



# Enhancing OUR COMMUNITY

Utilities Commission, City of New Smyrna Beach, Florida  
Comprehensive Annual Financial Report

For the years ended September 30, 2008 and 2007  
A component unit of the City of New Smyrna Beach





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# UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

(A COMPONENT UNIT OF THE CITY OF NEW SMYRNA BEACH, FLORIDA)



## ***COMPREHENSIVE ANNUAL FINANCIAL REPORT***

*FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2008 AND 2007*

### **UTILITIES COMMISSIONERS**

Walter Allen III, Chairman

William E. Hall, Vice-Chairman

William Reynolds, Secretary-Treasurer

Oscar Zeller, Assistant Secretary-Treasurer

Jeanne K. Diesen, Commissioner

### **GENERAL MANAGER/CHIEF EXECUTIVE OFFICER**

Robert J. Rodi

### **DIRECTOR OF FINANCE/CHIEF FINANCIAL OFFICER**

Laurie Klinkenberg



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September 30, 2008 and 2007  
**UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA**  
New Smyrna Beach, Florida

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## ***ORGANIZATION CHART***

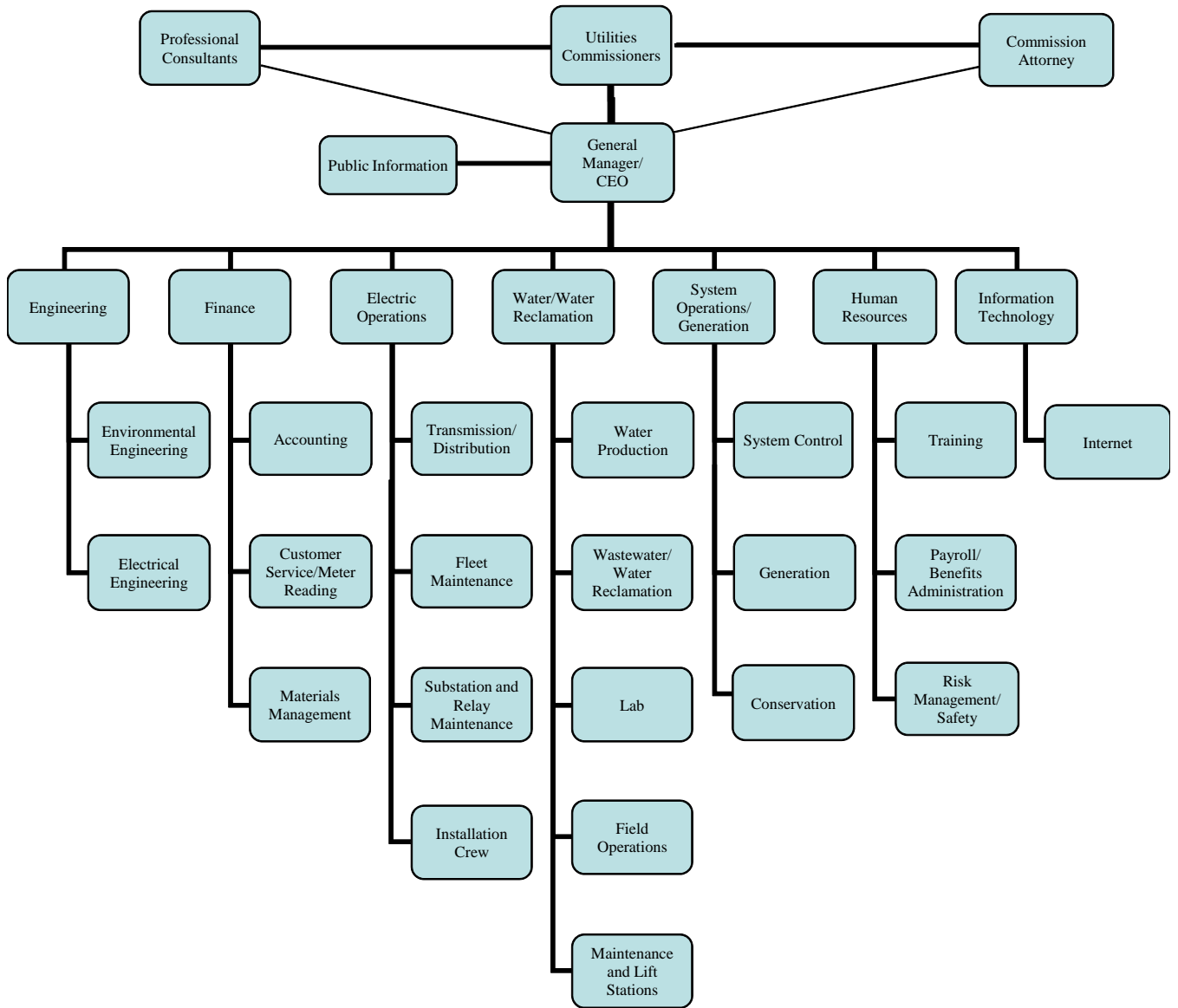


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**ORGANIZATION CHART**  
**UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA**  
 New Smyrna Beach, Florida

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# ***CERTIFICATE OF ACHIEVEMENT***

***FOR THE YEAR ENDED SEPTEMBER 30, 2007***

*THE GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA (GFOA) AWARDED A CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING TO THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, FOR ITS COMPONENT UNIT FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007.*

*IN ORDER TO BE AWARDED A CERTIFICATE OF ACHIEVEMENT, A GOVERNMENTAL UNIT MUST PUBLISH AN EASILY READABLE AND EFFICIENTLY ORGANIZED COMPREHENSIVE ANNUAL FINANCIAL REPORT, WHOSE CONTENTS CONFORM TO PROGRAM STANDARDS. SUCH REPORTS MUST SATISFY BOTH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND APPLICABLE LEGAL REQUIREMENTS.*

*A CERTIFICATE OF ACHIEVEMENT IS VALID FOR A PERIOD OF ONE YEAR ONLY. MANAGEMENT BELIEVES THAT THIS REPORT CONTINUES TO CONFORM TO CERTIFICATE OF ACHIEVEMENT PROGRAM STANDARDS.*



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**CERTIFICATE OF ACHIEVEMENT**

For The Year Ended September 30, 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

Utilities Commission,  
City of New Smyrna Beach  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2007

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.



A handwritten signature in black ink, appearing to read "K. L. Rut".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



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***LETTER OF TRANSMITTAL***



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**UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA**

200 Canal Street  
New Smyrna Beach, Florida 32168  
386-427-1361



**Mailing Address:  
Post Office Box 100  
New Smyrna Beach, Florida 32170**

January 22, 2009

To the Chairman and Members  
of the Utilities Commission,  
City of New Smyrna Beach, Florida

The Comprehensive Annual Financial Report of the Utilities Commission, City of New Smyrna Beach, Florida, (the "Utilities Commission") for the fiscal years ended September 30, 2008 and 2007, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Utilities Commission. To the best of our knowledge and belief, the enclosed data are accurate in all material aspects and are reported in a manner designed to present fairly the financial position and results of operations of the Utilities Commission. All disclosures necessary to enable the reader to gain the maximum understanding of the Utilities Commission's financial affairs have been included.

The financial statements of the Utilities Commission are audited in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and Chapter 10.500, Rules of the Auditor General of the State of Florida. Information related to this audit, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations are included in the compliance section of this report.

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

**REPORTING ENTITY AND SERVICES PROVIDED**

The Utilities Commission provides a full range of electric, water, wastewater and internet services to its customers both inside and outside the city limits. These activities are fully accounted for in this financial report. The funds and entities related to the operation of the Utilities Commission, which are included in these financial statements, are a component unit of the City of New Smyrna Beach, Florida, and an integral part of the City's reporting entity.

The Comprehensive Annual Financial Report of the Utilities Commission is issued separately to provide a comprehensive financial reporting summary and presentation to the Utilities Commission and its revenue certificate holders. Audited financial statements of the primary government (City of New Smyrna Beach, Florida), are available upon request from the City of New Smyrna Beach, 210 Sams Avenue, New Smyrna Beach, Florida, 32168.

## **ECONOMIC CONDITION AND OUTLOOK**

The economic condition and outlook of the Utilities Commission has continued to improve despite incurring substantial losses attributed to cessation of operations of the Communications System in past years. The growth of the Utilities Commission's service area has slowed considerably this past year due to the general economic down turn. We are faced with aging existing infrastructure systems in need of material capital investment as well as planning for new infrastructure that can accommodate the future needs of our service area.

## **MAJOR INITIATIVES**

The Utilities Commission has established a five-year and ten-year Capital Improvements Plans (Plan) through 2013 and 2018. It is the Utilities Commission's desire to fund the capital expenditures under this Plan through a combination of service capacity and connection fees, Renewal and Replacement Fund proceeds, external debt financing, and other funding. These proposed capital improvement expenditures are in addition to the annual capital requirements for routine extensions of existing utility facilities to serve new customers. On a continual basis the Utilities Commission evaluates projects and their priorities.

In the Plan, the Utilities Commission has identified a priority project checklist with significant system improvements contemplated as follows:

- Electric 115kV Transmission Tie Airport to Field Street
  1. This transmission line will provide a second source for Airport and Field Street Substations in the event of a failure of the existing lines from Smyrna Substation.
  2. Field Street and Airport Substations comprise approximately 80% of our system capacity.
- Electric System Reliability Improvements
  1. In accordance with Florida Public Service Commission regulation, the UC's electrical system is undergoing an analysis and inspection of its overhead systems for pole integrity and standard construction compliance for potential hurricane wind and loading conditions defined for this area.
  2. In accordance with NERC reliability standards applicable to the UC's transmission system, specific practices, studies, and operational device projects are underway to meet new national standards and compliance efforts.
- Electric Substation Transformer Contingency - this will provide for mobilization and installation of a mobile substation transformer in the event of a transformer failure in the system.
- Water - Reconstruct Smith Street and Third Avenue pump stations. Generators at Smith Street, Glencoe and Third Avenue
  1. The project is currently underway.
  2. Third Avenue tank and pump station had reached the end of its functional life a few years ago and was decommissioned.
  3. Increasing demand on the Beach area has generated the need for added flow capacity to all beach side areas.

