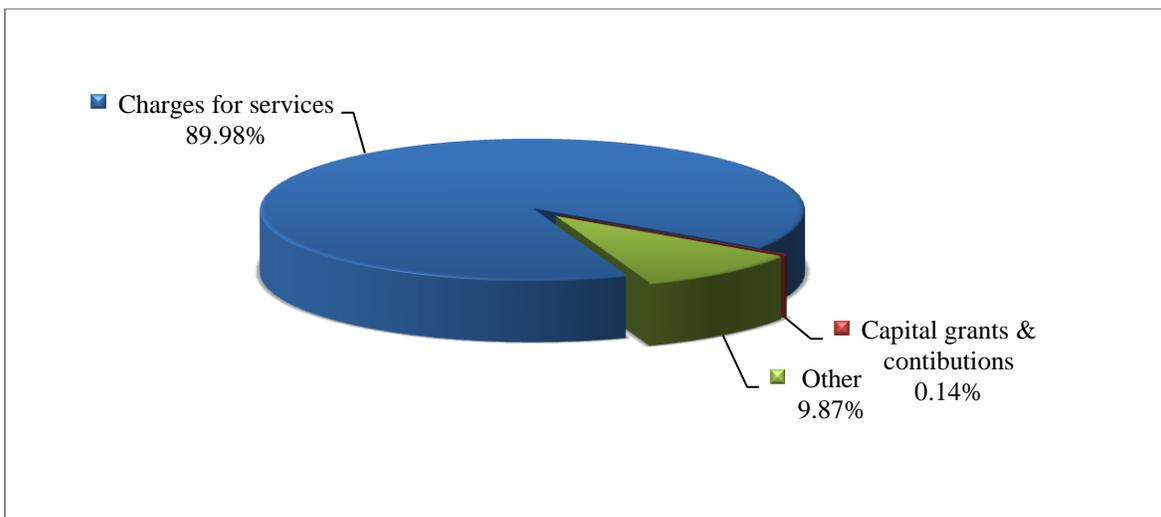
The following chart compares expenses with program revenues for the City’s business-type activities:

Expenses and Program Revenues – Business-type Activities



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

Revenues by Source – Business-type Activities



Financial Analysis of the City’s Funds

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

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

At the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$39,121,614 a decrease of \$5,957,245, or 13.2% in comparison with the prior year.

Approximately 49.5% of this amount (\$19,384,049) constitutes *unreserved fund balance*, which is available for spending at the City's discretion. However, the City Commission has formally adopted a policy that requires the City to set aside, but not formally reserve or restrict, a percentage of this fund balance to provide some fiscal means for the City to respond to potential adversities such as public emergencies or natural disasters. The City currently has set aside \$6,000,000 for this strategic reserve. Since it is not formally reserved or restricted it is not shown separately in the balance sheet for all governmental funds. The remainder of the fund balance is *reserved* and is not available for new spending because it has already been committed to future expenditures for road and street expenditures (\$315,731), capital projects (\$18,705,824) and debt service requirements (\$716,010).

The General Fund is the chief operating fund for the City. At the end of the current fiscal year, the unreserved, undesignated fund balance of the General Fund was \$17,738,795, all of which is undesignated and, except for the limitations on the \$6,000,000 strategic reserve discussed above, is available for spending at the City's discretion. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. As there is no reserved fund balance in the General Fund, both total fund balance and unreserved, undesignated fund balance represent 60.1% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$1,122,890 or 6.8%, during the current fiscal year. Key factors in this increase are as follows:

- Although General Fund revenue was down by \$1,323,571 or 3.8%, General Fund revenues exceeded General Fund expenditures by \$3,708,134.
- Non public safety operating expenditures were \$709,991 less than the prior year, while public safety increased a modest \$85,740 for a net decrease of \$624,251 as the City continued to respond to the struggling economy and strived to cut expenses in all areas of operations. This is quite an accomplishment considering operating expenditures were down \$4,322,193 in the prior year. This decrease in operating expenditures was primarily contributed to a reduction in personal services as the City continued to freeze or eliminate unfilled positions throughout the year due primarily to attrition. The General Fund experienced a decrease of \$752,834 in personal services over the prior year for a two year decrease in personal services in excess of \$2,000,000.
- Capital expenditures experienced a slight increase of \$24,097 over the prior year as projects started in the prior year were completed.
- The transfer out of the General Fund for capital projects was \$1,085,244 more than the prior year. FY 2009/2010 included a transfer of \$2,550,000 for the construction Fire Station 65 which was more than offset by the excess of revenue over operating expenditures.

Solid Waste Fund. The City's Solid Waste fund experienced an increase in fund balance of \$188,575 which was anticipated as Solid Waste assessment revenues were slightly higher than fund expenditures.

Stormwater Utility Fund. The City's Stormwater fund experienced a decrease in fund balance of \$554,899. Revenues increased by \$358,577 while capital expenditures increased by \$971,287 as the City began construction of several planned projects that were funded by the Bank Note obtained in FY 2008/2009, including the Drysdale/Chapel Interconnect, Lake Gleason/Cloverleaf Outfall Project and the McGarrity/Kirkhill Project. FY 2009/2010 also includes the first debt service payment in the amount of \$545,931 on the Bank Note obtained in FY 2008/2009.

Transportation Fund. The City's Transportation fund experienced a decrease in fund balance of \$3,834,559. This decrease was anticipated as the City continues to use bond proceeds and is primarily attributable to road resurfacing and the Ft. Smith (Section 3 - Primrose to Rookery) road project.

Municipal Complex Fund. The City's Municipal Complex Fund experienced a decrease in fund balance of \$2,937,513 which is attributable to the closing on the purchase of the property for Fire Station 65 and a possible future Public Safety Complex.

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

Unrestricted net assets of the Water and Sewer Utility Fund at the end of the year amounted to \$6,161,665, a decrease of \$1,052,035 as the Utility responds to the bond covenant requirement to fund a Debt Service Reserve Fund as a result of the rating downgrade of the bond insurer. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year there was an increase in General Fund appropriations between the original and final amended budget. This increase was primarily attributable to the use of contracted legal counsel during the period of time the City Attorney position was vacant which was not budgeted in the originally adopted budget.

- General Fund revenues were over budget by \$1,253,659. The largest single component was electric service tax and franchise fees which came in \$859,326 over budget due to an unusually cold winter which resulted in increased energy bills and taxes collected. State revenue sharing came in \$317,079 over budget, and property taxes came in \$217,945 over budget. The property tax overage was caused by delinquent property taxes of \$55,527 plus the variance in the final certified taxable value over the value provided for budget added another \$57,393. In addition we believe that fewer residents took full advantage of the 4% early pay discount due to hard economic times which contributed the remainder of the overage.

General Fund operating expenditures were \$2,500,945 under budget and capital outlay was \$357,138 under budget for a total of \$2,858,083. Personal service costs were under budget by \$597,521 as all budgeted positions were not filled.

- Public Works came in under budget by a total of \$598,108 for all divisions. This was attributable to various line items in Public Works coming in under budget. R&M was \$114,583 under budget, Road Materials was \$57,054 under budget, Personal Services in total was \$64,663 under budget and Fuel & Oil was \$42,558 under budget.
- General Services, which provides funding for general City services not associated with a specific department, came in under budget by \$408,782. This is a result of the City not having used contingency funds as well as unemployment insurance costs coming in well under budget.
- Total General Government and Administration (which includes General Services) came in \$886,327 under budget on operating expenditures as virtually every Department successfully cut spending in order to finish the year under budget.
- Public Safety (Police and Fire) came in under budget by \$278,500. This was attributable to various line items in the Fire Department coming in under budget with R&M coming in almost \$65,000 under budget.
- Parks and Recreation came in under budget by \$256,245. This was attributable to various line items in the Parks and Recreation Department coming in under budget. Chemicals came in \$55,495 under budget, Landscaping, Seed & Sod came in at \$47,849 under budget and Personal Services in total came in \$42,182 under budget.

Capital Asset and Debt Administration

Capital Assets. In accordance with the implementation requirements of GASB 53 as discussed above and contribution of capital assets previously not reported, the net assets of the City's Water and Sewer Utility Fund have been restated as follows:

Net Assets as of September 30, 2009 Previously Reported	\$10,063,520
GASB 53 Implementation	(1,031,911)
Contribution of Capital Assets, previously not Reported	<u>(127,873)</u>
Net Assets as of September 30, 2009 As Restated	<u>\$ 8,903,736</u>

A further discussion of the changes to prior year balances can be found on pages 37-39 of this document. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2010 was \$184,341,989 (net of accumulated depreciation). This investment in capital assets includes land, construction-in-progress, buildings and improvements, machinery and equipment, and infrastructure (roads, right-of-ways, stormwater and water and wastewater utility). The total increase (additions less retirements and depreciation) in the City's investment in capital assets was \$7,467,593; an increase of 2.8%. This represents a 1.8% increase for governmental activities and a 4.4% increase for business-type activities.

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

- Fire Station 65 - \$647,807
- Public Safety Complex Land Purchase - \$4,936,507
- Thornby All Inclusive Park - \$218,323
- 1 MG North Normandy Storage Tank - \$1,104,632
- Debarry Ave. Utility Relocation (Deltona to Providence) - \$140,533
- McGarrity / Kirkhill Stormwater Project - \$899,356
- Ft. Smith Road Widening Primrose to Rookery - \$3,476,494

City of Deltona's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	13,761,105	7,461,724	2,829,916	2,829,916	16,591,021	10,291,640
Infrastructure Right of Way	4,372,500	4,372,500	-	-	4,372,500	4,372,500
Construction in Progress	15,933,035	12,400,983	10,205,731	6,890,252	26,138,767	19,291,235
Buildings & Improvements	57,396,998	56,391,508	2,847,616	2,847,616	60,244,614	59,239,124
Machinery & Equipment	19,923,934	18,882,434	61,806,138	60,766,190	81,730,072	79,648,624
Infrastructure	87,773,553	87,353,553	14,071,199	13,654,945	101,844,752	101,008,498
Total	<u>199,161,125</u>	<u>186,862,702</u>	<u>91,760,600</u>	<u>86,988,919</u>	<u>290,921,726</u>	<u>273,851,621</u>

Additional information on the City's capital assets can be found in Note C on pages 37-39 of this report.

Debt. At the end of the current fiscal year the City had total bonded debt outstanding of \$92,870,000. This amount represents \$15,945,000 of transportation revenue bonds and \$76,925,000 of utility system revenue bonds, both secured by specified revenue sources.

In addition to the City's bonded debt, the City entered into a loan agreement in the amount of \$6,569,345 with Branch, Banking and Trust Company (BB&T) during FY 2009/2010. The loan was obtained in order to finance certain of the City's costs of the capital improvements contained in the City's adopted Stormwater Master Plan. That Note is expected to be paid over a period of twenty years at a fixed interest rate of 5.01%. The Note is payable from, and secured solely by, revenues derived by the City from its stormwater utility assessments and the City's covenant to budget and appropriate legally available non-ad valorem revenues as provided in the agreement. At the end of the fiscal year, the outstanding balance of the Note is \$6,373,566.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General Obligations Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Obligations Bonds		-	-	-	-	-
Revenue Bonds	15,945,000	16,605,000	76,925,000	78,025,000	92,870,000	94,630,000
Total Bonds	15,945,000	16,605,000	76,925,000	78,025,000	92,870,000	94,630,000
Loans Payable	6,373,566	6,569,345	-	-	6,373,566	6,569,345
Total Bonds and Loans	<u>\$ 22,318,566</u>	<u>\$ 23,174,345</u>	<u>\$ 76,925,000</u>	<u>\$ 78,025,000</u>	<u>\$ 99,243,566</u>	<u>\$ 101,199,345</u>

As noted in last year's MD&A document, MBIA, the original bond insurer for both the Transportation and Deltona Water bond issues, lost its AAA rating from S&P and its Aaa rating from Moody's in 2008. As a result, in FY 2008/2009 the City began to fund debt service reserve funds as required by both bond covenants. These reserves were to be funded evenly over a five year period beginning October 1, 2008 and were to total an amount that approximates the highest year of debt service for the respective bond issue. However, on December 22, 2010 the City's current bond insurer, National Public Finance Guaranty Corporation, was downgraded to a BBB rating by Standard and Poors. As a result of this downgrade, the City now has twelve months from the date of the qualifying event to fully meet the debt service reserve requirements. This results in the requirement to fully fund the debt service reserve fund by December of 2011 as shown in the table below:

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

Additional information on the City's long-term debt can be found in Note F on pages 40-42 of this report.

Economic Factors and Next Year's Budget and Rates

The unemployment rate at the end of fiscal year 2010 for Volusia County was 12.5%. The following is a summary of the applicable unemployment rates for Volusia County, the State of Florida, and United States:

<u>Region Name</u>	<u>Current Year 9/2010</u>	<u>Previous Year 9/2009</u>
Volusia County	12.5%	11.7%
State of Florida	11.9%	11.2%
United States	9.2%	9.5%

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

The taxable value of such property decreased 23.34% over the previous year.

The City's population increased 0.14% from 84,264 in 2009 to 84,385 in 2010.

During the FY 2010/2011 budget process, the Commission decided that it was in the best interest of the City to adopt a millage rate of 6.4464 which is 7.1% lower than the roll-back millage rate of 6.9388. This is an 8.2% increase from the FY 2009/2010 millage rate of 5.9540 mills. However, this is **not** a tax increase under the Truth In Millage law since it will generate less revenue than the prior year. Additionally, effective with FY 2010/2011 the City Commission adopted to increase the senior exemption on homesteaded property from \$25,000 to \$50,000 for qualified seniors. This will result in approximately \$98,000 less property tax revenue in FY 2010/2011.

During the current fiscal year, unreserved, undesignated fund balance in the General Fund increased to \$17,738,795. The City of Deltona has appropriated approximately \$1,550,000 of this fund balance for spending on the Ft. Smith (Section 4A – Rookery to Stallings) Road Widening project in the FY 2010/2011 budget.

Requests for Information

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

CITY OF DELTONA, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

Assets	Governmental Activities	Business-Type Activities	Total
Cash and investments	\$ 38,160,391	\$ 18,620,148	\$ 56,780,539
Cash with fiscal agent	121,610	-	121,610
Receivables (net)	1,524,690	1,997,386	3,522,076
Due from other governments	2,542,354	-	2,542,354
Inventory	3,258,121	360,149	3,618,270
Total Current Assets	45,607,166	20,977,683	66,584,849
Net pension asset	871,247	-	871,247
Other assets	381,016	11,631,536	12,012,552
Capital assets:			
Assets not being depreciated	34,066,640	13,035,647	47,102,287
Assets being depreciated	165,094,485	78,724,953	243,819,438
(Accumulated depreciation)	(74,897,096)	(18,127,096)	(93,024,192)
Total assets	171,123,458	106,242,723	277,366,181
Liabilities			
Accounts payable	1,383,442	1,836,481	3,219,923
Accrued liabilities	786,762	1,952,189	2,738,951
Contracts/retainage payable	478,833	-	478,833
Deposits	59,078	1,310,305	1,369,383
Unearned revenue	652,291	-	652,291
Long-term liabilities:			
Due within one year	2,649,466	1,524,713	4,174,179
Due in more than one year	22,580,312	88,999,357	111,579,669
Total liabilities	28,590,184	95,623,045	124,213,229
Net assets			
Invested in capital assets, Net of related debt	116,238,698	(2,093,842)	114,144,856
Restricted for:			
Road and street expenses	315,731	-	315,731
Capital projects	4,279,601	2,911,855	7,191,456
Debt service	583,035	3,640,000	4,223,035
Unrestricted net assets	21,116,209	6,161,665	27,277,874
Total net assets	\$ 142,533,274	\$ 10,619,678	\$ 153,152,952

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

**CITY OF DELTONA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets			
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
General government	\$ 8,608,657	\$ 1,492,531	\$ 410,684	\$ -	\$ (6,705,442)	\$ -	\$ (6,705,442)
Public Safety	18,442,646	104,092	418,238	183,279	(17,737,037)	-	(17,737,037)
Highways and streets	5,333,601	139,905	-	251,334	(4,942,362)	-	(4,942,362)
Culture and recreation	2,626,028	129,885	438,802	105,038	(1,952,303)	-	(1,952,303)
Economic environment	1,069,663	-	787,552	-	(282,111)	-	(282,111)
Physical environment	6,982,097	7,230,865	-	4,411,024	4,659,792	-	4,659,792
Interest on long-term debt	1,115,716	-	-	-	(1,115,716)	-	(1,115,716)
Total governmental activities	44,178,408	9,097,278	2,055,276	4,950,675	(28,075,179)	-	(28,075,179)
Business-type activities							
Water and Sewer Utility	14,251,781	14,368,278	-	22,839	-	139,336	139,336
Total business-type activities	\$ 14,251,781	\$ 14,368,278	\$ -	\$ 22,839	\$ -	\$ 139,336	\$ 139,336
General Revenues:							
Taxes:							
Property taxes					12,568,945	-	12,568,945
Franchise fees					4,106,081	-	4,106,081
Public service tax					8,059,245	-	8,059,245
Sales tax					3,462,212	-	3,462,212
Local option gas taxes					2,089,575	-	2,089,575
State shared revenues					2,006,079	-	2,006,079
Investment income:							
Interest earnings					270,540	135,643	406,183
Changes in Fair Value of Derivative Instruments					-	813,169	813,169
Miscellaneous					582,904	627,794	1,210,698
Total general revenues, special items and transfers					33,145,581	1,576,606	34,722,187
Change in net assets					5,070,402	1,715,942	6,786,344
Net assets, beginning of year (As restated: Note III. F.)					137,462,872	8,903,736	146,366,608
Net assets, end of year					\$ 142,533,274	\$ 10,619,678	\$ 153,152,952