4. The recent water system facilities study and master plan highlighted existing fire flow shortfalls on the beach in general and the North beach in particular and identified immediate improvements needed to meet these demands.
  5. The construction a new storage tank and pump station is determined to correct these capacity limitations. This need is immediate.
  6. Smith Street Pumping Station provides water to the eastern part of the service area and all of the beach.
  7. Smith Street Pump Station is plagued by poor design, worn out equipment, functional and technological obsolescence, and inadequate capacity, detailed in Part 2 of the Water Master Facilities Plan.
  8. Complete replacement of this pump station is necessary for current and future needs of the eastern service area. This need is immediate.
  9. The UCNSB water system has zero gallons of elevated tank storage so continued water service contingency for power failure can only be met by standby on site generation at critical facilities, including the wells, treatment plant, and all pumping stations. This immediate need is detailed in the Part 2 of the Water Facilities Master Plan.
- Water system low pressure transmission main.
    1. The project is currently underway.
    2. The Smith Street Pump Station needs a pipeline direct from the treatment plant to avoid the need to draw water from the distribution system and pump directly back into distribution, pumping circular, ineffectively and wasting much energy.
    3. This pipeline is an immediate need, as described in more detail in the Water Master Facilities Plan, Parts 1 and 2.
  - Multiple lift station upgrades and repairs due to deteriorating wastewater system - of the nearly 100 lift stations in the wastewater system, many are decades old, worn out, under capacity, or with obsolete or failing equipment. These stations require immediate and long term replacement or rehabilitation to continue in service, and meet regulatory requirements
  - Biosolids Process Upgrade - work includes developing, permitting, constructing and implementing a new system of treating wastewater sludge when land application is no longer available.
  - Beachside Interceptor Force Main - work includes constructing a regional force main into which several lift stations will pump eliminating several repump stations.
  - Indian River Outfall Discharge Dechlorination Improvements - work includes improvements to the outfall dechlorination equipment to meet regulatory requirements, environmental controls and improve community safety and security.

Utilities Commission forecasts for the electric, water, wastewater, and water reuse systems indicate that the planned major projects will be adequate to accommodate expected growth and anticipated needs of our customers during the five year period of the Plan.

## **MAJOR ACCOMPLISHMENTS**

During fiscal year 2008, the Utilities Commission accomplished the following:

- Revised and updated formal strategic initiatives detailing vision, strategic plan, strategies, objectives, tactics, and goals.
- Revised and reviewed ERU Developer's Agreement Addendum to aid in paying for external infrastructure for new developments.
- Initiated and presented alternate water source and energy production concepts.
- Successfully implemented the Fixed Assets module of the accounting software, Great Plains. Initiated and completed the first complete physical inventory of the Utilities Commission's assets in over 20 years. Continue to work on enhancements and implementations to make our system more effective and efficient.

## **FINANCIAL INFORMATION**

Management of the Utilities Commission is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Utilities Commission are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

### *Budgeting Controls and Highlights*

The Utilities Commission maintains an integrated system of budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the approved annual budget.

The operating activities of the electric, water, wastewater, water reuse, and internet systems are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function and activity within each individual operating system. The Utilities Commission also maintains a separate encumbrance accounting system as one technique of accomplishing budgetary control. This system is used exclusively to maintain budgetary control and is not utilized for purposes of presenting financial statements prepared in accordance with generally accepted accounting principles. As is demonstrated by the financial statements and schedules in the financial section of this report, the Utilities Commission continues to meet its responsibility for sound financial management.

The annual revenue and expense budget is prepared for the combined electric, water, wastewater and internet utility systems and, after Utilities Commission approval, is submitted to the City of New Smyrna Beach prior to June 1 of each fiscal year for subsequent City Commission approval. The budget remains in effect the entire year and can only be amended with the approval of the Utilities Commission and the City Commission of the City of New Smyrna Beach. No supplemental appropriations were made in 2008.

To the Chairman and Members  
of the Utilities Commission  
January 22, 2009  
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*Utility Operations*

In compliance with Resolution No. 16-75, and later amended by the City of New Smyrna Beach, Florida Ordinance No. 51-01, the electric, water, wastewater, and internet systems are accounted for as a single enterprise fund. As of September 30, 2008, the Utilities Commission served 24,702 electric customers, 27,565 water customers, 23,716 wastewater customers, 825 reclaimed water customers, and 1,085 Internet customers. The current year's operating revenue and expenses from the combined utilities systems is presented in Management's Discussion and Analysis under the headings Financial Highlights and Entity-Wide Analysis on pages 3 to 8.

*Cash Management*

Cash temporarily idle during the year was invested through the use of a competitive bid procedure in short-term time deposits and short-term investments. The amount of interest earned during the years ended September 30, 2008, 2007 and 2006 totaled \$627,068, \$958,771 and \$1,024,376, respectively. The Utilities Commission's cash and investments, including accrued interest and dividends receivable, on hand at September 30, 2008, 2007 and 2006, totaled \$32.8 million, \$22.7 million and \$26.0 million, respectively. The individual components are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current assets:			
Operating cash and cash equivalents .....	\$ 57,246	97,094	153,235
Investments .....	<u>0</u>	<u>0</u>	<u>1,010,000</u>
	<u>57,246</u>	<u>97,094</u>	<u>1,163,235</u>
Restricted assets:			
Revenue certificate covenant funds .....	20,346,815	12,944,899	13,657,353
R&R service capacity fee funds.....	5,296,849	3,315,754	6,293,735
Customer and developer deposits .....	3,447,334	2,968,101	1,817,759
CR-3 decommissioning fund .....	<u>3,626,928</u>	<u>3,889,877</u>	<u>2,118,284</u>
	<u>32,717,926</u>	<u>22,618,631</u>	<u>24,887,131</u>
 Total cash and investments.....	 <u>\$32,775,172</u>	 <u>22,715,725</u>	 <u>26,050,366</u>

The Utilities Commission's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized in accordance with the Florida Security for Public Deposits Act (the "Act"). All collateral on deposits was held either by the Utilities Commission, or by the State of Florida in accordance with the applicable provisions of the Act. All of the Utilities Commission's investments held at year-end are classified in the category of lowest credit risk (backed exclusively by the full faith and credit of the U. S. government) as defined by the Governmental Accounting Standards Board.

The average yield from interest earnings on cash and investments that was earned each month during the fiscal year ended September 30, 2008, is as follows:

	<u>Average Yield</u>
October .....	4.21%
November .....	4.03%
December.....	3.88%

January.....	3.59%
February.....	3.20%
March.....	2.90%
April .....	2.45%
May.....	2.20%
June.....	2.17%
July .....	2.17%
August .....	2.19%
September.....	2.21%

*Risk Management*

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

**OTHER INFORMATION**

*Independent Audit*

Resolution Number 28-78 and other local and state statutes require an annual audit of the books of account, financial records and transactions of all administrative departments of the Utilities Commission by an independent certified public accountant selected by the Utilities Commission. The certified public accounting firm of Brent Millikan & Company, P.A. was selected, utilizing the RFP process, by the Utilities Commission to satisfy this requirement. Their independent auditors' report on the financial statements and schedules of the Utilities Commission has been included in the financial section of this report.

*Triennial Report*

Pursuant to Section 16N of Resolution No. 28-78, as amended, the Utilities Commission is required to retain a Consulting Engineer every 3 years to provide a report of the electric, water, wastewater and reuse water systems with respect to operations and maintenance, sufficiency of rates and charges, conclusions to changes in the operations of the systems, and the necessity of capital improvements. The Triennial Period includes fiscal years 2004 to 2007. The Triennial Report is based upon data provided by the Utilities Commission, its independent accountants and consultants, and observations by Black & Veatch Corporation, based on an inspection of the Commission's facilities. The final report as presented to the Utilities Commission on July 31, 2008 is available on our website. Below is a summary of key findings:

- The Utilities Commission continues to operate electric, water, wastewater and reuse water systems with sound business and utility practices.
- Utilities Commission personnel appear very professional, motivated and cognizant of the operation, goals, and objectives of the system.
- Facilities inspection indicated that the Utilities Commission is being operated and maintained consistent with prudent utility practices.

To the Chairman and Members  
of the Utilities Commission  
January 22, 2009  
Page 7

- The Utilities Commission is operating in compliance with the conditions set forth within the Resolution, including, but not limited to, maintaining sufficient revenue to cover operating and other expenses, both on an individual department and total combined system basis, exceeding the parity and total debt service coverage requirements, and establishing procedures for development and tracking of the operating budget.

*Awards - Certificate of Achievement*

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Utilities Commission, City of New Smyrna Beach, Florida, for its component unit financial report for the fiscal year ended September 30, 2007. We are also quite proud of the fact that we have been awarded with this Certificate for the twenty-eighth consecutive year.

In order to be awarded a Certificate of Achievement, the Utilities Commission must publish an easily readable and efficiently organized component unit annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

*Acknowledgments*

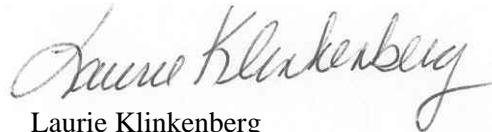
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

We would also like to thank the individual members of the Utilities Commission for their interest, support, and leadership in planning and conducting the financial operations of the Utilities Commission in a most responsible and progressive manner.