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, 2010**

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Utility Fund</u>	<u>State Housing Initiatives Partnership</u>	<u>Transportation Fund</u>	<u>Municipal Complex Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets								
Cash and cash equivalents	\$ 15,811,587	\$ 623,338	\$ 7,006,595	\$ 744,195	\$ 8,433,861	\$ 4,023,413	\$ 923,002	\$ 37,565,991
Debt service reserve fund	-	-	-	-	594,400	-	-	594,400
Cash with fiscal agent	-	-	-	-	121,610	-	-	121,610
Receivables (net of allowance for uncollectibles)	1,507,211	-	-	-	-	-	-	1,507,211
Due from other funds	258,230	-	-	-	-	-	-	258,230
Due from other governments	1,128,256	-	705,591	-	336,022	-	372,485	2,542,354
Total assets	<u>18,705,284</u>	<u>623,338</u>	<u>7,712,186</u>	<u>744,195</u>	<u>9,485,893</u>	<u>4,023,413</u>	<u>1,295,487</u>	<u>42,589,796</u>
Liabilities and fund balances								
Liabilities								
Accounts payable	283,261	326,610	250,537	91,625	191,324	101,057	139,028	1,383,442
Accrued liabilities	624,150	1,582	23,595	279	2,496	-	1,685	653,787
Retainage payable	-	-	84,496	-	374,387	19,950	-	478,833
Due to other funds	-	-	-	-	-	-	240,751	240,751
Deposits	59,078	-	-	-	-	-	-	59,078
Deferred revenues	-	-	-	652,291	-	-	-	652,291
Total liabilities	<u>966,489</u>	<u>328,192</u>	<u>358,628</u>	<u>744,195</u>	<u>568,207</u>	<u>121,007</u>	<u>381,464</u>	<u>3,468,182</u>
Fund balances								
Reserved for:								
Road and street expenditures	-	-	-	-	315,731	-	-	315,731
Capital projects	-	-	6,540,278	-	7,885,945	3,902,406	377,195	18,705,824
Debt service	-	-	-	-	716,010	-	-	716,010
Unreserved reported in:								
General fund	17,738,795	-	-	-	-	-	-	17,738,795
Special revenue funds	-	295,146	813,280	-	-	-	536,828	1,645,254
Total fund balances	<u>17,738,795</u>	<u>295,146</u>	<u>7,353,558</u>	<u>-</u>	<u>8,917,686</u>	<u>3,902,406</u>	<u>914,023</u>	<u>39,121,614</u>
Total liabilities and fund balances	<u>\$ 18,705,284</u>	<u>\$ 623,338</u>	<u>\$ 7,712,186</u>	<u>\$ 744,195</u>	<u>\$ 9,485,893</u>	<u>\$ 4,023,413</u>	<u>\$ 1,295,487</u>	<u>\$ 42,589,796</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, 2010**

Total fund balances of governmental funds	\$	39,121,614
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$199,161,125 and the accumulated depreciation is \$74,897,096.		124,264,029
Long-term assets, which are not available to pay for current period expenditures, are not recorded in the balance sheet of governmental funds. Since the availability criteria does not apply to the statement of net assets these assets are included:		
Net pension asset		871,247
Inventories, which are not available to pay for current period expenditures, are not recorded in the balance sheet of governmental funds. Since the availability criteria does not apply to the statement of net assets these assets are included:		
Inventories - Investment in NSP housing		3,258,121
Long-term liabilities, including bonds payable, are not due and payable in the current period and, accordingly, are not reported in the governmental funds:		
Compensated Absences		(1,812,106)
Other post employment benefits liability		(585,102)
Bonds and loans payable		(22,318,566)
Accrued interest - Stormwater loan		(132,975)
Premium on bonds payable		(247,068)
Bond and loan issue costs		381,016
Deferred revenue - debt service deposit agreement		(266,936)
Total net assets of governmental activities	\$	<u>142,533,274</u>

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

**CITY OF DELTONA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	General Fund	Solid Waste Fund	Stormwater Utility Fund	State Housing Initiatives Partnership	Transportation Fund	Municipal Complex Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Property taxes	\$ 12,568,945	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,568,945
Franchise fees	4,106,081	-	-	-	-	-	-	4,106,081
Public service tax	8,059,245	-	-	-	-	-	-	8,059,245
State revenue sharing	2,006,079	-	-	-	-	-	-	2,006,079
Intergovernmental	4,031,532	-	705,591	787,552	2,089,575	-	4,539,801	12,154,051
Charges for services	1,726,509	4,297,526	2,933,338	-	-	-	139,905	9,097,278
Fines and forfeitures	235,849	-	-	-	-	-	-	235,849
Impact fees	-	-	-	-	-	-	412,079	412,079
Interest income	138,193	14,924	33,818	10,430	19,603	46,189	7,382	270,539
Miscellaneous	332,421	-	6,013	-	-	-	229	338,663
Total revenues	<u>33,204,854</u>	<u>4,312,450</u>	<u>3,678,760</u>	<u>797,982</u>	<u>2,109,178</u>	<u>46,189</u>	<u>5,099,396</u>	<u>49,248,809</u>
Expenditures								
Current:								
General government and administration	7,079,773	-	-	58,592	-	-	149,133	7,287,498
Public safety	17,605,770	-	-	-	-	-	-	17,605,770
Highways and streets	1,696,922	-	-	-	377,956	-	136,314	2,211,192
Culture and recreation	1,879,485	-	-	-	-	-	129,277	2,008,762
Economic environment	-	-	-	739,390	-	-	3,587,280	4,326,670
Physical environment	26,435	4,123,875	1,920,834	-	-	-	34,917	6,106,061
Debt service:								
Principal	-	-	195,779	-	660,000	-	-	855,779
Interest	-	-	350,152	-	799,325	-	-	1,149,477
Capital outlay:								
General government and administration	269,226	-	-	-	-	-	-	269,226
Public Safety	904,594	-	-	-	-	5,599,620	-	6,504,214
Highways and streets	13,119	-	-	-	4,357,790	-	-	4,370,909
Culture and recreation	21,396	-	-	-	-	-	377,219	398,615
Economic environment	-	-	-	-	-	-	-	-
Physical environment	-	-	1,766,894	-	-	-	344,987	2,111,881
(Total expenditures)	<u>(29,496,720)</u>	<u>(4,123,875)</u>	<u>(4,233,659)</u>	<u>(797,982)</u>	<u>(6,195,071)</u>	<u>(5,599,620)</u>	<u>(4,759,127)</u>	<u>(55,206,054)</u>
(Deficiency) excess of revenues (under) over expenditures	<u>3,708,134</u>	<u>188,575</u>	<u>(554,899)</u>	<u>-</u>	<u>(4,085,893)</u>	<u>(5,553,431)</u>	<u>340,269</u>	<u>(5,957,245)</u>
Other financing sources (uses)								
Issuance of bank note payable	-	-	-	-	-	-	-	-
Bank loan issue costs	-	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	251,334	2,615,918	125,504	2,992,756
Transfers to other funds	(2,585,244)	-	-	-	-	-	(407,512)	(2,992,756)
Total other financing (uses) sources	<u>(2,585,244)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,334</u>	<u>2,615,918</u>	<u>(282,008)</u>	<u>-</u>
Net change in fund balances	<u>1,122,890</u>	<u>188,575</u>	<u>(554,899)</u>	<u>-</u>	<u>(3,834,559)</u>	<u>(2,937,513)</u>	<u>58,261</u>	<u>(5,957,245)</u>
Fund balances, beginning of year	<u>16,615,905</u>	<u>106,571</u>	<u>7,908,457</u>	<u>-</u>	<u>12,752,245</u>	<u>6,839,919</u>	<u>855,762</u>	<u>45,078,859</u>
Fund balances, end of year	<u>\$ 17,738,795</u>	<u>\$ 295,146</u>	<u>\$ 7,353,558</u>	<u>\$ -</u>	<u>\$ 8,917,686</u>	<u>\$ 3,902,406</u>	<u>\$ 914,023</u>	<u>\$ 39,121,614</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 FISCAL YEAR ENDED SEPTEMBER 30, 2010

Net change in fund balances of governmental funds	\$ (5,957,245)
 Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This reconciling item is the amount by which capital purchases of \$12,817,804 less net book value of disposals of \$41,967 exceeded depreciation expense of \$5,516,764.	7,259,073
In the Governmental funds payment for the investment in certain housing has been reported as an expenditure in the affected grant fund. However, in the statement of activities, the cost of these assets has been deferred until title is transferred to grant recipients.	3,258,121
Revenue deferred last year in the statement of net assets is being amortized in the statement of activities. This adjustment is the current year's amortization:	
Amortization of debt service forward delivery agreement proceeds	16,682
The issuance of long-term debt (bonds or bank loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:	
Debt principal repayment	855,779
Amortization of transportation bond premium	15,442
Amortization of bond and bank loan issue costs	(23,388)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Decrease in accrued interest - Stormwater loan	25,025
Decrease in net pension asset	(13,623)
Increase in compensated absences	(72,899)
Increase in other post employment benefits	(292,565)
Change in net assets of governmental activities	<u><u>\$ 5,070,402</u></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, 2010**

	Business-Type Activities
	Water and Sewer Utility Fund
Assets	
Current assets	
Cash	\$ 8,869,081
Restricted assets available for current liabilities	4,599,212
Accounts receivable (net)	1,997,386
Inventory	360,149
Total current assets	15,825,828
Non current assets	
Restricted assets	
Sinking fund - Revenue bonds payable	3,288,907
Debt service reserve fund	2,240,000
Renewal and replacement account	804,719
Customer deposits	1,310,305
Water impact fees	2,107,136
Less: portion classified as current	(4,599,212)
Total restricted assets	5,151,855
Capital assets	
Land	2,829,916
Improvements other than buildings	61,806,138
Buildings	2,847,616
Equipment	14,071,199
Construction in progress	10,205,731
(Accumulated depreciation)	(18,127,096)
Total capital assets - cost less depreciation	73,633,504
Other assets	
Bond issue costs (net)	2,238,566
Deferred Outflow - Swaption	8,951,968
Swaption issue costs (net)	441,002
Total other assets	11,631,536
Total noncurrent assets	90,416,895
Total assets	\$ 106,242,723

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, 2010
(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	\$ 1,836,481
Accrued expenses	63,282
Compensated absences - current portion	124,713
Total current liabilities payable from current assets	<u>2,024,476</u>
Current liabilities payable from restricted assets	
Deposits	1,310,305
Accrued interest payable	1,888,907
Revenue bonds payable - current portion	1,400,000
Total current liabilities payable from restricted assets	<u>4,599,212</u>
Total current liabilities payable from current and restricted assets	<u>6,623,688</u>
Long-term liabilities	
Revenue bonds payable - long-term portion	75,525,000
Unamortized bond premium	1,040,912
Derivative Instruments:	
Option Component - Swaption	218,742
Fair Value - Swaption	8,951,968
Historical Cost of Borrowing	3,206,837
Other post employment benefits obligation	55,898
Total long-term liabilities	<u>88,999,357</u>
Total liabilities	<u>95,623,045</u>
Net assets	
Invested in capital assets, net of	
Related debt	(2,093,842)
Restricted for impact fees	2,107,136
Restricted for debt service	3,640,000
Restricted for renewal and replacement	804,719
Unreserved	6,161,665
Total net assets	<u>\$ 10,619,678</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 FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Water and Sewer Utility Fund
Operating revenues:	
Charges for services - Water	\$ 8,921,006
Charges for services - Waste Water	5,185,602
Connection fees	261,670
Other miscellaneous revenues	734,090
Total operating revenues	15,102,368
Operating expenses:	
Personal services	3,011,767
Operating expenses	3,750,666
Professional services	84,869
Depreciation	3,399,136
Insurance	175,458
Total operating expenses	(10,421,896)
Operating income	4,680,472
Nonoperating revenues (expenses):	
Investment Income:	
Interest earnings	135,643
Changes in Fair Value of Derivative Instruments	813,169
Grant reimbursements (storm related expenses)	-
Grant reimbursements	-
Gain (loss) on sale of capital assets	(106,296)
Interest expense and issue cost amortization	(3,829,885)
Total nonoperating revenue (expenses)	(2,987,369)
Income before contributions	1,693,103
Capital contributions - water and wastewater	22,839
Change in net assets	1,715,942
Net assets:	
Beginning of year (As restated: Note III. F.)	8,903,736
End of year	\$ 10,619,678

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 FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Business-Type Activities
	Water and Sewer System Fund
Cash flows from operating activities	
Cash received from customers	\$ 14,948,349
Cash payments to suppliers for goods and services	(3,140,505)
Cash payments for employee services	(2,962,593)
Net cash provided by operating activities	8,845,251
 Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(5,037,192)
Proceeds from sale of capital assets	6,102
Revenue bond principal payment	(1,100,000)
Revenue bond interest payments	(3,794,312)
Proceeds from capital contributions	22,839
Net cash used in capital and related financing activities	(9,902,563)
 Cash flows from investing activities	
Interest	135,643
Net cash provided by investing activities	135,643
 Net increase (decrease) in cash and cash equivalents	(921,669)
 Cash and cash equivalents, beginning of year	19,541,817
 Cash and cash equivalents, end of year	\$ 18,620,148

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 FISCAL YEAR ENDED SEPTEMBER 30, 2010
(Concluded)**

	<u>Business-Type Activities 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	\$ 8,869,081
Total restricted cash and investments per the balance sheet	<u>9,751,067</u>
Total cash and investments	18,620,148
Less investments not meeting the definition of cash equivalents	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 18,620,148</u></u>
<u>Reconciliation of operating income to net cash provided by operating activities</u>	
Operating income	\$ 4,680,472
Adjustments to reconcile operating Income to cash provided by operating activities:	
Depreciation	3,399,136
Provision for uncollectible accounts	57,812
(Increase) decrease in assets:	
Accounts receivable	(363,806)
Inventories	64,639
Increase (decrease) in liabilities:	
Accounts payable	961,661
Utility deposits	151,975
Accrued expenses	(155,812)
Compensated absences	19,739
Other post employment benefits obligation	<u>29,435</u>
Net cash provided by operating activities	<u><u>\$ 8,845,251</u></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, 2010**

	Employee Retirement Funds
Assets	
Equities	\$ 5,042,059
Bond & Mortgage Fund	1,667,373
Money Market	3,978,182
U.S. Government or Agency Obligations	1,073,710
Real Estate	380,996
Balanced/Asset Allocation Fund	1,487,472
U.S. Stock Funds	385,882
International Stock Funds	49,161
Due from other governments	30,986
	14,095,821
Total assets	
Liabilities	
Accounts payable	17,488
Due to Members - DROP Payments	150,033
Due to other funds	17,479
	185,000
Total liabilities	
Net assets	
Reserved for employees' pension benefits	\$ 13,910,821

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 FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Employee Retirement Funds
Additions	
Contributions:	
Employer	\$ 877,752
Transfer from General Fund - insurance premium surcharges received from State of Florida	418,238
Employee	342,363
Total contributions	1,638,353
Investment income (loss)	1,265,712
(Less) investment management fees	-
Net investment income	1,265,712
Total additions	2,904,065
 Deductions	
Benefit payments	128,312
Refunds to employees	256,852
Administration	85,446
Forfeitures	14,315
Total deductions	(484,925)
Change in net assets	2,419,140
Net assets - beginning	11,491,681
Net assets - ending	\$ 13,910,821

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

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

I. Summary of significant accounting policies

A. Reporting entity

The City of Deltona (City) is a municipal corporation, incorporated December 31, 1995, governed by an elected mayor and six-member council. The City provides a full range of services including law enforcement and fire/rescue protection, solid waste management, storm water management, construction and maintenance of road and street facilities, planning and development services, recreational and cultural activities and general administrative services. Additionally, the City has a business-type operation that offers services associated with water and sewer utilities. The financial reporting entity consists of the primary government and component units, entities for which the government would be considered financially accountable. The determination of financial accountability includes consideration of a number of criteria including: (1) the appointment of a voting majority of an entity's governing authority and the ability of the primary government to impose its will on the entity; (2) the potential for the entity to provide specific financial benefits to, or impose specific financial burdens on, the primary government; and (3) the entity's fiscal dependency on the primary government. As of September 30, 2010, the City had no component units that meet the criteria for inclusion within the financial reporting entity of the City.

B. Government-wide and fund financial statements

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

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

Separate financial statements are provided for governmental funds, enterprise funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the City's enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

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

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

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

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

The City reports the following major governmental funds:

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

The City reports the following non-major fund types:

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

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

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

The City reports the following major enterprise fund:

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, where the amounts are reasonably equivalent in value to the interfund services provided, and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

City Investments

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

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

The City's investment policy is established by resolution and is governed by Florida 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 and direct obligations of the U.S. Treasury and Federal agencies and instrumentalities.

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

Firefighters' Pension Plan Investments

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

Authorized investments for the Firefighter's Pension Plan include: 1) time, savings, and money market deposit accounts of an institution insured by the Federal Deposit Insurance Corporation provided the amount deposited does not exceed the insured amount; 2) obligations issued by the United States Governmental obligations guaranteed as to principal and interest by the United States Government or by an agency of the United States Government; 3) stocks, comingled funds administered by national or state banks, mutual funds or bonds or other evidences of indebtedness, issued or guaranteed by a corporation organized under the laws of the U.S., any state or organized territory of the United States or the District of Columbia, bonds issued by U.S. corporations, structured mortgage products issued by the United States Government, and mortgage related or asset backed securities not issued by the United States Government, and bonds issued by municipal issuers provided that certain criteria are met; 4) commingled stock, bond, timber, real estate or money market funds as may be approved by the Board; 5) foreign equities traded on a national exchange; and 6) real estate up to 10% of the assets of the fund.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All real and tangible personal property taxes are due and payable on November 1st (the levy date) of each year or as soon thereafter as the assessment roll is certified by the Volusia County Property

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

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

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. For the water and sewer utility fund, inventory is comprised of material and supplies on hand. Government-wide inventory is \$3,258,121 which is attributable to homes purchased and rehabilitated through the Neighborhood Stabilization Program (NSP) fund through September 30, 2010.

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

4. Restricted assets

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

5. Capital Assets

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost of the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure being capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets, including infrastructure assets, they are capitalized and reported at historical cost; as assets are upgraded or

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

replaced a corresponding reduction in an existing asset is taken, if applicable. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by Governmental Funds and the Enterprise Fund during the current fiscal year was \$1,149,477 and \$3,829,885 respectively. There was no capitalized interest expense associated with the cost of capital assets under construction in connection with the water and sewer utility fund assets.

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

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

6. Compensated Absences

All vested or accumulated vacation, scheduled holiday leave and vested accumulated sick leave is accrued when incurred in the government-wide and enterprise financial statements. Compensated absences for the years ended September 30, 2010 and 2009 are \$1,936,819 and 1,844,181 respectively.

7. Long-term obligations

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

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

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

8. On-Behalf Payments for Fringe Benefits

The City receives on-behalf payments from the State of Florida to be used for Firefighters' Pension Plan enhancements. On-behalf payments to the City totaled \$418,238 for the fiscal year ended September 30, 2010. Such payments are recorded as intergovernmental revenue and public safety expenditures in the GAAP basis government-wide and General Fund financial statements. The revenue and corresponding expense to the General Fund were budgeted for the first time in the FY 2009/2010 budget.

9. Fund Equity

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

10. Comparative data/reclassification

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

II. Stewardship, compliance, and accountability

A. Budgetary information

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

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

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

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.

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

III. Detailed notes on all funds

A. Deposits and investments

As of September 30, 2010, the City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Ratings</u>	<u>Fair Value</u>
State Board of Administration Local Government Surplus Funds Trust Fund	1 Day	AAAm	\$26,576
Certificate of Deposit	13 Months	N/A	247,000
Wells Fargo Money Market Funds	1 Day Average	AAAm	7,072,737
Wells Fargo Government Obligations	6 – 655 Day Range	AAA	19,967,812
Invesco Aim Investments	1 Day Average	AAAm	2,587,392
Florida Surplus Asset Fund Trust	1 Day or Less	AAAm	22,037,445
Firefighters' Pension Investments			
Money Market		N/A	3,756,900
U.S Treasury Obligations	1 – 2 years	AAA	417,210
U.S. Government Agencies	2 – 5 years	AAA	656,500
Corporate & Foreign Bonds	2 – 10 years	A- to AAA	1,600,308
Equities	N/A	N/A	5,042,059
Real Estate	N/A	N/A	380,996
Bond & Mortgage Fund	N/A	N/A	9,273
General Employees' Pension Investments			
Stable Value/Money Market Funds	N/A	N/A	221,282
Bond Funds	Varies	BBB or better	57,792
Balanced /Asset Allocation Funds	N/A	N/A	1,487,471
U.S. Stock Funds	N/A	N/A	385,882
International Stock Funds	N/A	N/A	<u>49,162</u>
Total Investments			66,003,797
Cash Deposits			<u>4,841,577</u>
Total Deposits and Investments			<u>\$ 70,845,374</u>
Shown in the accompanying combined balance sheet as follows:			
Entity wide – Deposits and Investments			56,780,539
Fiduciary Funds – Deposits and Investments			<u>14,064,835</u>
Total			<u>\$ 70,845,374</u>

Interest rate risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The weighted average maturity of the City's investments is displayed in the above schedule. The City's Investment Policy states that the City will limit interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements of ongoing operations and by investing operating funds primarily in shorter-term securities, money market mutual funds or similar investing pools.

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

Credit risk

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

Concentration of credit risk

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

Custodial credit risk - deposits

For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. As of September 30, 2010, the City's cash deposits were entirely covered by Federal depository insurance or by the banking network provided by Chapter 280 of the Florida Statutes. Florida Statutes provide for collateral pooling by banks and savings and loans and limit local government deposits to "authorized depositories."

Custodial credit risk – investments

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

B. Receivables

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

	Governmental Activities	Business-type Activities	Total
Customers:			
Billed	\$ -	\$ 1,646,705	\$ 1,646,705
Unbilled	-	1,012,879	1,012,879
Services tax	887,478	-	887,478
Franchise fees	558,743	-	558,743
Miscellaneous	78,469	3,605	82,074
Gross receivables	<u>1,524,690</u>	<u>2,663,189</u>	<u>4,187,879</u>
Less: allowance for uncollectibles	-	(665,803)	(665,803)
Net total receivables	<u>\$ 1,524,690</u>	<u>\$ 1,997,386</u>	<u>\$ 3,522,076</u>

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

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

Uncollectible related to water sales	\$ 264,177
Uncollectible related to sewer charges	<u>401,626</u>
Total uncollectible of the current fiscal year	<u>\$ 665,803</u>

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

	<u>Unearned</u>
SHIP Grant funds advanced by grant authority Prior to meeting all eligibility requirements	\$ <u>652,291</u>
Total	<u>\$ 652,291</u>

C. Capital assets

Capital asset activity for the year ended September 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 7,461,724	\$ 6,299,381	\$ -	\$ 13,761,105
Infrastructure right of way	4,372,500	-	-	4,372,500
Construction in progress	<u>12,400,983</u>	<u>11,576,502</u>	<u>(8,044,450)</u>	<u>15,933,035</u>
Total capital assets, not being depreciated	<u>24,235,207</u>	<u>17,875,883</u>	<u>(8,044,450)</u>	<u>34,066,640</u>
Capital assets, being depreciated:				
Buildings and improvements	56,391,508	1,005,490	-	57,396,998
Machinery and equipment	18,882,434	1,560,881	(519,381)	19,923,934
Infrastructure (roads and streets)	<u>87,353,553</u>	<u>420,000</u>	<u>-</u>	<u>87,773,553</u>
Total capital assets, being depreciated	<u>162,627,495</u>	<u>2,986,371</u>	<u>(519,381)</u>	<u>165,094,485</u>
Less accumulated depreciation for:				
Buildings and improvements	(23,869,132)	(2,047,917)	-	(25,917,049)
Machinery and equipment	(13,383,457)	(1,640,019)	477,414	(14,546,062)
Infrastructure (roads and streets)	<u>(32,605,157)</u>	<u>(1,828,828)</u>	<u>-</u>	<u>(34,433,985)</u>
Total accumulated depreciation	<u>(69,857,746)</u>	<u>(5,516,764)</u>	<u>477,414</u>	<u>(74,897,096)</u>
Total capital assets, being depreciated, net	<u>92,769,749</u>	<u>(2,530,393)</u>	<u>(41,967)</u>	<u>90,197,389</u>
Governmental activities capital asset, net	<u>117,004,956</u>	<u>15,345,490</u>	<u>(8,086,417)</u>	<u>124,264,029</u>

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 2,829,916	\$ -	\$ -	\$ 2,829,916
Construction in progress	6,890,252	4,436,887	(1,121,408)	10,205,731
Total capital assets, not being depreciated	<u>9,720,168</u>	<u>4,436,887</u>	<u>(1,121,408)</u>	<u>\$ 13,035,647</u>
Capital assets, being depreciated:				
Buildings and improvements	2,847,616	-	-	2,847,616
Improvements other than buildings	60,766,190	1,121,410	(81,462)	61,806,138
Machinery and equipment	13,654,945	645,484	(229,230)	14,071,199
Total capital assets, being depreciated	<u>77,268,751</u>	<u>1,766,894</u>	<u>(310,692)</u>	<u>78,724,953</u>
Less accumulated depreciation for:				
Buildings and improvements	(376,537)	(111,097)	-	(487,634)
Improvements other than buildings	(8,672,489)	(1,569,880)	11,328	(10,231,041)
Machinery and equipment	(5,832,052)	(1,765,799)	189,430	(7,408,421)
Total accumulated depreciation	<u>(14,881,078)</u>	<u>(3,446,776)</u>	<u>200,758</u>	<u>(18,127,096)</u>
Total capital assets, being depreciated, net	<u>62,387,673</u>	<u>(1,679,882)</u>	<u>(109,934)</u>	<u>60,597,857</u>
Business-type activities capital assets, net	<u>72,107,841</u>	<u>2,757,005</u>	<u>(1,231,342)</u>	<u>73,633,504</u>

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

Governmental activities:

General government and administration	\$ 1,180,466
Public safety	563,353
Highways and Streets	2,397,984
Culture and recreation	604,137
Physical environment	770,824
Total depreciation expense - governmental activities	<u>\$ 5,516,764</u>

Business-type activities:

Water and sewer utility - total depreciation expense	\$ 3,399,136
Accumulated depreciation of assets transferred from Governmental activities	47,640
Total additions to accumulated depreciation - business-type activities	<u>\$ 3,446,776</u>

During the fiscal year ended September 30, 2010, there was a significant revamping and evaluation of the fixed assets process. As a result, there were prior year adjustments to the beginning balances in the Business-type activities for the water and sewer utility. It was discovered that certain assets (lift stations and associated pumps and motors) that were donated to the City in 2007 had never been recognized as capital assets. Additionally, it was discovered that as infrastructure was removed from the utility, any resulting reduction in assets that were not fully depreciated was not record in the utility's fixed asset system. There was a prior year reduction to improvements other than buildings and machinery and equipment to reflect removal of certain infrastructure from the date of acquisition of the utility until September 30, 2009. The net change to capital assets due to these adjustments was a decrease of \$127,873. See the discussion of Restatement of Net Assets presented on page 44 for additional information.

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

Construction commitments

The City has active construction projects as of September 30, 2010. The projects include street construction, public safety facilities, housing rehabilitations and water and wastewater facilities. At year end, the City's commitments with contractors are as follows:

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Storm water	\$ 2,060,578	\$ 234,336
SHIP (Housing rehabs)	106,220	54,930
CDBG (Stormwater & parks projects)	62,929	33,425
Public works	14,126,574	100,695
Facilities	2,453,611	1,855,793
Water and waste water	<u>4,332,829</u>	<u>1,621,827</u>
Total	<u>\$ 23,142,741</u>	<u>\$ 3,901,006</u>

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

D. Interfund receivable, payables and transfers

The composition of interfund balances as of September 30, 2010, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	General Employee's Pension Plan	\$ 17,479
General	CDBG Fund	209,208
General	NSP Fund	<u>31,543</u>
	Total	<u>\$ 258,230</u>

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

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

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

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

Interfund transfers:

	Transfer In:			Total
	Transportation Fund	Municipal Complex Fund	Park Projects Fund	
Transfer out:				
General Fund	\$ -	\$ 2,550,000	\$ 35,244	\$ 2,585,244
Transportation				
Impact Fees fund	251,334	-	-	251,334
Fire/Rescue Service				
Impact Fees fund	-	45,704	-	45,704
Park Impact Fees fund	-	-	90,260	90,260
Law Enforcement				
Impact Fees fund	-	20,214	-	20,214
Total	\$ 251,334	\$ 2,615,918	\$ 125,504	\$ 2,992,756

Transfers are used to: (1) move restricted amounts to finance various programs that the City must account for in other funds in accordance with budgetary authorizations; and (2) move unrestricted General Fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

E. Leases

Operating Leases

The City leases building and office facilities and other equipment. Lease payments are payable on a month-to-month basis. The total cost for such leases was \$334,901 for the year ended September 30, 2010. The future minimum lease payment for these leases is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2011	302,401
2012	250,000
2013	250,000
2014	250,000
2015	250,000
Total	<u>\$ 1,302,401</u>

F. Long-term debt

Revenue bonds

Transportation Capital Improvement Revenue Bonds

On July 12, 2006, the City issued \$18,240,000 of Transportation Capital Improvement Revenue Bonds, Series 2006, the proceeds of which will be used to provide funding for road improvement projects and to pay the cost of issuance. The bonds are collateralized by a pledge of gas tax revenues, which were \$2,089,575 for the fiscal year ending September 30, 2010, and transportation impact fees which were \$251,334 for the fiscal year ending September 30, 2010. The bonds bear interest ranging from 4.00%

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

to 5.00% and mature in increasing annual amounts ranging from \$400,000 to \$1,385,000 from fiscal year 2007 through fiscal year 2026, respectively. Interest is payable semiannually on April 1, and October 1, with annual principal payments due on October 1. Principal and interest payments for the year were \$660,000 and \$799,325 respectively.

Transportation - Debt Service to Maturity Schedule

Fiscal Years <u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 690,000	\$ 768,375	\$ 1,458,375
2012	720,000	735,575	1,455,575
2013	760,000	699,575	1,459,575
2014	795,000	661,575	1,456,575
2015	830,000	627,425	1,457,425
2016 – 2020	4,775,000	2,515,794	7,290,794
2021 – 2025	5,990,000	1,299,326	7,289,326
2026 – 2030	1,385,000	70,981	1,455,981
	<u>\$ 15,945,000</u>	<u>\$ 7,378,626</u>	<u>\$ 23,323,626</u>

Debt service forward delivery agreement

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

Bank notes

Stormwater Bank Note

On April 8, 2009 the City entered into a loan agreement in the amount of \$6,569,345 with Branch Banking and Trust Company (BB&T). The loan was obtained in order to finance certain of the City's costs of the capital improvements contained in the City's adopted Stormwater Master Plan. The Note is expected to be paid over a period of twenty years at a fixed interest rate of 5.01%. The Note is payable from, and secured solely by, revenues derived by the City from its stormwater utility assessments and the City's covenant to budget and appropriate legally available non-ad valorem revenues as provided in the agreement. The City collected \$2,933,338 in stormwater utility assessments in the fiscal year ended September 30, 2010. Principal and interest payments for the year were \$195,779 and \$350,152 respectively.

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

Stormwater - Debt Service to Maturity Schedule

Fiscal Years Ended	Principal	Interest	Total
2011	205,839	319,316	525,155
2012	216,417	309,003	525,420
2013	227,538	298,161	525,699
2014	239,231	286,761	525,992
2015	251,524	274,775	526,299
2016 – 2020	1,465,303	1,171,397	2,636,700
2021 – 2025	1,882,526	764,625	2,647,151
2026 – 2030	1,885,188	242,031	2,127,219
	<u>\$ 6,373,566</u>	<u>\$ 3,666,069</u>	<u>\$ 10,039,635</u>

Business-type Activity Liabilities

The following is a summary of all long-term liabilities of the proprietary funds at September 30, 2010:

Utility System Revenue Bonds

On November 6, 2003, the City issued \$81,725,000 of Utility System Revenue Bonds, Series 2003, the proceeds of which were used to provide funding for the acquisition of water and wastewater facilities, to fund future capital improvements to the acquired system and to pay the cost of issuance. The bonds are collateralized by a pledge of the net revenues of the system, which was \$9,086,232 for the fiscal year end September 30, 2010 including connection fees of \$261,670 as well as the changes in fair value of derivative instruments of \$813,169. The bonds bear interest rates ranging from 2.00% to 5.00% and mature in increasing annual amounts ranging from \$500,000 to \$5,350,000 from 2004 through 2033, respectively. Interest is payable semi-annually at April 1, and October 1, with annual principal payments due on October 1. The principal and interest payments for the year were \$1,100,000 and \$3,898,456 respectively.

Utility System - Debt Service to Maturity Schedule

Fiscal Years Ended	Principal	Interest	Total
2011	1,400,000	3,732,313	5,132,313
2012	1,700,000	3,668,563	5,368,563
2013	1,945,000	3,590,763	5,535,763
2014	2,025,000	3,511,788	5,536,788
2015	2,105,000	3,432,850	5,537,850
2016 – 2020	12,130,000	15,318,613	27,448,613
2021 – 2025	15,645,000	11,624,038	27,269,038
2026 – 2030	20,060,000	7,022,350	27,082,350
2031 – 2035	19,915,000	1,554,500	21,469,500
	<u>\$ 76,925,000</u>	<u>53,455,775</u>	<u>130,380,775</u>

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

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

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

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

The fair value balance and notional amount of the derivative instruments outstanding as of September 30, 2010, classified by type, and the change in fair value of the derivative instrument for the year then ended as reported in the 2010 financial statement is as follows; debit (credit):

	<u>8/15/2006</u>	<u>9/30/2009</u>	<u>9/30/2010</u>
Hybrid Instrument	\$ (3,206,837)	\$ (10,900,870)	\$ (14,436,767)
Fair Value of Borrowing (Carried at Historical Cost)	(3,206,837)	(4,642,518)	(5,266,057)
Time Value (Option Component)	-	(1,031,911)	(218,742)
Change in Fair Value (Time Value)	-	(1,031,911)	813,169
Fair Value of ATM Swap (ATM Rate 3.805%)	-	(5,226,441)	(8,951,968)
Change in Fair Value (ATM Swap)	-	(5,226,441)	(3,725,527)

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

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

The City's objective and terms of the hedging derivative instrument as of September 30, 2010 were as follows:

Type:	Pay-fixed interest rate swap
Objective:	To provide a fix rate on the Series 2003 Bonds
Original Notional Amount:	\$81,725,000
2013 Notional Amount:	\$67,750,000
Date of Agreement:	2006
Effective Date:	2013
Maturity Date:	2033
Terms:	Pay 4.8% Fixed Rate with the underlying variable rate at 61.5% of London Interbank Offered Rate (LIBOR) plus 0.32% and the variable rate of the interest rate is the same as the bonds
Adjustment Period:	First of each month
Counterparty Credit Rating:	A1/A+

Restatement of Net Assets

In accordance with the implementation requirements of GASB 53 as discussed above and contribution of capital assets previously not reported as discussed on page 38, the net assets of the City's Water and Sewer Utility Fund have been restated as follows:

Net Assets as of September 30, 2009 Previously Reported	10,063,520
GASB 53 Implementation	(1,031,911)
Contribution of Capital Assets, previously not Reported	(127,873)
Net Assets as of September 30, 2009 As Restated	<u>8,903,736</u>

Risks

Credit Risk

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

Interest rate risk

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

Basis risk

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

Termination Risk

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

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

Rollover Risk

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

Pledged Revenue

Governmental Activities - Transportation Fund

The City has pledged future gas tax and Transportation Impact Fee revenues to repay the Transportation Capital Improvement Revenue Bonds, Series 2006. If, in any given year, the gas tax and Transportation Impact Fee revenues collected are not sufficient to cover the principal and interest debt obligation of the Transportation Bond, the Bond Covenants require the City to appropriate any short fall from non-Ad Valorem revenue collected in the General Fund. The annual principal and interest on the bonds are expected to require approximately 65% of such gas tax and Transportation Impact Fee revenues. The bonds are payable through 2026. Principal and interest for the current year was \$1,459,325 and gas tax and Transportation Impact Fees revenue totaled \$2,340,909 for the current year. At year end, pledged future revenues totaled \$23,323,626, which was the amount of the remaining principal and interest on the bonds as of September 30, 2010.

Governmental Activities - Stormwater Utility

The City has pledged future stormwater utility assessments revenue to repay the Stormwater Bank Note secured in 2009. The annual principal and interest on the Note is expected to require approximately 19% of such stormwater utility assessments revenue. The Note is payable through 2029. Principal and interest for the current year was \$545,931. Stormwater utility assessments for the current year totaled \$2,933,339. At year end, pledged future revenues totaled \$10,039,635 which was the amount of the remaining principal and interest on the Note as of September 30, 2010.

Business-type Activities – Water/Wastewater Utility

The City has pledged future water and sewer customer Net Revenues to repay the Utility System Revenue Bonds, Series 2003. Net Revenues are Gross Revenues less Operating Expenses as defined in the Bond Covenants. Annual principal and interest on the bonds are expected to require approximately 62% of such revenue. The bonds are payable through 2034. Principal and interest for the current year was \$4,894,313 and net water and sewer revenues totaled \$9,086,232 for the year including \$261,370 of connection fees and \$813,169 of changes in fair value of derivative instruments. At year end, pledged future revenues totaled \$130,380,775, which was the amount of the remaining principal and interest on the bonds as of September 30, 2010.