Respectfully submitted,



Robert J. Rodi  
General Manager/CEO



Laurie Klinkenberg  
Director of Finance/CFO



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# ***FINANCIAL SECTION***

*THIS SECTION IS COMPOSED OF THE FOLLOWING:*

***INDEPENDENT AUDITORS' REPORT***

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

***FINANCIAL STATEMENTS***

***SUPPLEMENTAL FINANCIAL INFORMATION***



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***INDEPENDENT AUDITORS' REPORT***



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# BM&C

**BRENT MILLIKAN & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Chairman and Commissioners  
Utilities Commission, City of New Smyrna Beach, Florida  
New Smyrna Beach, Florida

We have audited the accompanying basic financial statements of Utilities Commission, City of New Smyrna Beach, Florida, a component unit of City of New Smyrna Beach, Florida, as of and for the fiscal years ended September 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of Utilities Commission, City of New Smyrna Beach, Florida's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utilities Commission, City of New Smyrna Beach, Florida, as of September 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2009, on our consideration of Utilities Commission, City of New Smyrna Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3-12 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

To the Honorable Chairman and Commissioners  
Utilities Commission, City of New Smyrna Beach, Florida  
New Smyrna Beach, Florida  
Page 2 of 2

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information identified in the table of contents as supplemental schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements of Utilities Commission, City of New Smyrna Beach, Florida. Such information, except for the statistical data, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Brent Milliken & Co., P.A.*

January 22, 2009

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of Utilities Commission, City of New Smyrna Beach, Florida's (the "Utilities Commission") annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year that ended September 30, 2008. Please read it in conjunction with the transmittal letter at the front of this report and the financial statements, which follow this section.

### Financial Highlights

- The Utilities Commission's demand for electrical energy decreased in 2008 at 370.7 million kWh sales compared to 378.2 million kWh sales in 2007, a 1.98% decrease, due to milder weather and a corresponding drop in demand. Nevertheless, sales revenue generated by the Electric System increased from \$44.9 million in 2007 to \$48.6 million in 2008, primarily due to an increase in the amount of unbilled, under-recovered fuel and purchased power costs recognized in FY 2008.
- The volume of treated potable water sold in 2008 decreased by 6.6%. The volume of wastewater treated in 2008 decreased by 3.8%. The volume of reclaimed water treated in 2008 decreased by 21.6%. The decreases in water sold and wastewater treated were the result of continued conservation by customers and the area experiencing more rain this past year. Sales revenue generated by the Water System decreased from \$6.9 million in 2007 to \$6.7 million in 2008. Sales revenue generated by the Wastewater System for wastewater and reclaimed water services decreased from \$7.5 million in 2007 to \$7.4 million in 2008.
- The Utilities Commission's assets exceeded its liabilities (*net assets*) at the end of September 30, 2008 by \$105.6 million. Of this amount, approximately \$9.4 million was unrestricted and available to be used to meet the Commission's ongoing obligations to its customers and creditors. Of the remaining \$96.2 million, approximately \$84.3 million was invested in utility plant assets and assets held for future use, while the remainder was restricted for utility plant expansion (\$5.3 million) and debt service (\$6.6 million).
- During the year, the Utilities Commission's net assets increased by \$6.1 million. Of this amount, approximately \$2.8 million came from developer donated in-ground assets reported in capital contributions. Net assets totaled \$105.6 million in 2008 compared to approximately \$99.5 million at the end of 2007.
- During 2008, the Utilities Commission's operating revenue increased by approximately \$3.4 million to \$62.9 million, which was 5.8% more than last year's operating revenue of \$59.5 million. The Utilities Commission's operating expenses increased by \$5.3 million to \$59.0 million, which was 9.9% more than last year's \$53.7 million. Of the \$5.3 million increase in operating expenses, approximately \$4.0 million, representing a 16.5% increase, was attributed to increased costs of fuel and purchased power.
- Capital contributions received by the Utilities Commission decreased from \$12.0 million in 2007 to \$3.8 million in 2008. Approximately \$2.8 million of the current year contributed capital came from developer donated in-ground assets, attributed to residential home development expansion. The decrease in contributed capital is indicative of a failing economy and dramatic reduction in new development in the Commission's service area.
- The Commission's long-term debt increased to \$63.9 million in 2008, which is an increase of \$4.5 million over last year's \$59.3 million. The net increase is attributed to the issuance of a \$10 million bank qualified loan to construct much needed water infrastructure improvements, net of aggressive principal reductions of \$5.5 million on existing long term debt.

- The amount of unbilled, under-recovered fuel and purchased power costs increased approximately \$2.0 million or 78.35%, from a balance of \$2.6 million at September 30, 2007 to a balance of \$4.7 million as of September 30, 2008. The increase in this receivable was due to a management decision to hold steady the fuel and purchased power cost adjustment billing factor as long as possible, to the limit the impact on rate payers already affected by a volatile fuel market and economy.

## **Overview of Financial Statements**

The Utilities Commission's basic financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, and 3) an optional section that presents detailed summaries and schedules of selected financial data.

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Utilities Commission's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, bond resolutions and other management tools were used for this analysis.

The basic financial statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the Utilities Commission's financial activities, all of which are operated like commercial enterprises. These statements report information about the Utilities Commission using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the Commission's assets and liabilities, both financial and capital, and short-term and long-term are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities.

The basic financial statements of the Utilities Commission include a balance sheet; a statement of revenues, expenses, and changes in net assets; a statement of cash flows; and notes to the financial statements, which are described as follows:

- The balance sheet presents the financial position of the Utilities Commission on a full accrual, historical cost basis. This statement provides information about the nature and amount of resources and obligations at year-end.
- The statement of revenues, expenses, and changes in net assets presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Utilities Commission's recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting standards. The primary objectives of the rate model are to improve equity among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs, ensuring that growth pays for growth.
- The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, capital and related financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.
- The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present

information about the Utilities Commission's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The supplementary information presented by the Utilities Commission includes comparisons of budget to actual revenue and expenses, schedules that focus on the individual divisions of the Utilities Commission where more detailed financial data is desirable, and schedules presenting the Commission's future debt service requirements and other data required to be presented in accordance with certain of the Commission's debt covenants.

### Entity-Wide Financial Analysis

The Utilities Commission's entity-wide financial statements report its net assets and how they have changed over the reporting period. Net assets (the difference between assets and liabilities) may serve as a useful indicator of the Commission's financial position. Over time, increases or decreases in the Commission's net assets are a useful indicator of whether its financial health is improving or deteriorating, respectively. However, other non-financial factors such as changes in economic conditions, population growth, and new or changed governmental legislation must be considered to adequately assess its overall health.

The material portion of the Utilities Commission's net assets (76%) reflects its investment in utility plant assets (e.g., land, buildings, utility plant, and equipment), less that portion of related debt used to acquire those assets that is still outstanding. These utility plant assets are used to provide utility services to our customers; consequently, these assets are not available for future spending. Although the Commission's investment in capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate these liabilities.

### Condensed Balance Sheets September 30, (\$000's)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current and other assets .....	\$ 48,270	36,953	42,860
Capital assets:			
Productive assets in service (net) .....	134,163	130,141	112,215
Held for future use .....	7,467	7,467	7,467
Construction in progress .....	<u>5,158</u>	<u>6,736</u>	<u>6,439</u>
Total assets .....	<u>195,058</u>	<u>181,297</u>	<u>168,981</u>
Long-term debt outstanding .....	63,861	59,342	64,603
Other liabilities .....	<u>25,638</u>	<u>22,461</u>	<u>21,046</u>
Total liabilities .....	<u>89,499</u>	<u>81,803</u>	<u>85,649</u>
Net assets:			
Invested in plant, net of related debt .....	84,303	80,129	59,628
Restricted .....	11,870	9,572	12,422
Unrestricted .....	<u>9,385</u>	<u>9,792</u>	<u>11,282</u>
Total net assets .....	<u>\$ 105,558</u>	<u>99,493</u>	<u>83,332</u>

The Utilities Commission's net assets increased \$6.1 million to \$105.6 million in 2008, which is up from \$99.5 million in 2007 and \$83.3 million in 2006. The most significant changes in net asset position in 2008 were from amounts invested in utility plant, net of related debt, which increased \$4.2 million, and an increase of \$1.9 million in restricted renewal and replacement funds. In 2007, the most significant

changes in net assets came from an increase of \$19.4 million in amounts invested in utility plant and use of restricted renewal and replacement funds, which decreased \$3.0 million.

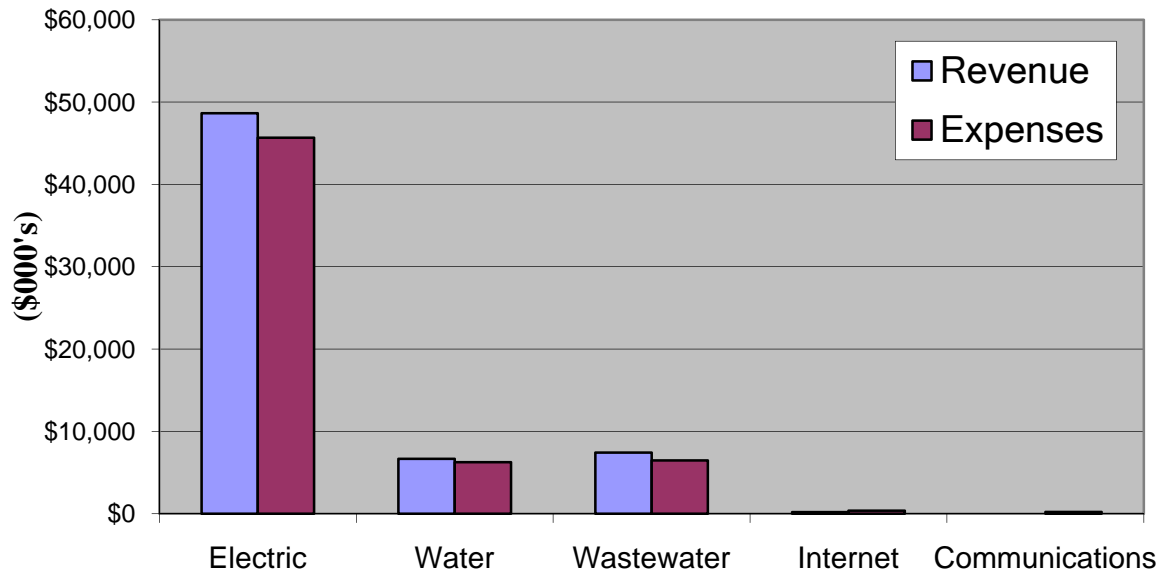
**Condensed Statements of Revenues,  
Expenses, and Changes in Net Assets  
Year Ended September 30,  
(\$000's)**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues:			
Charges for services:			
Electric system .....	\$ 48,646	44,860	44,286
Water system.....	6,673	6,886	6,346
Wastewater system.....	7,416	7,454	7,168
Internet system.....	187	276	0
Communications system .....	<u>0</u>	<u>0</u>	<u>6,150</u>
Total charges for services .....	62,922	59,476	63,950
Interest earnings .....	627	959	1,024
Other .....	<u>544</u>	<u>792</u>	<u>902</u>
Total revenues .....	<u>64,093</u>	<u>61,227</u>	<u>65,876</u>
Expenses:			
Division operating expenses:			
Electric system .....	45,666	40,716	40,221
Water system.....	6,268	6,132	5,326
Wastewater system.....	6,471	6,279	5,647
Internet system .....	375	329	0
Communications system .....	<u>221</u>	<u>221</u>	<u>8,496</u>
Total division operating expenses .....	59,001	53,677	59,690
Interest and debt expense.....	2,635	3,120	3,076
Loss on disposal of assets.....	115	115	10
Other.....	<u>124</u>	<u>192</u>	<u>210</u>
Total expenses .....	<u>61,875</u>	<u>57,104</u>	<u>62,986</u>
Income before contributions .....	2,218	4,123	2,890
Capital contributions .....	<u>3,847</u>	<u>12,038</u>	<u>7,522</u>
Increase (decrease) in net assets .....	<u>\$ 6,065</u>	<u>16,161</u>	<u>10,412</u>