Debt Service Reserve Funds

In June of 2008, MBIA, the surety (bond insurer) for both the Transportation Capital Improvement Revenue Bonds and the Utility System Revenue Bonds lost its AAA rating from S&P and its Aaa rating from Moody's and was not rated by Fitch at the time. Under the terms of the bond covenants, the City began to establish the required debt service reserve fund in FY 2008/2009 for each bond in an amount that closely approximates the highest year of debt service for each respective bond. The total reserve funding requirement for the Transportation bond is \$1,486,000 and the reserve funding requirement for the Utility bond is \$5,600,000. As a result of the June, 2008 bond insurer downgrade, the bond covenants required that the City accumulate the required debt service reserves over a five year period. As of September 30, 2010, the City was in the second year of the five year funding schedule. However, on December 22,

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

2010, the City's current bond insurer, National Public Finance Guaranty Corporation was downgraded to BBB by Standard & Poor's. As a result of this most recent downgrading of the bond insurer, the City now has twelve months from the qualifying date of the most recent downgrade to fully fund the debt service reserve requirement. The required debt service reserve funds now need to be fully accumulated within twelve months of December, 2010. There is no such requirement on the Stormwater Bank Note and therefore no reserve funding is required.

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

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

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

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Transportation Capital Imp.					
Revenue Bonds Series 2006	\$ 16,605,000	\$ -	\$ 660,000	\$ 15,945,000	\$ 690,000
Add: Unamortized Premium	262,510	-	15,442	247,068	15,442
Deferred Revenue, Debt Service	283,618	-	16,682	266,936	16,684
Stormwater Bank Note	6,569,345	-	195,779	6,373,566	205,839
OPEB Obligation	292,537	292,565	-	585,102	-
Compensated Absences	1,739,207	1,533,093	1,460,194	1,812,106	1,721,501
Total Governmental Activities	<u>25,752,217</u>	<u>1,825,658</u>	<u>2,348,097</u>	<u>25,229,778</u>	<u>2,649,466</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities					
Utility system Revenue Bonds					
Series 2003	\$ 78,025,000	\$ -	\$ 1,100,000	\$ 76,925,000	\$ 1,400,000
Add: Unamortized Premium	1,086,169	-	45,257	1,040,912	-
Option Component - Swaption	1,031,911	-	813,169	218,742	-
Fair Value - Swaption	5,226,441	3,725,527	-	8,951,968	-
Swaption	3,206,837	-	-	3,206,837	-
Subtotal	<u>88,576,358</u>	<u>3,725,527</u>	<u>1,958,426</u>	<u>90,343,459</u>	<u>1,400,000</u>
OPEB Obligation	26,463	29,435	-	55,898	-
Compensated Absences	104,974	180,565	160,826	124,713	124,713
Total Business-type Activities	<u>88,707,795</u>	<u>3,935,527</u>	<u>2,119,252</u>	<u>90,524,070</u>	<u>1,524,713</u>

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

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

IV. Other Information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover itself against these exposures, the City became a member of Preferred Government Insurance Trust (PGIT), a local government liability risk pool. The Pool has in excess of 50 local government agency members. The Pool administers 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 projected losses and operating expenses. If total member assessments do not produce sufficient funds to meet its obligations, the Pool can make additional limited assessments. Losses, if any, in excess of the Pool's ability to assess its members, revert back to the member that incurred the loss. The cost of the insurance is allocated amongst the appropriate City departments and funds.

There has been a reduction in insurance coverage from the prior year with the increase in retained exposure by increasing the City's deductible for property loss. It should be noted, however, that the City's experience modifier value has been significantly raised due to some Worker's Compensation claims that are high cost claims. This increase in the experience modifier resulted in a higher premium rate but the insurance market and entry into a multi-year contract continue to reduce the total premium to an amount lower than the previous years. The addition of high value property has increased the City's total asset value; however, the initiation of property blanket coverage instead of scheduled coverage has helped offset some resulting increased premium costs. The City's property insurance premium has increased \$28,000 since the budget cost was calculated due to an increase of \$6.6M in increased property values. New construction, Fire Station 65, and NSP homes account for vast majority of this increase. NSP insurance costs should be recovered from HUD therefore direct City costs will be reduced accordingly.

There have been no settlements in excess of insurance coverage in any of the prior three years and as such, no additional assessments were levied against the City for the fiscal year ended September 30, 2010.

B. Commitments

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

The City also has an Interlocal Agreement with the County of Volusia, Florida for the provision of law enforcement services within the City. The agreement term is renewable annually each year on October 1. Either party can terminate the agreement without cause or further liability with 180 days written notice. The annual contractual commitment is approximately \$9.1 million payable from the City's General Fund.

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

The City provides weekly residential garbage pick-up and curbside recycling to its residents through a contract with a private company. The agreement was entered into on January 1, 2005 and expires December 31, 2011. Under the contract, the company is compensated \$9.60 per household per month. The City charges an annual assessment for these services on all residential properties. The annual contractual commitment is approximately \$4.1 million payable from the City's Solid Waste Management Fund.

C. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

An inverse condemnation case was filed against the City by a property owner in 2006 and is still pending. The suit alleges a taking of the property by the City due to flood waters resulting from atypical storm activity.

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

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

A lawsuit has been threatened against the City. The threat arises out of a closed contract for the purchase of property. The seller is claiming the City is liable for attorney's fees expended by the seller in a separate lawsuit against a City commissioner which alleges the commissioner tried to interfere with the contract.

D. Other postemployment benefits (OPEB) Plans

Plan Description

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

As of October 1, 2008, the City had 332 active OPEB members with a total unfunded liability of \$1,362,000. Of the 332 total active members, 78 members were in the City's Firefighters retirement plan with a total liability of \$905,000. There were 86 members in the City's General Employees' retirement

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

plan with a total liability of \$114,000. The remaining 168 members were in the Florida Retirement System (FRS) retirement plan with a total liability of \$343,000. All active members are active employees and there are no spouses or retirees who are currently active members of OPEB.

Funding Policy

For the OPEB Plan, contribution requirements of the City are established and may be amended through action from the City Commission. Currently, the City's OPEB benefits are unfunded. The required contributions are based on pay-as-you-go financing requirements. The City has not established a Trust Account Fund for this liability, nor is there an equivalent arrangement into which the City makes contributions to advance-fund the obligation as it does for its pension plans. Therefore, subsidies which are provided over time are financed directly by the general assets of the City, which are invested in short-term fixed income instruments according to the City's current investment policy. The interest rate used to calculate the present values and costs of OPEB must be the long-range expected return on such short-term fixed income instruments. The City selected an interest discount rate of 4% for this purpose.

Annual OPEB Cost and Net OPEB Obligation

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

	FY Ending 09/30/10
Annual Required Contribution	359,000
Interest on Net OPEB Obligation	13,000
Prior Net OPEB Obligation Adjustment	(13,000)
Annual OPEB Cost (Expense)	359,000
Employer Contributions Made	(37,000)
Increase (Decrease) in Net OPEB Obligation	322,000
Net OPEB Obligation at Beginning of Year	319,000
Net OPEB Obligation at End of Year	\$ 641,000

The City's annual OPEB cost, the percentage of annual expected employer contribution toward OPEB cost, and the net OPEB obligation for 2010 with the most recent preceding year was as follows:

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

Annual OPEB Cost Summary

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

Funding Status and Funding Progress

As of September 30, 2010, using the most recent actuarial valuation date of March 1, 2008, the Plan was unfunded. The actuarial accrued liability for benefits was \$1,684,000 and the actuarial value of assets was \$0.00, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,684,000. The covered payroll (annual payroll of active employees covered by the Plan) was \$13,602,000 and the ratio of the UALL to the covered payroll was 10.01%.

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

Actuarial Methods and Assumptions

In any long-term Actuarial Valuation, certain demographic, economic and behavioral assumptions are made concerning the population, the investment discount rates, inflation rates, and the benefits provided. These Actuarial Assumptions form the basis for the actuarial model which is used to project the future population, the future benefits provided and the contributions collected. Then the investment discount rate assumption is used to discount those projected net OPEB benefits to a present value. This and other related present values are used to calculate the annual OPEB cost. The actuarial assumptions also include a payroll growth rate of 2.5%, and an annual healthcare cost trend rate of 9% initially, reduced annually to an ultimate rate of 5% after four years. The remaining amortization period at September 30, 2010, was 29 years.

The results presented as of the Actuarial Valuation date have been derived using the Entry Age Normal Cost Method with an amortization of the Unfunded Actuarial Accrued Liability as a level percent of projected payroll over a closed period of thirty years from 2008. This is the most common method used for government Pension Valuations (and likely so for OPEB valuations) and spreads the cost evenly as a percent of pay throughout the collective careers of those in the covered workforce. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employees and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

E. Employee retirement systems and pension plans

Firefighters' Pension Plan

Plan Description

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

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

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

Membership

As of the actuarial valuation dated October 1, 2009, there are 72 active members in the Plan and 2 retirees, 1 disabled retiree, 8 vested terminated members, 2 beneficiaries and 2 DROP participants.

For the fiscal year ended September 30, 2010, the City's total covered payroll for employees eligible to participate in the Plan was \$4,292,378 compared with a total payroll for the City of \$13,162,276.

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 its actuarial funding requirement for the most recently completed fiscal year. These funds are recorded in the General

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

Fund and then immediately transferred to the pension fund as revenue, with an off-setting expense in the General Fund.

The Plan, as approved by the City Commission, requires members to contribute 8% of their annualized compensation. The City is required to fund the plan at the actuarially determined rate with an offset for estimated insurance premium receipts and contributions from members. The current contribution rate for fiscal year ended September 30, 2010 is 18.6% (14.9% by the City, 3.7% by insurance premium excise tax) of annual covered payroll based on an actuarial valuation dated July 2009. The City has set its actual contribution rate at 14.9% of covered payroll for 2010. Insurance premium payments received from the State of Florida are recorded as revenue in the General Fund and immediately transferred to the Pension Fund. The transfer is recorded in the General Fund as an additional pension contribution.

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

The actuarial valuation, dated October 1, 2009, utilizes the entry age actuarial cost method. Prior years actuarial valuations used the frozen entry age actuarial cost method. Since the actuarial cost method was changed to the entry age actuarial cost method effective October 1, 2002, all prior unfunded frozen actuarial accrued liabilities have been consolidated into an initial UAAL as of October 1, 2002. This initial unfunded actuarial accrued liability is to be amortized over a 15 year period from October 1, 2002 at 4.4%. Unfunded frozen actuarial accrued liability bases established subsequent to October 1, 2002 will be amortized over 30 years using amortization periods that are closed as a level dollar amount from the date of inception. Assets of the Plan are valued at 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 market value and are managed by third party money managers. Investments that do not have an established market are reported at estimated fair market value.

Annual Pension Cost

The City Commission establishes, and may amend, the contribution requirements of the plan members and the City. For the year ended September 30, 2010, the required annual pension cost was \$658,280 and the amount contributed by the City (including the Insurance Premium Tax of \$418,238) was \$1,051,425 or 24.50% of covered payroll. Member contributions for the year totaled \$342,363 or 8% of covered payroll. For the fiscal year ended September 30, 2010 the City 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:

	<u>September 30, 2008</u>	<u>September 30, 2009</u>
Actuarially Determined Contribution (A)	\$ 214,377	\$ 503,290
Interest on Net Pension Obligation (NPO)	(63,107)	(70,790)
Adjustment to (A)	99,805	84,413
Annual Pension Cost (APC) (1)	251,075	516,913
Employer Contributions Made	(347,106)	(503,290)
Increase (Decrease) in NPO	(96,031)	13,623
NPO, Beginning of Year	(788,839)	(884,870)
NPO, End of Year	<u>\$ (884,870)</u>	<u>\$ (871,247)</u>

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

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

Net Pension Asset

The net pension asset, which is in the nature of a prepayment, represents the cumulative amount by which actual employer contributions exceed required contributions and relates solely to the Firefighters' Pension Plan. The net pension asset as of September 30, 2009 was \$871,247.

General Employees' Pension Plan

Plan Description

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

Membership

As of September 30, 2010, there were 60 employees enrolled in the Plan.

Funding Policy

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

For the fiscal year ended September 30, 2010, the City's total covered payroll for employees eligible to participate in the Plan was \$2,447,621 compared with a total payroll for the City of \$13,162,276. The required employer contribution and the contribution actually made amounted to \$244,565 or 10% of covered payroll. Investments are reported at fair value. There have been no revisions to the Plan since its adoption.

Florida Retirement System (FRS)

Plan Description

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

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

That report may be obtained by writing to the:

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

Membership

The City passed Resolution #2006-39, which allows all current eligible employees to enroll in FRS with the State of Florida (a defined benefit pension plan) with an effective date of December 1, 2006, or continue to participate in the pre-existing defined contribution pension plan known as the City of Deltona General Employees' Pension Plan. All general employees hired after December 1, 2006 are compulsory members of FRS. General employees electing to participate in FRS with the State of Florida had the option to purchase past service credit back to October 1, 1997. For each general employee opting to purchase past service, their General Employees' Pension Plan assets were transferred directly to FRS with the State of Florida. As of September 30, 2010, there were 159 employees enrolled in FRS.

Funding Policy

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

	September 30,		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Regular Class</u> – Members who do not qualify for other classes.	9.85%	9.85%	10.77%
<u>Senior Management Service Class</u> – Members of senior management who do not elect the optional annuity retirement program.	13.12%	13.12%	14.57%

For the fiscal year ended September 30, 2010, the City's total covered payroll for employees eligible to participate in the Plan was \$6,422,277 compared with a total payroll for the City of \$13,162,276. Contributions to the plan were \$687,380, \$647,218 and \$705,966 for the fiscal years ended September 30, 2010, 2009 and 2008, respectively. These contributions represent 100% of required contributions for each of the three years presented.

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

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

SCHEDULE OF PENSION PLAN NET ASSETS AS OF SEPTEMBER 30, 2010

	Firefighters' Pension Trust Fund	General Employees' Pension Trust Fund	Total
Assets			
Cash and Investments	\$ 11,863,246	\$ 2,201,590	\$ 14,064,836
Due From Other Government	30,985	-	30,985
Prepaid	-	-	-
Total Assets	<u>11,894,231</u>	<u>2,201,590</u>	<u>14,095,821</u>
Liabilities			
Accounts Payable	17,488	-	17,488
Due to Member - DROP Payments	150,033	-	150,033
Due to Other Funds	-	17,479	17,479
Total Liabilities	<u>167,521</u>	<u>17,479</u>	<u>185,000</u>
Net Assets			
Reserved for Employees' Pension Benefits	<u>11,726,710</u>	<u>2,184,111</u>	<u>13,910,821</u>
Additions			
Contributions:			
Employer	\$ 633,187	\$ 244,565	\$ 877,752
State of Florida	418,238	-	418,238
Employee	<u>342,363</u>	<u>-</u>	<u>342,363</u>
Total Contributions	<u>1,393,788</u>	<u>244,565</u>	<u>1,638,353</u>
Investment Income (Loss)	<u>1,110,898</u>	<u>154,814</u>	<u>1,265,712</u>
Total Additions	<u>2,504,686</u>	<u>399,379</u>	<u>2,904,065</u>
Deductions			
Benefit Payments	\$ 128,312	\$ -	\$ 128,312
Refunds to Employees	37,252	219,600	256,852
Administration	85,366	80	85,446
Forfeitures	<u>-</u>	<u>14,315</u>	<u>14,315</u>
(Total Deductions)	<u>(250,930)</u>	<u>(233,995)</u>	<u>(484,925)</u>
Net Increase (Decrease)	<u>2,253,756</u>	<u>165,384</u>	<u>2,419,140</u>
Net Assets Reserved for Employees' Pension Benefits			
Beginning of Year	<u>9,472,955</u>	<u>2,018,726</u>	<u>11,491,681</u>
End of Year	<u>\$ 11,726,711</u>	<u>\$ 2,184,110</u>	<u>\$ 13,910,821</u>

City of Deltona, Florida
Notes to the Financial Statements
September 30, 2010

Other Pension Plan Information

Three year trend information

	Fiscal Year Ended	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
Firefighters	2009	503,290	100%	(871,244)
Firefighters	2008	214,377	162%	(884,870)
Firefighters	2007	256,681	123%	(788,839)

Firefighters' Retirement Plan

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Entry Age Normal Actuarial Accrued Liability(AAL)	(4) Unfunded Actuarial Accrued Liability (UAAL) (3)-(2)	(5) Funded Ratio(2)/(3)	(6) Annual Covered Payroll	(7) UAAL as Percentage of Payroll (4)/(6)
10/01/09	\$11,396,506	\$15,733,675	\$4,337,169	72.43%	\$4,270,527	101.56%

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

F. Subsequent Event

Fire Union Negotiations

The City and the Fire Union are currently at impasse waiting to set a mutually agreeable date in which to participate in a legislative hearing before the City Commission. Formal contract negotiations commenced on March 12, 2009; the contract expired on September 30, 2009 without ratification of a successor agreement. On March 11, 2010, after eighteen bargaining sessions, the City declared impasse in negotiations over the successor collective bargaining agreement. Subsequent, post impasse negotiations resulted in an agreement between the parties at the bargaining table. However, the bargaining unit membership voted against ratifying the agreement reached at the bargaining table. On August 16, 2010, a Special Magistrate hearing was held in this matter before a Commission-appointed Special Magistrate. As result of this hearing additional contract articles were agreed to by both parties. Those articles still in contention now move forward to a legislative hearing before the City Commission which is currently pending.