While the balance sheets show a snapshot of the Commission's financial position at the beginning and ending of the fiscal years, the above statements of revenues, expenses, and changes in net assets provide answers as to the nature and source of these changes. A comparison of the operating revenues to operating expenses shows steady growth in the Commission's traditional services reported by the electric, water, and wastewater divisions, which continue to produce positive net income. Conversely, the Commission had experienced difficulty in providing communications services under its own Competitive Local Exchange Carrier license since its beginning in August 2003. Significant losses were incurred each year since inception of providing these services. The Commission ceased providing telephone services effective September 2006. However, expenses are still being incurred from various state agency reviews, audits, and accounting transactions.

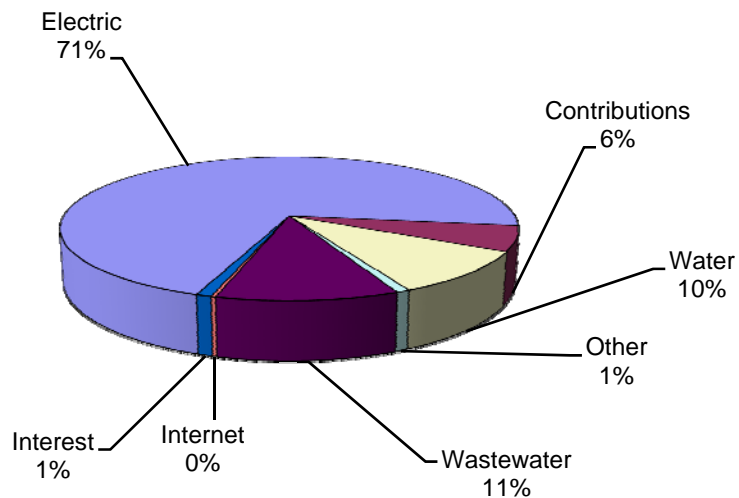
The following is a summary of the operating revenue and expense for each of the Commission's operating divisions:

### Operating Revenue and Expense - by Division Year Ended September 30, 2008



The following is a summary of the composition of 2008 utility system revenues by source:

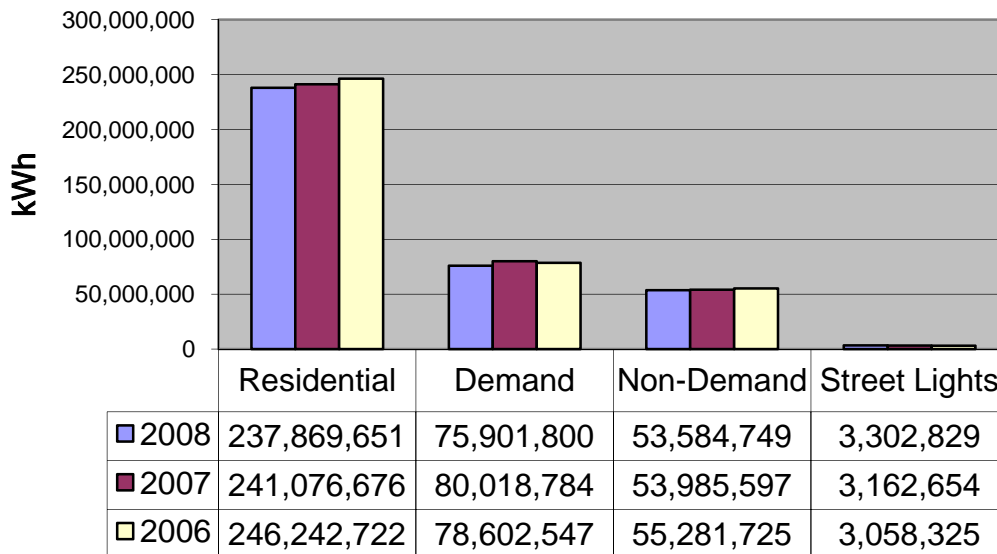
### Revenues - By Source Year Ended September 30, 2008



During 2008, the overall demand for electricity decreased. Total electric kWh sales decreased from 378.2 million kWh sales in 2007 to 370.7 million kWh sales in 2008. In the prior year, the demand for electricity had decreased from 383.2 million kWh sales in 2006 to 378.2 million kWh sales in 2007. Fuel and purchased power costs for FY 2008 substantially increased, compared to the costs incurred in the prior year.

The following is a summary of the individual components of the Commission’s electrical energy sales for the past two years from residential, commercial demand, commercial non-demand, and street lighting service customers.

### Electric kWh Sales Years Ended September 30, 2008, 2007 and 2006



**kWh Sold by Service Type**

Rising costs to produce electric system revenues resulted in two fuel adjustments being made in fiscal year 2007 that remained in effect through September 30, 2008. While costs to produce electric system revenues increased more dramatically in fiscal year 2008, no change was made to the fuel and purchased power costs adjustment billing factor, which remained the same since the last adjustment made in May 2007.

The volume of potable water sold during 2008 decreased 6.6% to 1,549 MG compared to 1,652 MG in 2007 and compared to 1,674 MG in 2006. The wastewater system experienced a 3.8% decrease in 2008 to 865 MG compared to 898 MG in the volume of wastewater treated in 2007 and as compared to 934 MG treated in 2006. The volume of reclaimed water sold during 2008 decreased 21.6% to 374 MG, compared to 477 MG sold in 2007, and as compared to 361 MG sold in 2006.

For fiscal year 2008, the number of water and wastewater customers reported appears to be distorted, which is an inherent problem with the new customer information system implemented in July 2008. Instead of counting the number of water and wastewater customers, the new customer information system counts meters, and many customers have two meters. Based on the information available, the number of residential and commercial utility customers served in the past three years was as follows:

<u>Utility Operating Division</u>	<u>2008 Customers</u>	<u>2007 Customers</u>	<u>2006 Customers</u>
Electric system (FY 2008 meters).....	24,702	24,776	24,174
Water system (FY 2008 meters) .....	27,565	23,388	22,765
Wastewater system (FY 2008 meters) .....	23,716	18,775	18,243
Reclaimed water system (FY 2008 meters).....	825	732	570
Internet .....	1,085	1,103	2,130

## Capital Assets

At the end of 2008, the Utilities Commission's investment in capital assets amounted to \$146.8 million, which is stated net of \$92.7 million of accumulated depreciation. This investment in capital assets includes:

- Land and land improvements,
- Electric (fossil fuel and nuclear) generation, transmission and distribution facilities,
- Water supply, production, treatment and distribution facilities,
- Wastewater collection, treatment and reclaimed water distribution facilities, and
- Machinery and equipment.

In 2008, the total increase in the Commission's investment in capital assets was \$10.4 million, compared to \$20.0 million invested in 2007, and \$9.0 million invested in 2006. Major capital asset additions made in 2008 included the following:

- New water and wastewater services transmission and distributions mains totaling \$3.8 million, of which \$2.8 million came from developer donated assets, and
- Completion of the Field Street Substation improvement project, line transformers, poles and fixtures, new street lighting, overhead conversions and underground extensions of electric transmission and distribution services, including nuclear plant additions, amounting to \$5.3 million

### Utility Plant, Net of Accumulated Depreciation September 30, (\$000's)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Land and land rights.....	\$ 3,272	3,272	3,272
Structures and improvements.....	32,149	28,101	20,922
Production and treatment plant .....	46,943	46,386	45,584
Transmission, distribution, and collection and treatment plant .....	130,425	125,472	111,458
Other general plant and equipment .....	<u>13,666</u>	<u>14,434</u>	<u>13,525</u>
	226,455	217,665	194,761
Accumulated depreciation .....	<u>(92,712)</u>	<u>(87,844)</u>	<u>(82,730)</u>
	133,743	129,821	112,031
Construction in progress .....	5,158	6,735	6,439
Plant held for future use.....	7,467	7,467	7,467
Nuclear fuel, net of amortization .....	<u>419</u>	<u>320</u>	<u>184</u>
Utility plant, net .....	<u>\$ 146,787</u>	<u>144,343</u>	<u>126,121</u>

Additional information regarding the Commission's capital assets can be found in Note 5 in the notes to the financial statements.