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30,2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 12,351,000	\$ 12,351,000	\$ 12,568,945	\$ 217,945
Franchise fees	4,026,000	4,026,000	4,106,081	80,081
Public service tax	7,280,000	7,280,000	8,059,245	779,245
State revenue sharing	1,689,000	1,689,000	2,006,079	317,079
Intergovernmental revenue	3,040,000	4,276,995	4,031,532	(245,463)
Charges for services	1,720,000	1,720,000	1,726,509	6,509
Fines and forfeitures	216,000	216,000	235,849	19,849
Interest income	152,200	152,200	138,193	(14,007)
Miscellaneous	235,000	240,000	332,421	92,421
Total revenues	<u>30,709,200</u>	<u>31,951,195</u>	<u>33,204,854</u>	<u>1,253,659</u>
Expenditures				
Current:				
General Government and Administration:				
City Commission	540,000	551,100	545,425	5,675
City Manager	527,020	527,020	497,866	29,154
City Clerk	440,330	440,330	384,676	55,654
Finance and Internal Services	1,003,410	1,003,410	981,324	22,086
Human Resources	393,900	393,900	373,422	20,478
City Attorney	673,300	898,300	712,570	185,730
Development Services	1,532,500	1,532,500	1,429,955	102,544
Enforcement Services	1,249,510	1,249,510	1,193,286	56,224
General Services	1,391,130	1,370,030	961,249	408,782
Total General Government and Administration	<u>7,751,100</u>	<u>7,966,100</u>	<u>7,079,773</u>	<u>886,327</u>
Public Safety:				
Law Enforcement	8,850,800	8,865,800	8,854,033	11,767
Fire Rescue	8,624,470	9,018,470	8,751,737	266,733
Total public safety	<u>17,475,270</u>	<u>17,884,270</u>	<u>17,605,770</u>	<u>278,500</u>
Highways and Streets:				
Administration	272,940	272,940	263,461	9,479
Engineering	115,400	115,400	115,225	175
Field Operations	1,364,700	1,364,700	1,092,627	272,073
Maintenance	541,990	541,990	225,609	316,381
Total Highways and Streets	<u>2,295,030</u>	<u>2,295,030</u>	<u>1,696,922</u>	<u>598,108</u>
Culture and Recreation	2,135,730	2,135,730	1,879,485	256,245
Economic Environment	-	-	-	-
Physical Environment	-	508,200	26,435	481,765
Capital Outlay				
General Government and Administration	220,000	218,473	269,226	(50,753)
Public Safety	810,000	1,332,000	904,594	427,406
Highways and Streets	15,000	15,000	13,119	1,881
Culture and Recreation	-	-	21,396	(21,396)
Total expenditures	<u>(30,702,130)</u>	<u>(32,354,803)</u>	<u>(29,496,720)</u>	<u>2,858,083</u>
Excess of revenues over expenditures	<u>7,070</u>	<u>(403,608)</u>	<u>3,708,134</u>	<u>4,111,742</u>
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	(2,550,000)	(2,585,244)	(2,585,244)	-
Total other financing (uses)	<u>(2,550,000)</u>	<u>(2,585,244)</u>	<u>(2,585,244)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (under) expenditures and other financing uses	<u>(2,542,930)</u>	<u>(2,988,852)</u>	<u>1,122,890</u>	<u>4,111,742</u>
Fund balance, beginning of year	<u>18,352,203</u>	<u>16,615,905</u>	<u>16,615,905</u>	<u>-</u>
Fund balance, end of year	<u>\$ 15,809,273</u>	<u>\$ 13,627,053</u>	<u>\$ 17,738,795</u>	<u>\$ 4,111,742</u>

Required Supplementary Information

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SOLID WASTE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 4,285,000	\$ 4,285,000	\$ 4,297,526	\$ 12,526
Interest income	7,500.00	7,500	14,924.00	7,424
Miscellaneous	-	-	-	-
Total revenues	<u>4,292,500</u>	<u>4,292,500</u>	<u>4,312,450</u>	<u>19,950</u>
Expenditures				
Current:				
Physical Environment	4,155,880	4,155,880	4,123,875	32,005
Capital outlay - Physical Environment	-	-	-	-
Total expenditures	<u>(4,155,880)</u>	<u>(4,155,880)</u>	<u>(4,123,875)</u>	<u>32,005</u>
(Deficiency) of revenues (under) expenditures	<u>136,620</u>	<u>136,620</u>	<u>188,575</u>	<u>51,955</u>
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Deficiency) of revenues and other Financing sources (under) expenditures and other financing uses	<u>136,620</u>	<u>136,620</u>	<u>188,575</u>	<u>51,955</u>
Fund balance, beginning of year	<u>65,025</u>	<u>106,571</u>	<u>106,571</u>	<u>-</u>
Fund balance, end of year	<u>\$ 201,645</u>	<u>\$ 243,191</u>	<u>\$ 295,146</u>	<u>\$ 51,955</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,386,725	\$ 1,386,725	\$ 705,591	\$ (681,134)
Charges for services	2,920,000	2,920,000	2,933,338	13,338
Miscellaneous	-	-	6,013	6,013
Interest income	35,000	35,000	33,818	(1,182)
Total revenues	<u>4,341,725</u>	<u>4,341,725</u>	<u>3,678,760</u>	<u>(662,965)</u>
Expenditures				
Current:				
Physical Environment	2,178,950	2,178,950	1,920,834	258,116
Debt service:				
Principal	195,779	195,779	195,779	-
Interest	350,152	350,152	350,152	-
Capital outlay - Physical Environment	5,581,195	5,581,195	1,766,894	3,814,301
Total expenditures	<u>(8,306,076)</u>	<u>(8,306,076)</u>	<u>(4,233,659)</u>	<u>4,072,417</u>
(Deficiency) of revenues (under) expenditures	<u>(3,964,351)</u>	<u>(3,964,351)</u>	<u>(554,899)</u>	<u>3,409,452</u>
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other Financing sources over expenditures and other financing uses	(3,964,351)	(3,964,351)	(554,899)	3,409,452
Fund balance, beginning of year	<u>7,843,623</u>	<u>7,908,457</u>	<u>7,908,457</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,879,272</u>	<u>\$ 3,944,106</u>	<u>\$ 7,353,558</u>	<u>\$ 3,409,452</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue	\$ 1,172,000	\$ 1,172,000	\$ 787,552	\$ (384,448)
Interest	4,000	4,000	10,430	6,430
Total revenues	<u>1,176,000</u>	<u>1,176,000</u>	<u>797,982</u>	<u>(378,018)</u>
Expenditures				
Current:				
Economic Environment	1,176,000	1,176,000	797,982	378,018
Total expenditures	<u>(1,176,000)</u>	<u>(1,176,000)</u>	<u>(797,982)</u>	<u>378,018</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TRANSPORTATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 2,438,000	\$ 2,438,000	\$ 2,089,575	\$ (348,425)
Impact Fees	-	-	-	-
Interest	14,000	14,000	19,603	5,603
Total revenues	<u>2,452,000</u>	<u>2,452,000</u>	<u>2,109,178</u>	<u>(342,822)</u>
Expenditures				
Current:				
Highways and Streets	372,610	372,610	377,956	(5,346)
Debt Service:				
Principal	660,000	660,000	660,000	-
Interest	799,325	799,325	799,325	-
Capital outlay - Highways and Streets	9,859,799	9,859,799	4,357,790	5,502,009
Total expenditures	<u>(11,691,734)</u>	<u>(11,691,734)</u>	<u>(6,195,071)</u>	<u>5,496,663</u>
(Deficiency) of revenues (under) expenditures	<u>(9,239,734)</u>	<u>(9,239,734)</u>	<u>(4,085,893)</u>	<u>5,153,841</u>
Other financing sources (uses)				
Transfers from other funds	50,000	50,000	251,334	201,334
Transfers to other funds	-	-	-	-
Total other financing sources	<u>50,000</u>	<u>50,000</u>	<u>251,334</u>	<u>201,334</u>
(Deficiency) of revenues and other Financing sources (under) expenditures and other financing uses	<u>(9,189,734)</u>	<u>(9,189,734)</u>	<u>(3,834,559)</u>	<u>5,355,175</u>
Fund balance, beginning of year	<u>11,456,504</u>	<u>12,752,245</u>	<u>12,752,245</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,266,770</u>	<u>\$ 3,562,511</u>	<u>\$ 8,917,686</u>	<u>\$ 5,355,175</u>

**CITY OF DELTONA, FLORIDA
SCHEDULES OF FUNDING PROGRESS AND CONTRIBUTIONS
FROM EMPLOYER AND OTHERS
SEPTEMBER 30, 2010**

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,	Annual City Pension Cost	Premium Tax Refunds	Past Excess Contrib.	Total Employer Contrib.	Employer Contrib. as a % of Required Contrib.	Net Pension Obligation (Asset)
2000	284,568	252,321	49,126	-	301,447	106%
2001	326,328	283,428	49,126	-	332,554	102%
2002	238,866	284,041	49,126	-	333,167	139%
2003	227,514	313,409	49,126	-	362,535	159%
2004	245,229	355,812	49,126	-	404,938	165%
2005	260,870	267,952	77,664	-	345,616	132%
2006	306,309	286,986	154,989	-	441,975	144%
2007	411,670	349,735	154,989	-	504,724	123%
2008	369,366	347,106	154,989	-	502,095	136%
2009	658,280	503,291	154,990	-	658,281	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

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

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

**CITY OF DELTONA, FLORIDA
SCHEDULE OF FUNDING PROGRESS
FROM EMPLOYER AND OTHERS
SEPTEMBER 30, 2010**

OTHER POST EMPLOYMENT BENEFITS (OPEB) TREND INFORMATION

A. Schedule of Funding Progress

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

City of Deltona, Florida
Notes to the Required Supplementary Information
September 30, 2010

Note 1

Budgetary information

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

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

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

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

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

The City received \$418,238 from the State of Florida for the Firefighter Pension Insurance Premium Tax. This is money charged to all homeowners on their homeowners' insurance bill to provide additional pension benefits to firefighters. As required by Generally Accepted Accounting Principles (GAAP), this money was recorded in the General Fund as revenue with an offsetting equal expense in public safety. Once received, this money was immediately transferred to the Firefighters pension fund to fund pension benefits above and beyond what the City provides. In FY 2009/2010 this pass-through amount was formally budgeted for the first time.

SUPPLEMENTAL INFORMATION

**CITY OF DELTONA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

Special Revenue Funds

	Streetlighting Districts	Fire/Rescue Service Impact Fees	Law Enforcement Impact Fees	Park Impact Fees	Transportation Impact Fees	Community Development Block Grant	Neighborhood Stabilization Grant	Tree Replacement Fund	Capital Projects - Park Projects Fund	Total
Assets										
Cash and cash equivalents	\$ 36,864	\$ -	\$ 4,567	\$ -	\$ -	\$ -	\$ -	\$ 504,376	\$ 377,195	\$ 923,002
Debt service reserve fund		-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-
Due from other governments		-	-	-	-	300,471	72,014	-	-	372,485
Total assets	36,864	-	4,567	-	-	300,471	72,014	504,376	377,195	1,295,487
Liabilities and fund balances										
Liabilities										
Accounts payable	8,864	-	-	-	-	90,549	39,500	115	-	139,028
Accrued liabilities	-	-	-	-	-	714	971	-	-	1,685
Contracts/Retainage payable	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	209,208	31,543	-	-	240,751
Deferred revenues	-	-	-	-	-	-	-	-	-	-
Total liabilities	8,864	-	-	-	-	300,471	72,014	115	-	381,464
Fund balances										
Reserved for:										
Capital projects	-	-	-	-	-	-	-	-	377,195	377,195
Unreserved/Undesignated	28,000	-	4,567	-	-	-	-	504,261	-	536,828
Total fund balances	28,000	-	4,567	-	-	-	-	504,261	377,195	914,023
Total liabilities and fund balances	\$ 36,864	\$ -	\$ 4,567	\$ -	\$ -	\$ 300,471	\$ 72,014	\$ 504,376	\$ 377,195	\$ 1,295,487

CITY OF DELTONA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Special Revenue Funds

	Streetlighting Districts	Fire/Rescue Service Impact Fees	Law Enforcement Impact Fees	Park Impact Fees	Transportation Impact Fees	Community Development Block Grant	Neighborhood Stabilization Grant	Tree Replacement Fund	Capital Projects - Park Projects	Total
Revenues										
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 849,486	\$ 3,690,315	\$ -	\$ -	\$ 4,539,801
Charges for services	139,905	-	-	-	-	-	-	-	-	139,905
Impact fees	-	45,704	24,781	90,260	251,334	-	-	-	-	412,079
Interest income	686	-	-	-	-	-	-	4,164	2,532	7,382
Miscellaneous	-	-	-	-	-	-	-	229	-	229
Total revenues	140,591	45,704	24,781	90,260	251,334	849,486	3,690,315	4,393	2,532	5,099,396
Expenditures										
Current:										
General Government and Administration	-	-	-	-	-	46,098	103,035	-	-	149,133
Highways and Streets	136,314	-	-	-	-	-	-	-	-	136,314
Culture and Recreation	-	-	-	-	-	129,277	-	-	-	129,277
Economic Environment	-	-	-	-	-	-	3,587,280	-	-	3,587,280
Physical Environment	-	-	-	-	-	19,599	-	15,318	-	34,917
Capital Outlay:										
General Government and Administration	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-
Highways and Streets	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	309,525	-	-	67,694	377,219
Economic Environment	-	-	-	-	-	-	-	-	-	-
Physical Environment	-	-	-	-	-	344,987	-	-	-	344,987
Total expenditures	(136,314)	-	-	-	-	(849,486)	(3,690,315)	(15,318)	(67,694)	(4,759,127)
Excess (deficiency) of revenues over (under) expenditures	4,277	45,704	24,781	90,260	251,334	-	-	(10,925)	(65,162)	340,269
Other financing sources (uses)										
Transfers from other funds	-	-	-	-	-	-	-	-	125,504	125,504
Transfers to other funds	-	(45,704)	(20,214)	(90,260)	(251,334)	-	-	-	-	(407,512)
Total other financing (uses) sources	-	(45,704)	(20,214)	(90,260)	(251,334)	-	-	-	125,504	(282,008)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	4,277	-	4,567	-	-	-	-	(10,925)	60,342	58,261
Fund balances, beginning of year	23,723	-	-	-	-	-	-	515,186	316,853	855,762
Fund balances, end of year	\$ 28,000	\$ -	\$ 4,567	\$ -	\$ -	\$ -	\$ -	\$ 504,261	\$ 377,195	\$ 914,023

Supplemental Information

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
STREETLIGHTING DISTRICTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget</u>
Revenues			
Special assessments	\$ 139,905	\$ 145,200	\$ (5,295)
Interest income	686	500	186
Total revenues	<u>140,591</u>	<u>145,700</u>	<u>(5,109)</u>
Expenditures			
Current:			
Highways and Streets	136,314	136,400	86
Total expenditures	<u>(136,314)</u>	<u>(136,400)</u>	<u>86</u>
Excess of revenues Over expenditures	4,277	9,300	(5,023)
Fund balance, beginning of year	<u>23,723</u>	<u>23,723</u>	<u>-</u>
Fund balance, end of year	<u>\$ 28,000</u>	<u>\$ 33,023</u>	<u>\$ (5,023)</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, 2010

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget</u>
Revenues			
Impact fees	\$ 45,704	\$ -	\$ 45,704
Interest	-	100	(100)
Total revenues	<u>45,704</u>	<u>100</u>	<u>45,604</u>
Expenditures			
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>45,704</u>	<u>100</u>	<u>(45,604)</u>
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(45,704)	-	(45,704)
Total other financing sources (uses)	<u>(45,704)</u>	<u>-</u>	<u>(45,704)</u>
(Deficiency) of revenues and other Financing sources (under) expenditures and other financing uses	-	100	(100)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ (100)</u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
LAW ENFORCEMENT IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget</u>
Revenues			
Impact Fees	\$ 24,781	\$ -	\$ 24,781
Interest	-	100	(100)
Total revenues	<u>24,781</u>	<u>100</u>	<u>24,681</u>
Expenditures			
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>24,781</u>	<u>100</u>	<u>24,681</u>
Other financing sources (Uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(20,214)	-	(20,214)
Total other financing sources (uses)	<u>(20,214)</u>	<u>-</u>	<u>(20,214)</u>
(Deficiency) of revenues and other Financing sources (under) expenditures and other financing uses	4,567	100	4,467
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,567</u>	<u>\$ 100</u>	<u>\$ 4,467</u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
PARK IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget</u>
Revenues			
Impact fees	\$ 90,260	\$ -	\$ 90,260
Interest income	-	-	-
Total revenues	<u>90,260</u>	<u>-</u>	<u>90,260</u>
Expenditures			
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues Over expenditures	<u>90,260</u>	<u>-</u>	<u>90,260</u>
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(90,260)	-	(90,260)
Total other financing sources	<u>(90,260)</u>	<u>-</u>	<u>(90,260)</u>
(Deficiency) of revenues and other Financing sources (under) expenditures and other financing uses	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
TRANSPORTATION IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget</u>
Revenues			
Impact fees	\$ 251,334	\$ 50,000	\$ 201,334
Interest income	-	-	-
Total revenues	<u>251,334</u>	<u>50,000</u>	<u>201,334</u>
Expenditures			
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues Over expenditures	<u>251,334</u>	<u>50,000</u>	<u>201,334</u>
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(251,334)	-	(251,334)
Total other financing sources	<u>(251,334)</u>	<u>-</u>	<u>(251,334)</u>
(Deficiency) of revenues and other Financing sources (under) expenditures and other financing uses	-	50,000	(50,000)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ (50,000)</u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget</u>
Revenues			
Intergovernmental	\$ 849,486	\$ 1,115,200	\$ (265,714)
Total revenues	<u>849,486</u>	<u>1,115,200</u>	<u>(265,714)</u>
Expenditures			
Current:			
General Government and Administration	46,098	-	(46,098)
Culture and Recreation	129,277	-	(129,277)
Economic Environment	-	248,740	248,740
Physical Environment	19,599	-	(19,599)
Capital outlay:			
Highways and Streets	-	-	-
Culture and Recreation	309,525	-	(309,525)
Physical Environment	344,987	866,460	521,473
Total expenditures	<u>(849,486)</u>	<u>(1,115,200)</u>	<u>265,714</u>
Excess of revenues over expenditures	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
NEIGHBORHOOD STABILIZATION GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget</u>
Revenues			
Intergovernmental	\$ 3,690,315	\$ 6,566,001	\$ (2,875,686)
Interest income	-	-	-
Total revenues	<u>3,690,315</u>	<u>6,566,001</u>	<u>(2,875,686)</u>
Expenditures			
Current:			
General Government and Administration	103,035	566,001	462,966
Economic Environment	3,587,280	6,000,000	2,412,720
Total expenditures	<u>(3,690,315)</u>	<u>(6,566,001)</u>	<u>2,875,686</u>
Excess of revenues over expenditures	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
TREE REPLACEMENT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget</u>
Revenues			
Interest	\$ 4,164	\$ 2,000	\$ 2,164
Miscellaneous	229	15,000	(14,771)
Total revenues	<u>4,393</u>	<u>17,000</u>	<u>(12,607)</u>
Expenditures			
Physical Environment	15,318	350,000	334,682
Total expenditures	<u>(15,318)</u>	<u>(350,000)</u>	<u>334,682</u>
Excess of revenues over expenditures	(10,925)	(333,000)	322,075
Fund balance, beginning of year	<u>515,186</u>	<u>515,186</u>	<u>-</u>
Fund balance, end of year	<u>\$ 504,261</u>	<u>\$ 182,186</u>	<u>\$ 322,075</u>