## Long-Term Debt and Debt Administration

The debt coverage ratio is a useful indicator of the Utilities Commission's debt position. The Commission's debt coverage ratio has continued to remain strong over the past three years, as is summarized in the following three-year tabulation:

<b>Debt Service Coverage Ratio</b>			
<b>Year Ended September 30,</b>			
<b>(\$000's, except ratios)</b>			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenues .....	\$ 62,922	59,476	63,950
Interest and other income.....	1,171	1,751	1,926
Capacity and other fees.....	<u>1,015</u>	<u>1,881</u>	<u>1,578</u>
Revenues per certificate resolution.....	65,108	63,108	67,454
Cost of Operation and Maintenance, net of depreciation and required payments to City of New Smyrna Beach.....	<u>49,064</u>	<u>43,941</u>	<u>50,466</u>
Net revenues per certificate resolution.....	<u>16,044</u>	<u>19,167</u>	<u>16,988</u>
Annual debt service requirement .....	\$ <u>8,143</u>	<u>8,034</u>	<u>8,144</u>
Debt service coverage ratio (times) .....	<u><u>1.97</u></u>	<u><u>2.39</u></u>	<u><u>2.09</u></u>

In 2008, the Commission issued \$10 million in Utilities System Revenue Certificates, Series 2007 in the form a bank qualified loan to construct water system infrastructure improvements. As of September 30, 2008, the Utilities Commission had outstanding \$41,285,000 of revenue certificates payable. All of these obligations are secured by a first lien on and a pledge of the net revenues of the system.

The Utilities Commission's current ratings from Moody's Investor Service and Standard & Poor's are as follows:

	<u>Moody's</u>	<u>Standard &amp; Poor's</u>
Utilities System Refunding Revenue Certificates, Series 1993 .....	Baa1	AA/Negative (FGIC Insured)
Utilities System Refunding Revenue Certificates, Series 2002 .....	Baa1	A/Negative (AMBAC Insured)
Utilities System Refunding Revenue Certificates, Series 2004A (private placement) .....	(not rated)	(not rated)
Utilities System Revenue Certificates, Series 2007 (private placement) .....	(not rated)	(not rated)

When issuing bonds, the Utilities Commission utilized insurance as surety rather than providing for debt service reserves as additional financial security. The downgrading of the Utilities Commission's underlying bond ratings are due to the impact of the economy and the resulting insurance industries'



recent failures. In the near future the Utilities Commission plans on pursuing its own rating, rather than relying on ratings that are partially based on the ratings of the underlying financial guaranty insurance providers.

The debt service requirements on these obligations are detailed in the notes to the financial statements and in Schedule 13 of the supplementary section of the financial statements.

In addition to the revenue certificates payable, the Utilities Commission had outstanding notes payable to the Florida Department of Environmental Protection, State Revolving Fund Loan in the aggregate amount of \$11,796,761 which are secured by a lien and pledge on the net revenues of the system, but subordinate to the first lien and pledge securing the revenue certificates payable. The Commission also had outstanding notes payable to the Florida Municipal Power Agency (FMPA) Pooled Loans amounting to \$16,535,000, which are secured by a lien and pledge on the net revenues of the system, but subordinate to the first lien and pledge securing the revenue certificates payable and on a parity with the State Revolving Fund Loan.

The debt service requirements on these obligations are detailed in the notes to the financial statements. The future debt service requirements for the Florida Department of Environmental Protection, State Revolving Fund Loan are in Schedule 14 of the supplementary section of the financial statements. The future debt service requirements for the FMPA Pooled Loans are in Schedule 15 of the supplementary section of the financial statements and are based on the prevailing interest rate charged as of September 30, 2008. The interest rate on the FMPA Pooled Loans varies and is determined on a monthly basis. Accordingly, the representation of the future debt service requirements in Schedule 15 may not agree with the actual amounts to be paid and the difference may be material.

At the end of the fiscal year, the Utilities Commission had \$63.9 million in long-term debt outstanding, which increased by \$4.5 million over the prior year's \$59.3 million. The \$4.5 million net increase is from the \$10.0 million in new debt issued, less scheduled principal payments of \$5.5 million.

Under its current debt agreements, the Commission has covenanted to maintain several coverage ratios, all of which approximate 1.25 times in the aggregate. In order to issue additional debt obligations, the Commission must demonstrate that it has successfully maintained a coverage ratio of 1.20 times its maximum annual debt service requirements in its immediately preceding fiscal year. Based on this data, the Commission has the ability and the capacity to obtain additional financing, at current market conditions, of approximately \$30 million.

### **Economic Factors and Next Year's Budget and Rates**

Many factors are considered each year by the Utilities Commission in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop uniform electric, water, wastewater and other utility fees that are reasonable and, more importantly, capable of cost recovery. Some of the major factors considered in this process are the local economy, civilian labor force, unemployment rates, and inflation rates.

- The most recent estimates available for unemployment data in Volusia County, Florida are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Database (FRED). This agency estimates a countywide unemployment rate of 7.2% at the end of September 2008, which is significantly higher than the 4.3% rate experienced one year earlier. These estimates are consistent with the state's 6.9% and 4.4% unemployment rates at September 2008 and 2007, respectively.
- Inflationary trends for Volusia County are consistent with those trends experienced at the state and national levels.

- Revenue projections for fiscal year 2009 are forecasted based on expected consumption, with no anticipated rate increases contemplated by the Commission.
- Based on the most recent engineering studies the existing infrastructure is aging. This fact coupled with projected growth, will cause a significant stress on existing systems, with the anticipation of continued increases in routine operating and maintenance expenses.

Other factors influencing the Commission's 2009 operating budget includes the rising cost of fuel and purchased power and continued growth in all divisions, with the exception of the internet division. A summary of the enacted 2009 budget follows:

**FY 2009 Operating Budget  
With Comparison to FY 2008 Actual  
\$(000's)**

	<u>2009 Budget</u>	<u>2008 Actual</u>	<u>Dollar Change</u>
<b>Revenue and Receipts:</b>			
Electric system .....	\$ 49,448	49,319	129
Water system .....	7,758	6,840	918
Wastewater system .....	8,074	7,587	487
Internet system .....	205	187	18
Communications system.....	0	36	(36)
Capital contributions .....	<u>1,728</u>	<u>3,847</u>	<u>(2,119)</u>
	<u>67,213</u>	<u>67,816</u>	<u>(603)</u>
<b>Operating Expenses:</b>			
Operation and maintenance .....	49,270	49,064	206
Required payments to City .....	<u>3,833</u>	<u>3,612</u>	<u>221</u>
	<u>53,103</u>	<u>52,676</u>	<u>427</u>
Net revenue and receipts .....	14,110	15,140	(1,030)
Debt issuance .....	2,988	10,000	(7,012)
Debt service .....	(8,574)	(7,860)	(714)
Operating transfers (net) .....	<u>(8,524)</u>	<u>(16,952)</u>	<u>8,428</u>
Budgeted net cash receipts.....	\$ <u>0</u>	<u>328</u>	<u>(328)</u>

**Requests for Information**

This financial report is designed to provide a general overview of the Utilities Commission, City of New Smyrna Beach, Florida's finances for all those who have expressed an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the office of the Director of Finance, Post Office Box 100, New Smyrna Beach, Florida 32170-0100.

## ***BASIC FINANCIAL STATEMENTS***

**BALANCE SHEETS**

September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2008	2007
Assets:		
Utility Plant:		
Electric utility plant in service.....	\$ 95,128,218	90,162,592
Water utility plant in service.....	50,453,745	48,363,613
Wastewater and water reuse utility plant in service.....	70,127,004	67,960,407
Communications services plant in service.....	2,762,871	2,762,871
General utility plant in service.....	7,983,836	8,415,209
	<u>226,455,674</u>	<u>217,664,692</u>
Less: accumulated depreciation.....	<u>(92,712,390)</u>	<u>(87,844,024)</u>
	133,743,284	129,820,668
Construction work in progress.....	5,158,170	6,735,657
Plant held for future use.....	7,467,493	7,467,493
Nuclear fuel, net of amortization.....	<u>418,644</u>	<u>319,632</u>
	<u>146,787,591</u>	<u>144,343,450</u>
Total utility plant, net.....		
Current Assets:		
Cash and cash equivalents.....	50,507	70,364
Accrued interest and dividends.....	6,919	26,730
Restricted assets:		
Cash and cash equivalents.....	32,705,933	22,603,729
Accrued interest and dividends.....	11,993	14,902
Accounts receivable, net of allowance for doubtful accounts (\$191,800 - 2008 and \$4,248,608 - 2007).....	3,343,992	4,670,197
Unbilled accounts receivable.....	8,639,010	6,071,543
Notes receivable.....	173,241	287,132
Inventories.....	2,870,334	2,759,553
Prepaid expenses and other assets.....	<u>184,981</u>	<u>133,623</u>
	<u>47,986,910</u>	<u>36,637,773</u>
Total current assets.....		
Other Noncurrent Assets:		
Unamortized debt expense.....	<u>283,436</u>	<u>315,626</u>
	<u>\$ 195,057,937</u>	<u>181,296,849</u>
Total assets.....		