CITY OF DELTONA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
CAPITAL PROJECTS - PARK PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget</u>
Revenues			
Intergovernmental	\$ -	\$ 224,775	\$ (224,775)
Interest	2,532	1,200	1,332
Miscellaneous	-	-	-
Total revenues	<u>2,532</u>	<u>225,975</u>	<u>(223,443)</u>
Expenditures			
Capital Outlay - Culture and Recreation	67,694	448,019	380,325
Total expenditures	<u>(67,694)</u>	<u>(448,019)</u>	<u>380,325</u>
(Deficiency) of revenues (under) expenditures	<u>(65,162)</u>	<u>(222,044)</u>	<u>156,882</u>
Other financing sources (uses)			
Transfers from other funds	125,504	35,244	90,260
Transfers to other funds	-	-	-
Total other financing sources	<u>125,504</u>	<u>35,244</u>	<u>90,260</u>
(Deficiency) of revenues and other Financing sources (under) expenditures and other financing uses	60,342	(186,800)	247,142
Fund balance, beginning of year	<u>316,853</u>	<u>316,853</u>	<u>-</u>
Fund balance, end of year	<u>\$ 377,195</u>	<u>\$ 130,053</u>	<u>\$ 247,142</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 24,000	\$ 24,000	\$ 46,189	\$ 22,189
Total revenues	<u>24,000</u>	<u>24,000</u>	<u>46,189</u>	<u>22,189</u>
Expenditures				
Capital outlay:				
General Government and Administration	20,000	20,000	-	20,000
Public Safety	8,240,500	8,240,500	5,599,619	2,640,881
Culture and Recreation	-	-	-	-
Economic Environment	-	-	-	-
Total expenditures	<u>(8,260,500)</u>	<u>(8,260,500)</u>	<u>(5,599,619)</u>	<u>2,660,881</u>
(Deficiency) of revenues (under) expenditures	<u>(8,236,500)</u>	<u>(8,236,500)</u>	<u>(5,553,430)</u>	<u>2,683,070</u>
Other financing sources (uses)				
Transfers from other funds	2,550,000	2,550,000	2,615,917	65,917
Transfers to other funds	-	-	-	-
Total other financing sources	<u>2,550,000</u>	<u>2,550,000</u>	<u>2,615,917</u>	<u>65,917</u>
Excess of revenues and other Financing sources over expenditures and other financing uses	(5,686,500)	(5,686,500)	(2,937,513)	2,748,987
Fund balance, beginning of year	<u>7,031,042</u>	<u>6,839,919</u>	<u>6,839,919</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,344,542</u>	<u>\$ 1,153,419</u>	<u>\$ 3,902,406</u>	<u>\$ 2,748,987</u>

City of Deltona, Florida
Notes to the Supplemental Information
September 30, 2010

Note 1

Budgetary information

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

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

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

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

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

**CITY OF DELTONA, FLORIDA
STATISTICAL SECTION
(UNAUDITED)**

CONTENTS

Page

Financial Trends

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

Net Assets by Component	83
Changes in Net Assets	84
Fund Balances of Governmental Funds	86
Changes in Fund Balances of Governmental Funds.....	88
Tax Revenues by Source, Governmental Funds.....	90

Revenue Capacity

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

Assessed Value and Estimated Actual Value of Taxable Property	91
Direct and Overlapping Property Tax Rates	92
Principal Taxpayers.....	93
Property Tax Levies and Collections	94

Debt Capacity

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

Ratios of Outstanding Debt by Type	95
Direct and Overlapping Governmental Activities Debt	96
Pledged-Revenues Coverage	97

Demographic and Economic Information

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

Demographic and Economic Statistics	98
---	----

Operating Information

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

Full-time Equivalent City Government Employees by Function/Program	102
Various Indicators by Function/Program	104
Water Sold by Type of Customer	105
Sewer Sold by Type of Customer.....	106
Principal Employers	107

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

This page intentionally left blank

CITY OF DELTONA, FLORIDA
NET ASSETS BY COMPONENT
*** LAST TEN FISCAL YEARS**
(Accrual Basis GASB 34 Beginning 09/30/05)

	Fiscal Year Ending					
	9/30/2005	9/30/2006	09/30/07	09/30/08	9/30/2009	9/30/2010
Governmental activities						
Invested in capital assets, net of related debt	\$ 98,180,028	\$ 98,811,959	\$ 98,227,017	\$ 100,154,051	\$ 112,872,553	\$ 116,238,698
Restricted	97,088	12,884,043	17,624,008	21,608,876	7,985,972	5,178,367
Unrestricted	14,010,005	20,869,676	22,912,202	13,505,647	16,604,347	21,116,209
Total governmental activities net assets	121,898,785	132,565,678	138,763,227	135,268,574	137,462,872	142,533,274
Business-type activities						
Invested In capital assets, net of related debt	(2,268,990)	(1,110,093)	687,601	(4,554,058)	(4,539,555)	(2,093,842)
Restricted	3,777,106	5,084,342	5,756,187	6,027,627	7,389,375	6,551,855
Unrestricted	3,289,974	3,194,364	2,400,615	7,555,896	6,053,916	6,161,665
Total business-type activities net assets	4,798,090	7,168,613	8,844,403	9,029,465	8,903,736	10,619,678
Primary government						
Invested In capital assets, net of related debt	95,911,038	97,701,866	98,914,618	95,599,993	108,332,998	114,144,856
Restricted	13,485,858	17,968,385	23,380,195	27,636,503	15,375,347	11,730,222
Unrestricted	17,299,979	24,064,040	25,312,817	21,061,543	22,658,263	27,277,874
Total primary government net assets	\$ 126,696,875	\$ 139,734,291	\$ 147,607,630	\$ 144,298,039	\$ 146,366,608	\$ 153,152,952

* The City has statistical information dating back to the implmentation of GASB 34 only.

CITY OF DELTONA, FLORIDA
CHANGES IN NET ASSETS
*** LAST TEN FISCAL YEARS**
(Accrual Basis GASB 34 Beginning 09/30/05)

	Fiscal Years Ending					
	9/30/2005	9/30/2006	9/30/2007	9/30/2008	9/30/2009	9/30/2010
Expenses						
Governmental activities:						
General government	\$ 7,511,985	\$ 7,934,679	\$ 9,703,442	\$ 11,343,784	\$ 8,403,728	\$ 8,608,657
Public safety	11,416,880	13,059,405	15,601,863	18,291,690	18,356,301	18,442,646
Highways and Streets	7,625,589	6,256,676	6,752,773	7,402,043	6,927,195	5,333,601
Culture and recreation	1,872,250	2,292,825	2,785,735	5,386,966	2,713,803	2,626,028
Economic environment	609,644	2,287,563	1,363,432	563,904	593,424	1,069,663
Physical environment	5,702,314	5,727,828	5,969,928	6,790,848	6,804,695	6,982,097
Interest on long-term debt	-	190,410	854,963	838,806	973,351	1,115,716
Total governmental activities	<u>34,738,662</u>	<u>37,749,386</u>	<u>43,032,136</u>	<u>50,618,041</u>	<u>44,772,497</u>	<u>44,178,408</u>
Business-type activities:						
Personal services	2,351,334	2,690,157	3,065,373	3,065,599	3,046,606	3,011,767
Operating expenses	3,519,953	3,519,637	3,810,492	3,897,427	3,818,513	3,692,854
Professional services	231,610	129,704	78,425	145,653	146,095	84,869
Depreciation	2,264,714	2,511,124	2,560,312	2,731,455	3,166,475	3,399,136
Insurance	123,838	78,754	170,521	175,812	163,405	175,458
Bad debts	95,000	61,000	58,000	85,000	118,032	57,812
Total business-type activities	<u>8,586,449</u>	<u>8,990,376</u>	<u>9,743,123</u>	<u>10,100,946</u>	<u>10,459,126</u>	<u>10,421,896</u>
Total primary government expenses	<u>43,325,111</u>	<u>46,739,762</u>	<u>52,775,259</u>	<u>60,718,987</u>	<u>55,231,623</u>	<u>54,600,304</u>
Program revenues						
Governmental activities:						
Charges for services:						
General government	3,493,022	3,522,887	2,211,608	1,628,906	1,708,691	1,492,531
Public safety	296,238	404,301	321,400	110,405	101,073	104,092
Transportation	-	-	-	117,946	145,595	139,905
Culture and recreation	-	220,045	239,614	152,592	141,669	129,885
Physical environment	3,722,521	3,799,283	3,851,466	6,225,353	7,212,206	7,230,865
Operating grants and contributions	4,327,207	2,292,489	1,668,575	1,394,733	1,105,105	2,055,276
Capital grants and contributions	4,275,697	5,332,206	4,913,892	3,279,107	3,631,902	4,950,675
Total governmental activities program revenues	<u>16,114,685</u>	<u>15,571,211</u>	<u>13,206,555</u>	<u>12,909,042</u>	<u>14,046,241</u>	<u>16,103,229</u>
Business-type activities:						
Charges for services:						
Water	7,995,028	8,558,812	8,528,101	8,921,006	9,108,281	8,921,006
Wastewater	4,373,292	4,266,858	4,295,944	5,185,602	4,648,838	5,185,602
Connection fees	108,299	102,420	88,815	88,515	208,335	261,670
Operating grants and contributions	277,746	-	-	-	102,179	-
Capital grants and contributions	2,042,282	1,097,791	542,629	420,686	229,554	22,839
Total business-type activities program revenues	<u>14,796,647</u>	<u>14,025,881</u>	<u>13,455,489</u>	<u>14,615,809</u>	<u>14,297,187</u>	<u>14,391,117</u>
Total primary government program revenues	<u>30,911,332</u>	<u>29,597,092</u>	<u>26,662,044</u>	<u>27,524,851</u>	<u>28,343,428</u>	<u>30,494,346</u>
Net (expenses) revenues						
Governmental activities	(18,623,977)	(22,178,175)	(29,825,581)	(37,708,999)	(30,726,256)	(28,075,179)
Business-type activities	6,210,198	5,035,505	3,712,366	4,514,863	3,838,061	3,969,221
Total primary government net (expenses) revenues	<u>\$ (12,413,779)</u>	<u>\$ (17,142,670)</u>	<u>\$ (26,113,215)</u>	<u>\$ (33,194,136)</u>	<u>\$ (26,888,195)</u>	<u>\$ (24,105,958)</u>

CITY OF DELTONA, FLORIDA
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(Concluded)
(Accrual Basis GASB 34 Beginning 09/30/05)

	Fiscal Year Ending					
	9/30/2005	9/30/2006	9/30/2007	9/30/2008	9/30/2009	9/30/2010
General revenues & other changes in net assets						
Governmental activities:						
Taxes:						
Property taxes	\$ 8,394,332	\$ 9,878,462	\$ 12,782,901	\$ 12,106,012	\$ 12,346,188	\$ 12,568,945
Franchise fees	3,168,855	3,963,179	3,788,900	3,788,670	4,040,268	4,106,081
Public service tax	6,874,286	7,360,867	7,567,153	7,437,523	7,823,723	8,059,245
Sales tax	4,594,128	4,397,122	4,263,700	3,935,428	3,562,838	3,462,212
Local Option Gas Taxes	2,322,563	2,164,256	2,194,708	2,072,286	2,113,741	2,089,575
State revenue sharing	2,212,888	2,606,365	2,523,853	2,306,647	2,019,205	2,006,079
Investment earnings	531,582	1,627,596	3,086,818	2,083,996	459,819	270,540
Miscellaneous income	279,929	343,892	318,426	483,784	554,772	582,904
Total governmental activities	<u>28,378,563</u>	<u>32,341,739</u>	<u>36,526,459</u>	<u>34,214,346</u>	<u>32,920,554</u>	<u>33,145,581</u>
Business-type activities:						
Investment earnings	460,360	716,327	990,594	683,262	192,620	135,643
Gain on sale of capital assets	32,536	9,505	9,358	16,466	(758)	(106,296)
Changes in FV of Derivative Instruments	-	-	-	-	(1,031,911)	813,169
Grant reimbursements	-	-	-	(133,416)	-	-
Interest expense and issue costs	(3,949,749)	(3,926,081)	(3,557,293)	(3,734,622)	(3,827,369)	(3,829,885)
Miscellaneous income	658,367	535,267	520,764	504,805	831,501	734,090
Total business-type activities	<u>(2,798,486)</u>	<u>(2,664,982)</u>	<u>(2,036,577)</u>	<u>(2,663,505)</u>	<u>(3,835,917)</u>	<u>(2,253,279)</u>
Total primary government	<u>25,580,077</u>	<u>29,676,757</u>	<u>34,489,882</u>	<u>31,550,841</u>	<u>29,084,637</u>	<u>30,892,302</u>
Change in net assets						
Governmental activities	9,754,586	10,163,564	6,700,878	(3,494,653)	2,194,298	5,070,402
Business-type activities	3,411,712	2,370,523	1,675,789	1,851,358	2,144	1,715,942
Total primary government	<u>\$ 13,166,298</u>	<u>\$ 12,534,087</u>	<u>\$ 8,376,667</u>	<u>\$ (1,643,295)</u>	<u>\$ 2,196,442</u>	<u>\$ 6,786,344</u>

* The City has statistical information dating back to the implementation of GASB 34 only.

CITY OF DELTONA, FLORIDA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Years Ending September 30				
	2001	2002	2003	2004 (1)	2005
General fund					
Reserved	\$ 562,505	\$ 655,259	\$ -	\$ -	\$ -
Unreserved	6,942,402	11,349,366	9,154,920	1,549,689	11,407,512
Total general fund	<u>7,504,907</u>	<u>12,004,625</u>	<u>9,154,920</u>	<u>1,549,689</u>	<u>11,407,512</u>
All other governmental funds					
Reserved	4,131,730	1,251,487	9,780,380	8,085,040	9,708,752
Unreserved reported in:					
Special revenue funds	5,380,854	4,534,261	648,309	2,082,722	1,913,789
Capital projects funds	1,059,234	2,461,734	-	-	-
Total all other governmental funds	<u>\$ 10,571,818</u>	<u>\$ 8,247,482</u>	<u>\$ 10,428,689</u>	<u>\$ 10,167,762</u>	<u>\$ 11,622,541</u>

(1) The large decrease in General fund balance in fiscal year ended 2004 was the result of hurricane debris removal

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

<u>2006 (2)</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 430,894	\$ 226,372	\$ 707,308	\$ -	\$ -
17,526,869	21,077,058	12,977,046	16,615,905	17,738,795
<u>17,957,763</u>	<u>21,303,430</u>	<u>13,684,354</u>	<u>16,615,905</u>	<u>17,738,795</u>
31,112,787	32,482,443	28,811,589	26,435,446	19,737,565
2,842,489	2,744,876	1,180,305	2,027,508	1,645,254
-	-	-	-	-
<u>\$ 33,955,276</u>	<u>\$ 35,227,319</u>	<u>\$ 29,991,894</u>	<u>\$ 28,462,954</u>	<u>\$ 21,382,819</u>

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

	Fiscal Years Ending September 30				
	2001	2002	2003	2004 (1)	2005
Revenues:					
Property taxes	\$ 5,950,617	\$ 6,139,833	\$ 6,626,383	\$ 7,334,228	\$ 8,394,332
Franchise fees	370,123	1,428,238	2,717,374	2,815,567	3,168,855
Public service tax	4,038,130	6,143,085	6,298,994	6,411,966	6,874,286
State revenue sharing	1,539,215	1,554,947	1,786,901	1,956,265	2,473,587
Intergovernmental	5,703,269	6,332,558	7,712,493	6,683,930	15,887,440
Charges for services	5,210,704	5,848,103	7,123,832	7,421,216	9,262,321
Fines and forfeitures	394,552	289,326	330,006	258,376	296,238
Impact fees	464,715	581,659	736,595	755,063	1,523,928
Interest income	818,361	389,794	262,395	160,013	531,582
Miscellaneous	1,282,014	885,030	1,443,249	598,987	670,429
Total revenues	<u>25,771,700</u>	<u>29,592,573</u>	<u>35,038,222</u>	<u>34,395,611</u>	<u>49,082,998</u>
Expenditures:					
General government	3,445,370	3,973,662	4,748,270	5,689,764	6,759,888
Public safety	7,416,040	7,890,927	9,085,907	10,687,423	11,597,713
Highways and Streets	2,136,737	2,798,241	4,693,392	11,464,814	4,516,203
Culture/Recreation	821,153	986,472	1,253,886	1,462,220	1,853,925
Economic environment	-	233,196	361,966	161,787	609,644
Physical environment	3,381,239	4,477,589	5,169,043	4,738,776	5,418,280
Capital outlay	5,796,782	7,057,104	10,394,255	8,056,985	7,014,743
Debt service					
Interest	-	-	-	-	-
Principal	-	-	-	-	-
Total expenditures	<u>22,997,321</u>	<u>27,417,191</u>	<u>35,706,719</u>	<u>42,261,769</u>	<u>37,770,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,774,379</u>	<u>2,175,382</u>	<u>(668,497)</u>	<u>(7,866,158)</u>	<u>11,312,602</u>
Other financing sources (uses):					
Proceeds from issuance of debt	-	-	-	-	-
Premium on revenue bonds	-	-	-	-	-
Revenue bonds proceeds from debt service agreement	-	-	-	-	-
Transfers from other funds	2,567,500	2,125,000	10,000,000	5,015,000	4,103,887
Transfers to other funds	(2,567,500)	(2,125,000)	(10,000,000)	(5,015,000)	(4,103,887)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 2,774,379</u>	<u>\$ 2,175,382</u>	<u>\$ (668,497)</u>	<u>\$ (7,866,158)</u>	<u>\$ 11,312,602</u>
Debt service as a percentage of noncapital expenditures	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