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

**Statement 1**

	2008	2007
<b>Net Assets:</b>		
Invested in utility plant, net of related debt.....	\$ 84,302,560	80,129,034
Restricted for debt service.....	6,573,519	6,256,014
Restricted for renewal and replacement.....	5,296,849	3,315,754
Unrestricted.....	<u>9,385,525</u>	<u>9,792,637</u>
Total net assets.....	<u>105,558,453</u>	<u>99,493,439</u>
<b>Liabilities:</b>		
<b>Long-Term Debt:</b>		
Revenue certificates payable (net).....	37,481,677	31,010,704
Notes payable (net).....	<u>26,378,945</u>	<u>28,331,761</u>
Total long-term debt.....	<u>63,860,622</u>	<u>59,342,465</u>
<b>Current Liabilities:</b>		
Bank overdraft-unrestricted cash and cash equivalents.....	4,565,282	3,613,203
Accounts payable.....	4,855,544	3,512,259
Accrued liabilities.....	873,283	679,884
Accrued interest payable.....	639,905	688,586
Revenue certificates payable - current.....	3,400,000	3,310,000
Notes payable - current.....	1,952,816	1,877,578
Customers' deposits.....	3,407,132	2,871,110
Due to other governments.....	<u>1,241,256</u>	<u>1,343,494</u>
Total current liabilities.....	<u>20,935,218</u>	<u>17,896,114</u>
<b>Other Noncurrent Liabilities:</b>		
Asset retirement obligation.....	4,245,182	4,107,151
Deferred compensated absences.....	<u>458,462</u>	<u>457,680</u>
Total other noncurrent liabilities.....	<u>4,703,644</u>	<u>4,564,831</u>
Total liabilities.....	<u>89,499,484</u>	<u>81,803,410</u>
Total liabilities and net assets.....	<u>\$ 195,057,937</u>	<u>181,296,849</u>

**STATEMENTS OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS**

**Statement 2**

For the Fiscal Years Ended September 30, 2008 and 2007  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2008	2007
<b>Operating Revenue:</b>		
Sales.....	\$ 62,297,291	58,882,023
Other revenue.....	<u>624,909</u>	<u>594,119</u>
Total operating revenue.....	<u>62,922,200</u>	<u>59,476,142</u>
<b>Operating Expenses:</b>		
Purchased power and fuel expenses.....	28,018,777	24,043,491
Other production expenses.....	6,433,609	6,278,690
Transmission, distribution, and sewage collection and treatment.....	6,499,601	5,766,272
Customer accounting.....	1,086,447	1,057,779
Administrative and general.....	7,025,702	6,795,197
Required payments to the City of New Smyrna Beach.....	3,612,294	3,670,560
Depreciation.....	<u>6,324,910</u>	<u>6,065,225</u>
Total operating expenses.....	<u>59,001,340</u>	<u>53,677,214</u>
Operating income.....	<u>3,920,860</u>	<u>5,798,928</u>
<b>Nonoperating Revenue (Expense):</b>		
Interest earnings.....	627,068	958,771
Other income.....	544,186	792,294
Interest and debt expense.....	(2,635,048)	(3,119,606)
Other expenses.....	(124,182)	(191,580)
Gain (loss) on disposal of assets.....	<u>(115,037)</u>	<u>(115,502)</u>
Total nonoperating (expense).....	<u>(1,703,013)</u>	<u>(1,675,623)</u>
Income (loss) before contributions.....	2,217,847	4,123,305
Capital contributions.....	<u>3,847,167</u>	<u>12,037,997</u>
Change in net assets.....	6,065,014	16,161,302
Net assets, beginning of year.....	<u>99,493,439</u>	<u>83,332,137</u>
Net assets, end of year.....	<u>\$ 105,558,453</u>	<u>99,493,439</u>

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

**STATEMENTS OF CASH FLOWS****Statement 3**

For the Fiscal Years Ended September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2008	2007
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers.....	\$ 62,216,575	63,312,877
Cash paid to suppliers.....	(39,665,549)	(36,367,169)
Cash paid to employees.....	(7,781,650)	(8,270,769)
Other receipts (payments).....	<u>(3,294,528)</u>	<u>(3,069,755)</u>
Net cash provided by operating activities.....	<u>11,474,848</u>	<u>15,605,184</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Debt reduction outlays.....	(5,487,578)	(5,298,213)
Debt issuance.....	9,964,000	-
Capital contributions.....	1,014,468	1,881,126
Acquisition and construction of capital assets.....	(6,178,723)	(10,465,098)
Interest paid.....	<u>(2,306,535)</u>	<u>(2,689,694)</u>
Net cash (used in) capital and related financing activities.....	<u>(2,994,368)</u>	<u>(16,571,879)</u>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale and maturities of investment securities.....	-	3,010,000
Interest received.....	<u>649,788</u>	<u>1,107,111</u>
Net cash (used in) investing activities.....	<u>649,788</u>	<u>4,117,111</u>
Net (decrease) in cash and cash equivalents.....	9,130,268	3,150,416
Cash and cash equivalents, beginning of year.....	<u>19,060,890</u>	<u>15,910,474</u>
Cash and cash equivalents, end of year.....	<u>\$ 28,191,158</u>	<u>19,060,890</u>
<b>Reconciliation to Balance Sheet:</b>		
Cash and cash equivalents.....	\$ 50,507	70,364
Bank overdraft - unrestricted cash and cash equivalents.....	(4,565,282)	(3,613,203)
Restricted cash and cash equivalents.....	<u>32,705,933</u>	<u>22,603,729</u>
Total cash and cash equivalents.....	<u>\$ 28,191,158</u>	<u>19,060,890</u>
<b>Non-cash Capital and Related Financing Activities:</b>		
Capital contributions.....	<u>\$ 2,832,699</u>	<u>10,156,871</u>
Acquisition and construction of capital assets.....	<u>\$ (2,832,699)</u>	<u>(10,156,871)</u>

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

**STATEMENTS OF CASH FLOWS - (Continued)****Statement 3**

For the Fiscal Years Ended September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2008	2007
Reconciliation of operating income to net cash provided by operating activities:		
Operating income.....	\$ 3,920,860	5,798,928
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and nuclear fuel amortization.....	6,452,244	6,210,905
Provision for losses on receivables.....	114,276	127,535
Decrease (increase) in operating assets:		
Accounts and notes receivable.....	1,325,820	836,612
Unbilled accounts receivable.....	(2,567,467)	1,946,772
Inventories.....	(110,781)	(391,354)
Prepaid expenses.....	(51,358)	(27,481)
Increase (decrease) in operating liabilities:		
Accounts payable.....	1,343,285	(133,128)
Due to other governments.....	(102,238)	(423,963)
Customer deposits.....	536,022	1,053,351
Accrued liabilities.....	193,399	(30,786)
Deferred liabilities.....	782	37,079
Other income.....	544,186	792,294
Other expense.....	<u>(124,182)</u>	<u>(191,580)</u>
Net cash provided by operating activities.....	<u>\$ 11,474,848</u>	<u>15,605,184</u>

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



***NOTES TO THE FINANCIAL STATEMENTS***



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## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Utilities Commission, City of New Smyrna Beach, Florida (the “Utilities Commission”) are presented in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The existing hierarchy provides that accounting guidance should first be sought in statements of the Governmental Accounting Standards Board (GASB). If the GASB has not issued a standard applicable to a situation, then pronouncements of the Financial Accounting Standards Board (FASB) are presumed to apply except as described below under Measurement Focus and Basis of Accounting. Additionally, the financial statements are presented substantially in conformity with accounting principles and methods prescribed by the Federal Energy Regulatory Commission (FERC), except for the method of accounting for contributed capital described in the notes to the financial statements.

The following is a summary of the more significant accounting policies:

**Reporting Entity:** The Utilities Commission was created by Special Act of the Legislature in 1967 through the passage of Chapter 67-1754, Laws of Florida, Special Acts of 1967 (House Bill 1669), which amended the Charter of the City of New Smyrna Beach, Florida (the “City”) to create the Utilities Commission. This Enabling Act gave the Utilities Commission full and exclusive authority over the management, operation and control of all of the City’s utilities. Additionally, this Act granted authority to the Utilities Commission to hire employees, set rates, borrow money, and condemn property. Under the Enabling Act, the only measure of supervision by the City Commission was its power to appoint members of the Utilities Commission. By this Special Act, the Utilities Commission was established as a political subdivision of the State of Florida fully empowered under the authority of the 1885 Florida Constitution.

In a referendum held in October, 1984, voters approved amendments to the City Charter which (1) require City Commission approval for extensions of utility services outside the City limits; (2) give the City Commission the right to review and approve the Utilities Commission's operating budget; and (3) require City Commission approval before issuing or refunding revenue certificates and entering into contracts which exceed four years. In 1985 the Florida Legislature enacted Chapter 85-5033, Laws of Florida that constituted an amendment to Chapter 67-1754, Laws of Florida and became the Revised Enabling Act for the Utilities Commission. The Special Act was a complete restatement of the 1967 Enabling Act, but included the 1984 charter amendments and added that the Utilities Commission would function the same as it previously functioned under Chapter 67-1754 Laws of Florida. In effect, this law change preserved the Utilities Commission’s measure of independence under the Municipal Home Rule Powers Act; essentially, requiring Legislative approval for amendments to the City Charter regarding the Utilities Commission’s operational autonomy.

The Utilities Commission is governed by a five-member board of Commissioners who are appointed by the City Commission. Utilities Commissioners receive compensation of \$100 per month and may serve no more than three consecutive three-year terms. The funds and entities related to the operation of the Utilities Commission are appropriately included as a component unit of the City of New Smyrna Beach, Florida, and an integral part of the City's reporting entity in accordance with the requirements of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and amendment to GASB Statement No. 14, *The Financial Reporting Entity*. The basic financial statements of the Utilities Commission are incorporated in the City's Comprehensive Annual Financial Report as an enterprise fund activity. Complete financial statements of the City of New Smyrna Beach, Florida, the primary government of the Utilities Commission, can be obtained directly from the City’s administrative offices, which is as follows:

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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### **Administrative Office:**

City of New Smyrna Beach, Florida

210 Sams Avenue

New Smyrna Beach, Florida 32168

The Utilities Commission maintains a 0.5608% undivided participant interest with Progress Energy Florida, Inc. at its Crystal River Unit 3 nuclear generation facility. Pursuant to this agreement, all fiscal, budgetary and operational control is maintained exclusively by Progress Energy Florida, Inc. The agreement and the related ownership interest have remained consistent for the years ended September 30, 2008 and 2007. This agreement does not meet the criteria of a joint venture as specified in GASB Statement No. 39.

In 1983, the Utilities Commission entered into a participation agreement with Florida Municipal Power Agency (FMPA) for an entitlement share of electric capacity and electric energy from FMPA's undivided ownership interest in Florida Power and Light Company's St. Lucie Unit No. 2, a nuclear generating unit. The Utilities Commission's role in the agreement is limited to that of a participant contractually obligated to purchase electric capacity and electric energy. The agreement between the Utilities Commission and FMPA does not meet the criteria for inclusion within the reporting entity of the Utilities Commission. The agreement specifically provides that the arrangement is not a joint venture and neither FMPA nor the other utilities which entered into participation agreements with FMPA for entitlement shares from FMPA's undivided ownership interest in St. Lucie Unit No. 2 are accounting for the agreement as a joint venture. Accordingly, the Utilities Commission is not accounting for the agreement as a joint venture.