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

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

	2006 (2)	2007	2008	2009	2010
\$	9,878,462	\$ 12,782,897	\$ 12,106,008	\$ 12,346,188	\$ 12,568,945
	3,963,179	3,788,900	3,788,670	4,040,268	4,106,081
	7,360,867	7,567,153	7,437,523	7,823,723	8,059,245
	2,591,215	2,506,737	1,669,778	2,001,350	2,006,079
	10,424,400	9,625,961	9,963,668	10,777,651	12,154,051
	9,709,730	8,509,902	8,042,841	9,309,234	9,097,278
	335,093	257,189	279,582	299,570	235,849
	1,804,404	1,115,958	683,751	264,741	412,079
	1,627,596	3,086,818	2,083,996	459,819	270,539
	569,030	491,499	431,696	280,790	338,663
	<u>48,263,976</u>	<u>49,733,014</u>	<u>46,487,513</u>	<u>47,603,334</u>	<u>49,248,809</u>
	7,018,478	8,988,364	10,155,007	7,291,358	7,287,498
	12,676,423	14,801,650	17,678,858	17,520,030	17,605,770
	3,213,677	4,316,879	5,139,946	4,574,797	2,921,960
	1,837,059	2,231,633	4,737,322	2,031,772	2,008,762
	2,287,563	1,363,432	561,005	592,309	4,326,670
	5,317,395	5,557,871	6,189,967	6,092,548	6,106,061
	5,912,901	6,398,640	13,424,641	13,211,803	12,944,077
	-	1,056,835	850,268	825,451	855,779
	-	400,000	605,000	630,000	1,149,477
	<u>38,263,496</u>	<u>45,115,304</u>	<u>59,342,014</u>	<u>52,770,068</u>	<u>55,206,054</u>
	<u>10,000,480</u>	<u>4,617,710</u>	<u>(12,854,501)</u>	<u>(5,166,734)</u>	<u>(5,957,245)</u>
	18,240,000	-	-	6,569,345	-
	308,836	-	-	-	-
	333,670	-	-	-	-
	2,677,711	2,863,153	6,065,594	1,765,396	2,992,756
	<u>(2,677,711)</u>	<u>(2,863,153)</u>	<u>(6,065,594)</u>	<u>(1,765,396)</u>	<u>(2,992,756)</u>
	<u>18,882,506</u>	<u>-</u>	<u>-</u>	<u>6,569,345</u>	<u>-</u>
\$	<u>28,882,986</u>	<u>\$ 4,617,710</u>	<u>\$ (12,854,501)</u>	<u>\$ 1,402,611</u>	<u>\$ (5,957,245)</u>
	<u>0.0%</u>	<u>3.9%</u>	<u>3.3%</u>	<u>3.8%</u>	<u>5.0%</u>

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

Fiscal Year	Ad Valorem Tax	Franchise Fees			Public Service Tax			Total
		Electric	Cable Television	Other	Electric	Telecommunication	Gas	
2001	5,951	-	315	55	2,935	1,021	82	10,359
2002	6,140	1,424	-	4	3,349	2,715	79	13,711
2003	6,626	2,650	-	68	3,398	2,811	90	15,643
2004	7,334	2,763	-	53	3,271	3,047	94	16,562
2005	8,394	3,116	-	53	3,564	3,200	110	18,437
2006	9,879	3,883	-	80	3,847	3,405	109	21,203
2007	12,783	3,731	-	58	3,870	3,590	107	24,139
2008	12,106	3,733	-	56	3,799	3,525	113	23,332
2009	12,346	3,967	-	73	4,071	3,647	105	24,209
2010	12,569	4,052	-	54	4,556	3,382	121	24,734
Change 2001-2010	111.2%	N/A	N/A	-1.8%	55.2%	231.2%	47.6%	138.8%

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

Fiscal Year Beginning	Real Property	Personal Property	Total Assessed Valuation	Total Direct Rate	Total Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2001	\$ 2,068,642	\$ 101,735	2,170,377	4.19800	\$ 2,235,510	97.1%
2002	2,209,069	104,265	2,313,334	4.19800	2,448,027	94.5%
2003	2,415,849	110,081	2,525,930	4.19800	2,732,846	92.4%
2004	2,734,204	110,888	2,845,092	4.19800	3,199,018	88.9%
2005	3,171,520	101,215	3,272,735	4.15000	3,865,228	84.7%
2006	4,066,569	109,340	4,175,909	4.01451	5,490,449	76.1%
2007	4,632,470	111,543	4,744,013	3.28370	6,404,587	74.1%
2008	4,448,069	131,933	4,580,002	4.15329	5,558,225	82.4%
2009	3,715,742	131,743	3,847,485	5.43755	4,083,032	94.2%
2010	3,153,624	129,655	3,283,279	6.37760	3,305,013	99.3%

Source: County of Volusia Property Appraiser.

CITY OF DELTONA, FLORIDA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Per One Thousand Dollars of Taxable Value)

Fiscal Year Beginning	* Direct Rate		** Overlapping Rates				Total
	City of Deltona	County of Volusia	Volusia County School Board	St. Johns River Water Management District	Florida Inland Navigation District	West Volusia Hospital Authority	
2001	4.19800	6.36700	9.15800	0.47200	0.04100	1.59681	21.83281
2002	4.19800	6.60400	9.01500	0.46200	0.03850	1.59680	21.91430
2003	4.19800	6.60400	8.89900	0.46200	0.03850	1.59680	21.79830
2004	4.19800	6.60400	8.69900	0.46200	0.03850	1.80000	21.80150
2005	4.15000	6.60400	8.51700	0.46200	0.03850	1.80000	21.57150
2006	4.01451	6.29400	8.25900	0.46200	0.03850	1.55000	20.61801
2007	3.28370	5.13330	7.68500	0.46200	0.03850	1.26190	17.86440
2008	4.15329	5.40373	7.45900	0.41580	0.03450	1.46724	18.93356
2009	5.43755	6.37434	7.80500	0.41580	0.03450	1.74500	21.81219
2010	6.37760	6.30250	8.23700	0.41580	0.03450	2.08180	23.44920

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

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

**CITY OF DELTONA, FLORIDA
PRINCIPAL TAXPAYERS
CURRENT AND TEN YEARS AGO
FISCAL YEARS ENDING**

Taxpayer	September 30, 2001			September 30, 2010		
	Assessed Valuation (in 1000's)	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation (in 1,000's)	Rank	Percentage of Total Taxable Assessed Value
Florida Power & Light Company	\$ 9,616	3	0.6%	\$ 16,167	1	0.7%
Wal-Mart Stores East LP	N/A		N/A	15,021	2	0.6%
Publix Super Markets, Inc.	8,450	5	0.6%	11,373	3	0.5%
Florida Power Corporation	16,905	2	1.1%	11,134	4	0.5%
Lowe's Home Centers, Inc.	N/A		N/A	10,180	5	0.4%
Bright House Networks LLC	N/A		N/A	7,808	6	0.3%
D O T Properties N V	N/A		N/A	6,837	7	0.3%
Deltona Partners LLC	N/A		N/A	6,673	8	0.3%
Bellsouth Telecommunication, Inc.	9,576	4	0.6%	6,516	9	0.3%
Federal National Mtg. Assoc.	N/A		N/A	6,133	10	0.3%
Florida Water Services, Co.	22,283	1	1.5%			0.0%
Sprint Florida, Inc.	7,727	6	0.5%			0.0%
Albertsons, Inc.	4,203	10	0.3%			0.0%
Deltona Associates, LTD	4,926	8	0.3%			0.0%
Winn Dixie Stores, Inc.	N/A		N/A			0.0%
Time Warner Entertainment	7,611	7	0.5%			0.0%
Ling TZI LLC	4,797	9	0.3%			0.0%
All Other	1,414,401		93.6%	2,291,203		95.9%
	<u>\$ 1,510,495</u>		<u>100.0%</u>	<u>\$ 2,389,045</u>		<u>100.0%</u>

Source: County of Volusia Property Appraiser.

**CITY OF DELTONA, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Total Tax Levy	Current Levy Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent Total Collections To Levy
2001	6,094,183	5,950,617	97.6%	n/a	5,950,617	97.6%
2002	6,341,059	6,139,833	96.8%	n/a	6,139,833	96.8%
2003	6,845,840	6,626,383	96.8%	n/a	6,626,383	96.8%
2004	7,609,418	7,334,228	96.4%	n/a	7,334,228	96.4%
2005	8,694,704	8,385,492	96.4%	8,840	8,394,332	96.5%
2006	10,230,420	9,862,225	96.4%	16,237	9,878,462	96.6%
2007	13,216,062	12,760,664	96.6%	22,233	12,782,897	96.7%
2008	12,489,846	12,087,519	96.8%	18,488	12,106,007	96.9%
2009	12,779,905	12,320,999	96.4%	25,189	12,346,188	96.6%
2010	12,990,671	12,513,417	96.3%	55,528	12,568,945	96.8%

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

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

**CITY OF DELTONA, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

	<u>Governmental Activities</u>		<u>Business- Type Activities</u>	Total Primary Government	Per Capita Percentage of Debt
	Revenue Bonds	Stormwater Bank Note	Utility System Revenue Bonds		
2001	-	-	-	-	0.0000%
2002	-	-	-	-	0.0000%
2003	-	-	-	-	0.0000%
2004	-	-	81,725,000	81,725,000	0.0980%
2005	-	-	81,225,000	81,225,000	0.1022%
2006	18,240,000	-	80,575,000	98,815,000	0.0865%
2007	17,840,000	-	79,825,000	97,665,000	0.0875%
2008	17,235,000	-	78,975,000	96,210,000	0.0893%
2009	16,605,000	6,569,345	78,025,000	101,199,345	0.0833%
2010	15,945,000	6,373,566	76,925,000	99,243,566	0.0850%

**CITY OF DELTONA, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2010**

<u>Taxing Authority</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to Deltona</u>	<u>Amount Applicable to Deltona</u>
City of Deltona	\$ 22,318,566	100%	\$ 22,318,566
County of Volusia (1)	29,985,000	7.29%	2,185,907
Volusia County School Board (2)	<u>-</u>	0.00%	<u>-</u>
Total Direct and Overlapping Debt	<u>\$ 52,303,566</u>		<u>\$ 24,504,473</u>

(1) Source: County of Volusia Finance Department.

(2) Source: Volusia County School Board.

**CITY OF DELTONA, FLORIDA
PLEGDED-REVENUE COVERAGE
LAST THREE FISCAL YEARS**

Fiscal Year Ended	Water and Sewer Revenue Bonds					
	(1)	(2)	Net	(3)		Coverage
	Utility Revenues	Less Operating Expenses	Available Revenue	2003 Revenue Bonds		
			Principal	Interest		
2008	12,928,181	7,369,491	5,558,690	850,000	3,836,437	1.19
2009	14,796,955	7,292,651	7,504,304	950,000	3,788,360	1.58
2010	16,051,180	6,964,948	9,086,232	1,100,000	3,829,885	1.84

	Transportation Capital Improvement Revenue Bonds					
	Gas Tax Revenues	Impact Fee Revenues	Net Available Revenue	(3)		Coverage
				2006 Transportation Bonds		
			Principal	Interest		
2008	2,096,925	282,226	2,379,151	605,000	850,268	1.63
2009	2,113,741	114,184	2,227,925	630,000	825,451	1.53
2010	2,089,575	251,334	2,340,909	660,000	799,325	1.60

	Stormwater Bank Note					
	Stormwater Assessments		Net Available Revenue	(3)		Coverage
	Improved	Unimproved		2009 Bank Note		
			Principal	Interest		
2008	2,124,676	159,968	2,284,644	-	-	-
2009	2,657,978	263,284	2,921,262	-	-	-
2010	2,671,300	262,039	2,933,339	195,779	350,152	5.37

(1) For purposes of debt coverage the following revenues are included: All water and sewer revenues and water and sewer impact fees. Interest income is not included.

(2) Direct operating expenses does not include depreciation.

(3) Interest expense has not been reduced by capitalized interest.

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

**CITY OF DELTONA, FLORIDA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Per Capita Income (1)							
Year	Florida	Lake	Orange	Seminole	Sumter	Marion	Volusia
2000-01	28,509	25,651	27,084	30,294	15,422	22,640	23,327
2001-02	29,268	26,048	26,890	32,050	16,800	23,234	24,253
2002-03	29,700	25,937	27,400	32,750	17,255	23,106	24,730
2003-04	30,116	26,389	28,203	33,670	18,220	23,803	25,062
2004-05	31,469	27,122	29,748	35,716	19,400	24,749	26,118
2005-06	33,219	27,122	29,748	35,716	19,400	24,749	26,118
2006-07	35,798	28,942	31,569	38,838	21,878	26,893	28,347
2007-08	36,720	29,815	33,335	40,946	24,135	29,012	29,615
2008-09	38,417	30,460	35,303	42,223	26,481	30,322	30,374
2009-10	39,064	31,520	36,639	43,439	27,504	31,225	32,098

Median Household Income (2)							
Year	Florida	Lake	Orange	Seminole	Sumter	Marion	Volusia
2000-01	38,856	35,170	39,401	46,559	30,090	30,537	33,016
2001-02	46,421	37,354	42,656	50,122	31,730	32,532	35,278
2002-03	38,024	36,585	41,202	49,287	30,559	31,490	34,740
2003-04	38,972	37,398	40,697	48,957	31,673	31,851	35,010
2004-05	40,554	39,013	40,604	49,199	34,050	33,177	36,038
2005-06	40,554	39,013	40,604	49,199	34,050	33,177	36,038
2006-07	42,990	40,745	41,725	50,842	37,523	34,948	37,247
2007-08	46,602	43,443	49,768	57,318	39,387	39,295	41,772
2008-09	48,637	45,945	52,133	59,317	44,213	41,128	44,304
2009-10	47,051	45,191	49,933	57,302	43,376	39,998	43,580

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

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

CITY OF DELTONA, FLORIDA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Continued)

Cost of Living Index Volusia and Surrounding Counties (1)

Year	Volusia	Lake	Orange	Seminole	Sumter	Marion
2000-01	94.50	95.13	98.69	97.39	92.58	93.25
2001-02	95.62	95.57	97.67	95.87	92.42	93.75
2002-03	95.06	94.64	96.71	96.52	91.72	97.31
2003-04	96.16	98.79	101.63	100.01	95.14	95.99
2004-05	95.53	98.13	101.17	99.99	95.50	96.02
2005-06	94.90	97.50	100.99	99.56	95.33	94.30
2006-07	94.77	97.69	101.19	99.98	95.52	94.82
2007-08	94.74	97.70	101.20	99.95	95.53	94.73
2008-09	95.23	97.64	101.13	100.07	95.46	94.79
2009-10	95.39	97.51	101.00	99.81	95.34	94.71

Unemployment Volusia and Surrounding Counties (2)

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

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

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

**CITY OF DELTONA, FLORIDA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
(Concluded)**

Fiscal Year	Population (1)			Unemployment Rate (2)	School (3)		Personal Income (4)	
	Deltona	County	% of City		Enrollment	Attendance	Deltona / Daytona Beach / Ormond Beach (thousands of dollars)	
2001	69,543	452,050	15.38%	4.3%	14,583	96.6%	\$	9,638,706
2002	71,599	459,569	15.58%	5.4%	14,920	96.6%	\$	10,380,740
2003	76,332	470,770	16.21%	5.1%	15,376	96.0%	\$	10,949,705
2004	80,052	484,080	16.54%	4.8%	15,994	96.3%	\$	11,356,533
2005	82,973	494,649	16.77%	2.9%	16,228	96.4%	\$	11,812,530
2006	85,484	503,844	16.97%	3.0%	16,465	96.5%	\$	12,963,749
2007	86,540	508,014	17.03%	3.1%	16,116	96.6%	\$	14,260,500
2008	85,921	508,014	16.91%	4.2%	14,885	94.2%	\$	15,292,177
2009	84,264	510,750	16.50%	10.5%	14,508	94.1%	\$	15,895,098
2010	84,385	507,105	16.64%	11.5%	13,535	94.1%	\$	15,963,663

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

This page intentionally left blank

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

Function/Program	Full-Time Equivalent Employees				
	2001	2002	2003	2004	2005
City Commission	1.0	1.0	1.0	1.0	1.0
City Manager	3.0	3.0	3.0	3.0	3.0
City Clerk	4.0	4.0	4.0	5.5	6.0
Finance	7.0	8.0	14.0	16.5	14.0
Information Technology Services	-	-	-	-	-
City Attorney	1.0	1.0	4.0	5.0	6.0
Planning & Development Services	13.0	20.0	11.0	14.0	18.0
Building & Zoning Services	-	-	15.0	16.0	21.0
Human Resources	2.0	2.0	5.0	4.5	3.5
General Government	-	-	-	-	-
Enforcement Services	9.0	11.0	11.0	12.0	12.0
Parks & Recreation	24.0	20.0	21.0	29.0	29.0
Total general government	<u>64.0</u>	<u>70.0</u>	<u>89.0</u>	<u>106.5</u>	<u>113.5</u>
Police Officers	<u>58.0</u>	<u>58.0</u>	<u>60.0</u>	<u>66.0</u>	<u>72.0</u>
Fire & Rescue:					
Firefighters	45.0	45.0	51.0	51.0	54.0
Administration & Communication	17.5	16.5	16.5	19.0	20.5
Total Fire & Rescue	<u>62.5</u>	<u>61.5</u>	<u>67.5</u>	<u>70.0</u>	<u>74.5</u>
Total public safety	<u>120.5</u>	<u>119.5</u>	<u>127.5</u>	<u>136.0</u>	<u>146.5</u>
Public Works	27.0	28.0	29.0	25.0	31.5
Storm Water	8.0	14.0	18.0	26.0	23.0
Grant funded positions	-	-	-	-	-
Total public services	<u>35.0</u>	<u>42.0</u>	<u>47.0</u>	<u>51.0</u>	<u>54.5</u>
Water/Sewer utility	-	-	-	48.5	58.0
Solid Waste	1.0	1.0	1.0	1.0	1.0
Total public services	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>49.5</u>	<u>59.0</u>
Total government employees	<u>220.5</u>	<u>232.5</u>	<u>264.5</u>	<u>343.0</u>	<u>373.5</u>

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1.0	1.0	1.0	1.0	1.0
3.0	4.0	4.0	4.0	4.0
7.5	8.0	6.0	5.0	5.0
17.5	17.5	19.0	12.0	12.0
-	-	-	5.0	5.0
7.0	6.0	6.0	4.5	4.0
21.5	25.0	15.0	10.0	10.0
24.0	24.0	11.0	9.0	9.0
6.0	7.5	4.5	4.5	4.5
-	-	-	1.0	1.0
15.0	19.0	19.0	15.0	15.0
<u>32.0</u>	<u>37.5</u>	<u>43.5</u>	<u>30.0</u>	<u>30.0</u>
<u>134.5</u>	<u>149.5</u>	<u>129.0</u>	<u>101.0</u>	<u>100.5</u>
<u>72.0</u>	<u>72.0</u>	<u>72.0</u>	<u>69.0</u>	<u>69.0</u>
66.0	69.0	69.0	69.0	69.0
<u>21.5</u>	<u>24.5</u>	<u>26.0</u>	<u>26.0</u>	<u>25.0</u>
<u>87.5</u>	<u>93.5</u>	<u>95.0</u>	<u>95.0</u>	<u>94.0</u>
<u>159.5</u>	<u>165.5</u>	<u>167.0</u>	<u>164.0</u>	<u>163.0</u>
28.0	30.5	39.5	30.5	29.0
23.0	25.0	21.0	26.0	26.0
<u>-</u>	<u>-</u>	<u>-</u>	<u>3.0</u>	<u>3.0</u>
<u>51.0</u>	<u>55.5</u>	<u>60.5</u>	<u>59.5</u>	<u>58.0</u>
65.0	68.5	68.5	65.0	64.0
<u>1.0</u>	<u>1.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
<u>66.0</u>	<u>69.5</u>	<u>70.5</u>	<u>67.0</u>	<u>66.0</u>
<u>411.0</u>	<u>440.0</u>	<u>427.0</u>	<u>391.5</u>	<u>387.5</u>

CITY OF DELTONA, FLORIDA
VARIOUS INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General										
Last charter amendment					November 4, 2008					
Number of Commissioners	7	7	7	7	7	7	7	7	7	7
Form of government				Commissioner: 4 Year Term of Office - Appointed City Manager						
Municipal boundaries (1)	46	46	46	46	46	46	46	46	46	46
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Protection per 1,000										
Number of Police officers	56	58	65	66	72	72	72	69	69	73
Number of patrol vehicles	n/a	n/a	n/a	40	40	40	40	69	69	73
Number of arrests	n/a	n/a	n/a	5,068	9,386	6,544	3,435	3,879	3,229	4,091
Fire										
Number of stations	4	4	4	4	4	4	4	4	4	4
Protection per 1,000										
Number of vehicles	4	4	4	5	5	6	6	6	6	8
Number of calls	6,983	7,199	7,430	8,713	7,782	7,804	8,180	7,087	7,872	8,134
Building										
Building permits issued	3,382	4,217	5,036	5,662	10,294	5,857	5,062	3,787	3,216	3,551
Average price of single family Residential construction	101,590	134,625	151,862	157,440	164,428	204,176	243,510	238,640	222,361	209,572
Value of permits issued (\$1,000's of dollars)	n/a	170,116	235,369	234,744	435,386	211,986	97,110	55,653	50,534	30,894
Recreation										
Number of parks	14	14	14	14	14	15	15	16	16	19
Acres maintained	148	148	202	202	202	216	216	226	226	230
Number of buildings	11	11	11	13	14	15	15	16	16	17
Number of people served	n/a	n/a	n/a	90,041	168,428	223,533	235,105	220,122	238,521	223,882
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of streets	423.54	423.54	423.54	423.54	423.54	423.54	423.54	423.54	423.54	423.54
Number of street lighting districts	18	23	23	26	26	29	31	37	41	40
Number of city maintained traffic signals	3	4	4	4	4	5	7	9	9	12
Number of school signals	22	22	22	22	25	25	25	37	38	35
Number of buildings	1	1	1	1	1	1	1	1	1	1
Water (3)										
Number of units served	n/a	n/a	n/a	30,295	30,981	31,811	32,419	31,778	31,610	31,731
Average daily flow (2)	n/a	n/a	n/a	12.26	11.06	12.71	12.94	11.90	10.89	9.59
Miles of water main	n/a	n/a	n/a	475	480	480	500	500	500	500
Number of plants	n/a	n/a	n/a	17	17	17	17	17	17	17
Number of vehicles	n/a	n/a	n/a	26	27	22	34	34	34	34
Number of buildings	n/a	n/a	n/a	28	28	28	28	28	28	28
Wastewater (3)										
Miles of sanitary sewers	n/a	n/a	n/a	75	75	75	75	93	93	93
Number of vehicles	n/a	n/a	n/a	11	11	9	15	15	15	15
Number of buildings	n/a	n/a	n/a	4	4	4	4	4	4	4
Number of plants	n/a	n/a	n/a	1	1	1	1	1	1	1

(1) Square miles.

(2) millions of gallons.

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

CITY OF DELTONA, FLORIDA
WATER SOLD BY TYPE OF CUSTOMER AND
ASSOCIATED RATES LAST THREE FISCAL YEARS
(In Millions of Gallons)

<u>Type of Customer</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Single Family Residences	3,719.95	3,303.02	2,810.85
Multi Family Residences	2.39	2.12	2.27
Commercial	102.50	91.47	1.00
Multi Family Commercial	2.76	3.31	2.03
Hydrant	1.57	3.43	2.55
Bulk	39.58	53.54	49.54
Irrigation	67.95	68.07	45.09
Totals	<u>3,936.70</u>	<u>3,524.96</u>	<u>2,913.33</u>

Water Rates (Per 1,000 gallons consumed)

Residential

0 - 6,000	\$ 1.27	\$ 1.02	\$ 1.20
6,000 - 12,000	1.27	\$ 1.43	\$ 1.68
12,000 - 18,000	1.27	\$ 2.50	\$ 2.93
over 18,000	1.27	\$ 5.00	\$ 5.86

Commercial

Rates apply to all usage - no cap	\$ 1.27	\$ 1.43	\$ 1.68
-----------------------------------	---------	---------	---------

All Customers

Rates apply to all usage - no cap	\$ 1.27	\$ 1.27	\$ 1.27
-----------------------------------	---------	---------	---------

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

CITY OF DELTONA, FLORIDA
SEWER SOLD BY TYPE OF CUSTOMER AND
ASSOCIATED RATES LAST THREE FISCAL YEARS
(In Millions of Gallons)

<u>Type of Customer</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Single Family Residences	236.95	216.02	212.01
Multi Family Residences	0.93	0.85	0.66
Commercial	75.84	67.60	65.70
Multi Family Commercial	0.83	0.74	1.17
Bulk	15.39	21.68	20.43
Totals	<u>329.94</u>	<u>306.88</u>	<u>299.97</u>

Sewer Rates (Per 1,000 gallons consumed)

Residential

0 - 6,000	\$ 7.32	\$ 9.20	\$ 10.79
over 6,000 (no charge)	\$ -	\$ -	\$ -

Commercial

Rates apply to all usage - no cap	\$ 8.79	\$ 11.04	\$ 12.94
-----------------------------------	---------	----------	----------

Bulk

0 - 1,800,000	\$ 8.79	\$ 8.79	\$ 8.79
over 1,800,000 (no cap)	\$ 9.67	\$ 9.67	\$ 9.67

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

**CITY OF DELTONA, FLORIDA
PRINCIPAL EMPLOYERS
CURRENT AND TEN YEARS AGO**

Employer	2010			2007 *		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Daytona State College	1256	1	10.78%	N/A		N/A
Publix Supermarkets	420	2	3.74%	314	3	2.96%
City of Deltona	312	3	2.78%	380	2	3.59%
Deltona High School	300	4	2.67%	N/A		N/A
Winn Dixie Stores	271	5	2.42%	360	1	3.68%
Pine Ridge High School	250	6	2.23%	250	4	2.36%
Methodist Children's Home	180	7	1.60%	N/A		N/A
Deltona Health Care Center	160	8	1.43%	N/A		N/A
Galaxy Middle School	160	9	1.43%	160	8	1.51%
Deltona Middle School	153	10	1.36%	200	7	1.89%
Wal-Mart				220	5	2.08%
Albertson's				200	6	1.89%
Friendship Elementary				150	10	1.42%
Total	3462		30.44%	2234		21.38%

Source: InfoGroup Employer Database 2011 ed.1

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

This page intentionally left blank

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

**CITY OF DELTONA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA/ CSFA Number</u>	<u>Program or Award Amount</u>	<u>Expenses</u>	<u>Subrecipient Award Amount</u>
<u>FEDERAL AWARDS</u>					
U.S. Department of Housing and Urban Development					
Community Development Block Grant	B-07-MC-12-0049	14.218	\$ 516,124	\$ 90,414	\$ 41,428
Community Development Block Grant	B-08-MC-12-0049	14.218	499,088	323,134	88,029
Community Development Block Grant	B-09-MC-12-0049	14.218	505,040	300,471	-
Community Development Block Grant - NSP	B-08-MN-12-0006	14.218	6,635,909	3,690,315	-
Community Development Block Grant - R	B-09-MY-12-0049	14.218	135,554	135,467	-
TOTAL FEDERAL AWARDS				<u>4,539,802</u>	<u>129,457</u>
<u>STATE FINANCIAL ASSISTANCE</u>					
Florida Department of Environmental Protection					
Statewide Surface Water Restoration and Wastewater	S0262	37.039	1,113,724	895,429	-
Florida Housing Finance Corporation					
State Housing Initiatives Partnership Program	FY09/10	52.901	92,311	56,734	-
State Housing Initiatives Partnership Program	FY08/09	52.901	1,339,175	578,812	-
State Housing Initiatives Partnership Program	FY07/08	52.901	776,796	152,006	-
				<u>787,552</u>	<u>-</u>
TOTAL STATE FINANCIAL ASSISTANCE				<u>1,682,981</u>	<u>-</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE				<u>6,222,783</u>	<u>129,457</u>

Note to the Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.550, Rules of the Auditor General, Local Governmental Entity Audits.*

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

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund and the remaining aggregate fund information of the City of Deltona (the City), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Certified Public Accountants

P.O. Box 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
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

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

Compliance and Other Matters

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

However, we noted certain matters that we reported to management of the City in a separate letter dated March 7, 2011.

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

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


March 7, 2011
Ocala, Florida

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

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

Compliance

We have audited the compliance of the City of Deltona, Florida (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and the requirements described in the *Department of Financial Services, State Projects Compliance Supplement*, that could have a direct and material effect on the City's major federal programs and state projects for the year ended September 30, 2010. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

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

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
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

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

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state financial assistance projects. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal controls over compliance.

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

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

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


March 7, 2011
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
CITY OF DELTONA, FLORIDA**

PART A - SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements of the City of Deltona, Florida.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of the basic financial statements of the City of Deltona, Florida.
3. No instances of noncompliance material to the basic financial statements of the City of Deltona, Florida, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal programs and state projects are reported in the report on compliance with requirements applicable to each major federal program and state project on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.
5. The auditors' report on compliance for the major state projects the City of Deltona, Florida, expresses an unqualified opinion.
6. The audit disclosed no findings required to be reported related to federal programs under Section 510(a) of OMB Circular A-133, or did not audit disclose any findings related to State projects required to be disclosed under Chapter 10.557.
7. The programs/projects tested as major programs/projects included the following:
 - **Federal Programs**
U.S. Department of Housing and Urban Development:
Community Development Block Grant; CFDA No. 14.218
 - **State Projects**
 - Florida Department of Environmental Protection; CSFA No. 37.039
 - Florida Housing Finance Corporation, CFDA No. 52.901
8. The threshold for distinguishing Type A and Type B projects was \$300,000 for major federal programs or state financial assistance projects.
9. The City of Deltona did qualify as a low-risk auditee pursuant to OMB Circular A-133.

PART B - FINDINGS - FINANCIAL STATEMENTS

1. No matters were reported.

PART C - FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS

1. No matters were reported.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
CITY OF DELTONA, FLORIDA
(Concluded)**

PART D - OTHER ISSUES

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

MANAGEMENT LETTER

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, and each major fund and the remaining aggregate fund information of the City of Deltona, Florida (the City), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated March 7, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our independent auditors' report on internal control over financial reporting and on compliance and other matters, independent auditors' report on compliance with requirements applicable to each major federal program or state project and on internal control over compliance, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated March 7, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor' reports or schedule:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective action has been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report (see attached management letter comments).
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding investment of public funds. In connection with our audit, we noted no instance of noncompliance with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve the City's financial management, accounting procedures, and internal controls (see attached management letter comments).

Certified Public Accountants

P.O. Box 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
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

MANAGEMENT LETTER
(Concluded)

- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., *Rules of the Auditor General*, also requires that the name or official title and legal authority for the primary government be disclosed in the management letter, unless disclosed in the notes to the financial statements. See Note 1 of the September 30, 2010, the City's basic financial statements for this information; there were no component units related to the City.
- Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2010, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of Honorable Mayor and City Commissioners, management, and the Florida Auditor General, and is not intended to be and should be used by anyone other than these specific parties.

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


March 7, 2011
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, 2010, we obtained an understanding of the design of relevant controls to plan our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control. However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration.

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

This letter does not affect our report dated March 7, 2011, on the basic financial statements of the City. Our comments are summarized as follows:

Prior Year Recommendations

Interlocal Agreement with the Sheriff's Department

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

During 2010, the City contacted the Sheriff's office regarding this matter but has only been able to obtain high level summary information that does not provide details regarding compliance with the contract requirements. Accordingly, we recommend that the City continue to work with the Sheriff's department to obtain documentation as to contract compliance.

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

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

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

MANAGEMENT LETTER COMMENTS
(Continued)

Prior Year Recommendations (Concluded)

Investment Policy

The City's investment policy calls for the City to develop a written system of internal controls over investments and also calls for a quarterly report of all investments to the City Manager and then City Commission. During 2009 we noted that neither of these items were in effect and recommended that the City implement both of them. During 2010, the City developed the written controls and placed them in service but has only partially implemented the quarterly investment reporting aspect. Accordingly, we recommend that the City fully implement the quarterly reporting of investments as soon as is practical.

Current Year Recommendations

Information Technology (IT) Strategy

IT is playing an integral role in the City's operations, control environment, and internal control over financial reporting, and we expect that this role will only increase in the future, as the City continues to automate. Accordingly, we offer the following comments and recommendations to strengthen the operations and controls over the IT function.

■ **General Controls and User Administration**

In prior years, we have recommended that the City formalize its IT General Controls and centralize the user administration process (adding, changing, and deleting user access) in the IT Service Department due to the segregation of duties issues created by decentralizing the user administration process to the user departments. To-date, these recommendations have not been implemented and we recommend that the City continue its efforts in these areas.

■ **Organization, Structure and Resources**

Within the City's overall organization, the IT Services Division has operated informally as a "small shop" since its inception. The IT Services Division has always served under a particular department, instead of being considered its own department with authority to manage and control the City's IT operations across all departments. Because IT continues, to play such a vital role in all City Departments, we recommend that the City consider establishing the IT Services Division as a Department within the City and also consider establishing a Steering Committee made up of Departmental users of the IT function to ensure that the goals and activities of the IT function are aligned with those of the users and City as a whole.

Additionally, given the depth and breadth of City functions, the City should consider the level of IT support that user departments desire and if the IT Services Division currently has sufficient resources to provide that support.

Derivative Financial Instrument—Swaption

During 2006, the City entered into a Swaption agreement with a National Bank, that provided for an upfront payment to the City of approximately \$2.8 million (net of \$441 thousand of closing costs), in exchange for giving the bank the right in 2013 to compel the City to refund its existing fixed rate 2003 utility bonds and issue variable rate utility bonds that would be subject to an interest rate swap agreement. The swap agreements provides for the City to receive variable payments from the counterparty and pay a fixed interest rate of 4.8%.

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

MANAGEMENT LETTER COMMENTS
(Concluded)

Current Year Recommendations *(Concluded)*

Derivative Financial Instrument—Swaption *(Concluded)*

GASB Statement No. 53, concerning derivative financial instruments now requires that the Swaption be valued and recorded in the Financial Statements of the City. This can be found in the Statement of Net Assets of the Water and Sewer Utility Fund.

Because 2013 is approaching rapidly, we recommend that the City begin the process of planning for this event by reviewing the Swaption and bond documents and assembling the City's financing team to make recommendations on the best course of action for the City.

Building Permits and Impact Fees

The software system that the City utilizes for the issuance and collection of building permits and impact fees does not integrate with the City's FIS. Currently only the cashiering function on site in the building department is a part of the FIS. This poses the risk that permits could be issued through the building software, without cash being deposited and recorded in the FIS. Accordingly, we recommend that the City perform a periodic reconciliation of permits issued to permit collections, to ensure that the City is collecting for all permits issued.


March 7, 2011
Ocala, Florida

This page intentionally left blank



City of Deltona

RESPONSES TO MANAGEMENT LETTER COMMENTS

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

Prior Year Recommendations

The prior year recommendations regarding the Cost Allocation and Fixed Assets have been addressed by the City. Following is an update on the remaining prior year recommendations.

Investment Policy

During the FY 2009/2010 year, the City implemented the Procedure for Investing City Funds as well as the Procedure for Processing Wire Transfer of City Funds to/from Operating Account.

Staff has developed an Investment Report for City investments. This report was presented to City Commission on July 13, 2010 for the period ending May 31, 2010 and is scheduled to be given to the City Commission on March 11, 2011 for the period ending December 31, 2011. This report will be distributed to Commission on a quarterly basis.

Interlocal Agreement with the Sheriff's Department

City staff has been in frequent contact with the Sheriff's Department in order to obtain the appropriate level of detail reports to support the billings under the current contract. The Sheriff's Department has made a significant change to their payroll/timekeeping system which has presented difficulties in providing the necessary detail. This is a work in process and staff will continue to work with the Sheriff's Department to obtain the required reporting information.

Current Year Recommendations

Information Technology (IT) Strategy

- **Information Technology - General Controls and User Administration**
To address the segregation of duties and bring this area of control under ITSD will require ITSD to re-evaluate its staffing and job/duty structures and implement accordingly.

DEPARTMENT OF FINANCE & INTERNAL SERVICES

2345 Providence Boulevard, Deltona, Florida 32725

(386) 878-8100 • Fax (386) 878-8551

Webpage: www.deltonafl.gov

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

The City's most valuable resource is its information. With information being a key component of the City's daily administrative and economic activities, securing that information's integrity and accuracy is vital and essential to continued success. Implementing this procedural change of overall administrative authority will address the segregation of duties issue within departments while positioning ITSD in a much stronger position with regard to operational controls.

- **Information Technology - Organization, Structure and Resources**

The full support of City management to ITSD's new administrative and security role referenced above should ensure ITSD can continue to be effective in its current organization role. These additional responsibilities will require ITSD and end users to effectively communicate on a daily basis, thereby providing for departmental inclusion in all decisions and process adjustments, ensuring an alignment of ITSD goals and functions with City goals and objectives.

Derivative Financial Instrument – Swaption

City Management staff is well aware of the potential impact in 2013 if Citibank, N.A. were to exercise their option to enter into a swap at that time. Staff has been, and will continue to be, in close contact with the City's Financial Advisor, Auditors and Bond Counsel. Management would like to propose a Commission Workshop near the end of FY 2010/2011 or early FY 2011/2012 to educate and prepare Commission of possible scenarios regarding the swaption.

Building Permits and Impact Fees

City Finance staff is currently in the development stage of implementing a process to reconcile any independent systems to the City's FIS on a regular (not less than quarterly) basis.

March 7, 2011
Deltona, FL