**Basis of Presentation:** The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include all the activities of the Utilities Commission. By virtue of its municipal ownership, the financial affairs of the Utilities Commission are not subject to the oversight of, or regulation by, the Florida Public Service Commission. While not required, the accounting records of the Utilities Commission are maintained in accordance with the uniform systems of accounts prescribed by the Federal Energy Regulatory Commission (FERC) and the Florida Public Service Commission (FPSC), as well as the uniform system of accounts prescribed by the Federal Communications Commission (FCC). As a result, the accounting provisions permitted under Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation* (SFAS 71), have not been adopted by the Utilities Commission.

The Utilities Commission has elected not to apply FASB statements and interpretations issued after November 30, 1989, as permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting.*

**Basis of Accounting:** Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The Utilities Commission's financial statements are prepared on the accrual basis of accounting. By utilizing this method, revenues are recognized when they are earned, and expenses are recognized as they are incurred. Unbilled utility service receivables are recognized to provide a better matching of service revenues and the costs of providing the service.

**Budget and Budgetary Accounting:** An annual revenue and expense budget is prepared for the combined electric, water, wastewater and internet systems. In accordance with the Utilities Commission's budget policy, the approved budget is submitted to the City of New Smyrna Beach prior to June 1 of each fiscal year

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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for subsequent City Commission approval. The budget was adopted on a basis consistent with generally accepted accounting principles (GAAP) except that certain other cash receipts and payments are treated as budgetary items to maintain effective fiscal and budgetary control over the collection and disposition of all Utilities Commission resources. Specific budgetary control is exercised over internal operating transfers to restricted funds, payments of principal on long-term debt obligations, and collections of contributed capital which are recognized in the budget as additions and/or deductions to reconcile budgeted net cash receipts to reported net income (loss) for each system. Budget appropriations are prepared by the administrative staff and approved as provided by law by the Utilities Commission. Budgetary control is exercised at the departmental level. Budget amendments, if any, can be requested by the General Manager/CEO. However, all budget amendments must be approved by the Utilities Commission.

Unexpended appropriations for operations lapse at year-end. No supplemental appropriations were required for the current year.

**Use of Estimates and Assumptions:** In preparing financial statements that conform with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and amounts of revenues and expenses reflected during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents:** The Utilities Commission invests all cash balances in interest bearing accounts. Earnings from these investments are appropriately allocated to the investing fund accounts based upon the investment equity and are used, where applicable, to finance general Utilities Commission operations. For purposes of the statement of cash flows, all highly liquid debt instruments (including restricted and internally designated funds) purchased with original maturity dates of three months or less are considered cash equivalents.

**Investments:** Investments are recorded at fair value.

**Receivables:** Accounts receivable have been reported net of an allowance for uncollectible accounts, which has been provided based upon management's analysis of historical trends. Utility operating revenues are recognized on the basis of cycle billings rendered monthly. Unbilled accounts receivable are accrued at September 30th, to recognize the sales revenues earned between the last utility meter reading date made through the end of the year.

**Inventories:** Inventories are priced at cost by the use of the "first-in, first-out" method of accounting. The effect of this method is to flow the costs of the materials and supplies in the order in which they are purchased and to assign a balance sheet inventory valuation close to current replacement value. Electric line transformers, electric meters, and replacement units for the generating plants are classified as utility plant in accordance with accepted industry practices set forth by the National Association of Regulatory Utilities Commissioners (NARUC).

**Unamortized Debt Discount, Issuance Expenses, and Deferred Amount from Refunding:** Original issue discounts, debt issuance expenses, and deferred amounts from the advance refunding of outstanding revenue certificates are appropriately deferred and amortized over the remaining terms of the applicable debt issues (or life of the old debt, whichever is shorter, for deferred amounts from the advance refunding) using the bonds outstanding method, which approximates the interest method. Unamortized debt discounts and

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

deferred amounts from the advance refunding of long-term debt are presented in aggregate in the financial statements as a reduction of the carrying cost of the related long-term debt. The unamortized debt issuance costs are presented as other assets.

**Utility Plant:** Utility plant is stated at historical or estimated historical cost. Generally, property, plant, improvements and equipment with initial individual costs that equal or exceed \$1,000 and with estimated useful lives of more than one year are recorded as capital assets. Maintenance and repairs of property, and replacements and renewals of items determined to be less than units of property, are charged to maintenance expense. The cost of units of property replaced, renewed or retired, plus removal or disposal costs, less salvage, is charged to accumulated depreciation. Donated utility plant is stated at its estimated fair market value on the date donated. Construction period interest is capitalized, net of interest earned on unexpended construction funds in accordance with the applicable provisions of Financial Accounting Standards No. 62. All capitalized interest is depreciated over the remaining useful lives of the related assets.

**Depreciation and Amortization:** For financial reporting purposes, substantially all depreciation of utility plant other than nuclear fuel is computed on the straight-line method based on the estimated remaining useful life of the property, adjusted for estimated net salvage, which are as follows:

	<u>Years</u>
Electric System:	
Production plant:	
Nuclear production .....	27
Diesel production.....	20-40
Transmission plant.....	30-55
Distribution plant.....	28-45
General plant:	
Structures and improvements.....	40
Other general plant .....	5-20
Water System:	
Source of supply plant .....	25-50
Pumping plant.....	35
Water treatment plant .....	40-50
Transmission and distribution plant.....	25-50
General plant:	
Structures and improvements .....	35
Other general plant .....	10-35
Pollution Control System:	
Collection plant.....	35-50
Pumping plant:	
Structures and improvements .....	50
Pumping equipment .....	25
Treatment and disposal plant.....	25-40
General plant .....	10-50
Common Plant:	
Structures and improvements .....	35

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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Other general plant .....	5-15
Water Reuse System:	
Structures and improvements .....	50
Transmission and distribution plant.....	50
Communications System:	
Structures and improvements .....	30
Other general plant .....	5-20

Amortization of nuclear fuel costs, including disposal costs associated with obligations to the U.S. Department of Energy (DOE), is computed primarily on the unit-of-production method and charged to fuel expense. Costs related to obligations to the DOE for the decommissioning and decontamination of enrichment facilities are also charged to fuel expense.

**Nuclear Plant Decommissioning and Asset Retirement Obligation Provisions:** Provisions for nuclear plant decommissioning costs are based on site-specific estimates that include the costs for removal of all radioactive and other structures at the nuclear plant site. The Utilities Commission’s pro-rata share of estimated decommissioning costs is accounted for as an Asset Retirement Obligation, which represents a legal obligation associated with the retirement of certain tangible long-lived assets, in accordance with Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* (SFAS 143). The present value of retirement costs is recorded as a liability with an equivalent amount added to the asset cost and depreciated over an appropriate period. The liability is then accreted over time by applying an interest method of allocation to the liability.

**Compensated Absences:** A current liability is recorded and recognized under the classification of accrued liabilities for that portion of employee payroll costs paid subsequent to year-end and attributable to services performed prior to year-end. The balance of compensated absences that will be payable beyond one year are reported as deferred compensated absences under the classification of other liabilities. Employees earn annual personal leave time (vacation, sick and personal leave) at the rate of 160 hours to 240 hours per year, depending on the number of years of service measured on the employees’ anniversary date of employment with the Utilities Commission. Employees are required to use or sell 50% of the time accrued each year and may retain the balance for use in succeeding years. The maximum amount of hours that can be accumulated at the end of each anniversary year is 480 hours for all employees except for Directors, Managers, and Supervisors, who may maintain a balance of up to 600 hours. Employees with accrued personal leave time over the above guidelines will be paid, at their normal hourly rate, for all hours in excess with the next normal payroll following their anniversary of employment with the Commission.

**Rates, Revenues and Fuel Expense:** Revenues are recognized based on monthly cycle billings to customers. The rate schedules are approved by the Utilities Commission. The electric rate schedule contains an energy cost adjustment clause which reflects the cost of fuel as well as the energy and fuel components of purchased power. Generally, the effect of the increase/decrease in the cost of energy is recovered over a twelve month period and is determined as the difference between actual applicable fuel costs and the costs actually billed during the same period. The cost of nuclear fuel is amortized to fuel expense based on the quantity of heat produced for generation of electric energy in relation to the quantity of heat expected to be produced over the life of the nuclear fuel core.

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Operating revenues and expenses result from providing utility services, which is the principal ongoing operation of the Utilities Commission. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on utility plant assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

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

**Reclassification:** Certain amounts for 2007 have been reclassified to conform to the 2008 presentation for accounting for nuclear plant decommissioning costs and related asset retirement obligation.

**NOTE 2 – CASH DEPOSITS AND INVESTMENTS**

As of September 30, 2008, the Commission had the following deposits and investments:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC) and collateralized.....	\$ 16,411,132	\$ 16,535,251
Uninsured and uncollateralized.....	--	--
Cash funds.....	<u>10,926</u>	<u>10,926</u>
Total deposits.....	<u>\$ 16,422,058</u>	<u>\$ 16,543,177</u>

<u>Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Credit Rating</u>
Repurchase agreements.....	<u>\$ 11,644,980</u>	<u>11,644,980</u>	3 months or less	N/A

***Investment Policy***

The Utilities Commission's investment policies are governed by state statutes and local resolution. Allowable investments include: bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America, interest bearing savings accounts, interest bearing certificates of deposit and interest bearing time deposits.

***Interest Rate Risk***

In accordance with its investment policy, the Commission manages its exposure to declines in fair values by limiting the maturity of specific investments based on the following restrictions: (1) funds earmarked for operation and maintenance expenses, debt service sinking funds, and annually budgeted plant expansion cost and equipment purchases will be invested with a maturity of one year from date of purchase, and (2) construction funds are limited to being invested in securities maturing not more than five years from the date of purchase.



## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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### ***Credit Risk***

The provisions under Section 218.415, Florida Statutes, require that investment activity by a unit of local government must be consistent with a written investment plan adopted by the governing body. On September 20, 1995 the Commission adopted Resolution No. 52-95, *Investment Policy in Accordance with Florida Statute 218.415* that applies to all cash and investments under the control of the Commission. Under these provisions the Commission had identified the following permissible investments:

- The Local Government Surplus Funds Trust Fund, 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,
- Interest-bearing time deposits and savings accounts in qualified public depositories,
- Direct obligations of the U.S. Treasury
- Obligations of U.S. Government instrumentalities, such as; Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Banks,
- Mutual funds, provided that the portfolio of such investment companies or trusts is limited to U.S. Government obligations and to repurchase agreements fully collateralized by such U.S. Government obligations,
- Commercial paper of U.S. corporations, rated as “Prime -1” by Moody’s and or “A-1” by Standard & Poor’s.
- State and local government taxable and tax exempt debt rated at least “Aa” by Moody’s, “AA” by Standard & Poor’s for long-term debt or rated at least “MIG-2” by Moody’s and “SP-2” by Standard & Poor’s for short-term debt.
- Bankers’ Acceptances which are inventory-based and issued by a domestic bank which has as unsecured, uninsured and unguaranteed obligation rating of at least “Prime-1” and “A” by Moody’s Investor Service and “A-1” and “A” by Standard & Poor’s Corporation and ranked in the top fifty United States banks in terms of total assets by the American Banker’s yearly report.

The Commission specifically refrains from investing in derivative investment products.

As of September 30, 2008 the Commission’s only investments were in the form of repurchase agreements. Credit ratings do not apply to the securities underlying the repurchase agreements, which are invested in U.S. government securities guaranteed by the U.S. government.

### ***Concentration of Credit Risk***

Provisions in the Commission’s policy limit the investment in specific investments to control the risk of loss resulting from the over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank. With the exception of Repurchase Agreement, Overnights, and Non-negotiable Certificate of Deposits, no more than 25% of the entire portfolio may be placed with any one bank, savings and loan or broker/dealer unless specifically authorized by the Commission.

### ***Custodial Credit Risk – Deposits***

In the case of deposits, this is the risk that in the event of a bank failure, the Commission’s deposits may not be returned to it. Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act* ("the Act"), the State of Florida, Department of Financial Services, Division of Treasury, Bureau of Collateral Management have established specific requirements relative to the security

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State Chief Financial Officer as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State Chief Financial Officer to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Chief Financial Officer's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by a Qualified Public Depository Oversight Board with members appointed by the State Chief Financial Officer.

At September 30, 2008, the carrying amount of the Utilities Commission's deposits, including money market funds held with financial institutions, was \$16,422,058 and the September 30, 2008 bank balances totaled \$16,543,177, of which \$100,000 was covered by federal depository insurance, and \$16,535,251 was secured in accordance with the statutory provisions of the Act. As of September 30, 2008 there were no deposits held in unsecured, uncollateralized money market mutual funds. Included in the carrying amount and bank balances of Utilities Commission deposits is \$10,926 in petty cash and change funds.

***Custodial Credit Risk – Investments***

For an investment, this is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2008 the Commission has custodial credit risk exposure of \$11,644,980 for investments in repurchase agreements, since these investments are uninsured, unregistered and held by the Commission's bank's securities department who are also the counterparty for these particular securities.

**NOTE 3 – RESTRICTED ASSETS**

Certain cash and investments are externally restricted by revenue certificate resolutions, nuclear generation facility decommissioning trusts and customer agreements. The Utilities Commission's restricted assets consist of debt service funds, a nuclear plant decommissioning fund, restricted renewal and replacement funds consisting of service capacity fees charged to developers, and customer deposits. The balances for the years ending September 30, 2008 and 2007 are as follows:

	September 30,	
	2008	2007
Revenue certificate covenant funds:		
Debt service and related funds:		
Principal and interest funds .....	\$ 6,033,680	5,716,175
Debt service reserve funds.....	<u>539,839</u>	<u>539,839</u>
	6,573,519	6,256,014
Renewal and replacement funds.....	7,328,325	6,688,885
Series 2007 Certificates Project account .....	<u>6,444,971</u>	<u>--</u>
Total revenue certificate covenant funds.....	20,346,815	12,944,899

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
September 30, 2008 and 2007  
**UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA**  
New Smyrna Beach, Florida

	September 30,	
	2008	2007
Nuclear generation facility decommissioning funds.....	3,626,928	3,389,877
Renewal and replacement service capacity fee funds .....	5,296,849	3,315,754
Developer infrastructure escrow .....	1,468,220	1,064,511
Customer deposits .....	<u>1,979,114</u>	<u>1,903,590</u>
Total restricted assets .....	<u>\$ 32,717,926</u>	<u>22,618,631</u>
Total restricted assets consist of:		
Cash and cash equivalents .....	\$ 32,705,933	22,603,729
Accrued interest receivable .....	<u>11,993</u>	<u>14,902</u>
Total restricted funds .....	<u>\$ 32,717,926</u>	<u>22,618,631</u>

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable consist of trade accounts receivable from customers for utility system revenue and other revenue sources. As of year-end the accounts receivable, reported net of provisions for uncollectible accounts, consisted of the following:

	September 30,	
	2008	2007
Accounts receivable.....	\$ 3,535,792	8,918,805
Reserve for uncollectible accounts .....	<u>(191,800)</u>	<u>(4,248,608)</u>
Total accounts receivable, net .....	<u>\$ 3,343,992</u>	<u>4,670,197</u>

**NOTE 5 – UTILITY PLANT**

A summary of utility plant at September 30, 2008 and 2007 is as follows:

	Electric	Water	Wastewater and Water Reuse	Common	Communications	Total September 30, 2008
Land and land rights .....	\$ 1,679,978	483,946	364,167	743,588	--	3,271,679
Structures and improvements .....	8,620,849	5,776,620	14,591,114	2,825,730	334,916	32,149,229
Production and treatment plant.....	25,568,250	7,220,285	14,154,935	--	--	46,943,470
Transmission, distribution, and collection and treatment plant.....	56,221,336	35,494,624	38,709,009	--	--	130,424,969
Other general plant and equipment.....	<u>3,037,805</u>	<u>1,478,270</u>	<u>2,307,779</u>	<u>4,414,518</u>	<u>2,427,955</u>	<u>13,666,327</u>
	95,128,218	50,453,745	70,127,004	7,983,836	2,762,871	226,455,674
Accumulated depreciation .....	<u>(51,229,669)</u>	<u>(17,039,595)</u>	<u>(19,474,927)</u>	<u>(4,305,729)</u>	<u>(662,470)</u>	<u>(92,712,390)</u>
	43,898,549	33,414,150	50,652,077	3,678,107	2,100,401	133,743,284
Construction in progress .....	679,350	2,676,944	882,766	919,110	--	5,158,170
Plant held for future use.....	7,467,493	--	--	--	--	7,467,493
Nuclear fuel, net of amortization .....	<u>418,644</u>	--	--	--	--	418,644
Utility plant, net .....	<u>\$ 52,464,036</u>	<u>36,091,094</u>	<u>51,534,843</u>	<u>4,597,217</u>	<u>2,100,401</u>	<u>146,787,591</u>

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Electric	Water	Wastewater and Water Reuse	Common	Communications	Total September 30, 2007
Land and land rights .....	\$ 1,679,978	483,946	364,167	743,588	--	3,271,679
Structures and improvements .....	6,412,117	5,407,352	13,288,860	2,658,172	334,916	28,101,417
Production and treatment plant .....	25,230,070	7,020,750	14,135,543	--	--	46,386,363
Transmission, distribution, and collection and treatment plant.....	53,756,830	33,967,453	37,747,261	--	--	125,471,544
Other general plant and equipment.....	<u>3,083,597</u>	<u>1,484,112</u>	<u>2,424,576</u>	<u>5,013,449</u>	<u>2,427,955</u>	<u>14,433,689</u>
	90,162,592	48,363,613	67,960,407	8,415,209	2,762,871	217,664,692
Accumulated depreciation .....	<u>(48,915,992)</u>	<u>(16,084,784)</u>	<u>(17,830,696)</u>	<u>(4,570,906)</u>	<u>(441,646)</u>	<u>(87,844,024)</u>
	41,246,600	32,278,829	50,129,711	3,844,303	2,321,225	129,820,668
Construction in progress .....	4,031,258	612,609	1,415,835	675,955	--	6,735,657
Plant held for future use.....	7,467,493	--	--	--	--	7,467,493
Nuclear fuel, net of amortization.....	<u>319,632</u>	--	--	--	--	<u>319,632</u>
Utility plant, net .....	<u>\$ 53,064,983</u>	<u>32,891,438</u>	<u>51,545,546</u>	<u>4,520,258</u>	<u>2,321,225</u>	<u>144,343,450</u>

Depreciation expense totaled \$6,324,910 and \$6,065,225 for 2008 and 2007, respectively. There was \$111,050 and \$ -0- capitalized interest costs, net of interest earnings of \$197,891 and \$ -0- , associated with expansion and improvements made to utility plant for the fiscal years ended September 30, 2008 and 2007, respectively.

A summary of capital assets activity for the year ended September 30, 2008 is as follows:

	Beginning of Year	Acquisitions	Disposals	End of Year
Capital assets, not being depreciated:				
Land and land rights.....	\$ 3,271,679	--	--	3,271,679
Construction in progress .....	6,735,657	6,011,058	(7,588,545)	5,158,170
Plant held for future use .....	7,467,493	--	--	7,467,493
Nuclear fuel, net of amortization.....	<u>184,459</u>	<u>226,346</u>	<u>(127,334)</u>	<u>418,644</u>
Total capital assets, not being depreciated .....	<u>17,794,461</u>	<u>6,237,404</u>	<u>(7,715,879)</u>	<u>16,315,986</u>
Capital assets, being depreciated:				
Structures and improvements .....	28,101,417	4,090,358	(42,546)	32,149,229
Production and treatment plant .....	46,386,363	603,226	(46,119)	46,943,470
Transmission, distribution, and collection and treatment plant .....	125,471,544	5,402,474	(449,049)	130,424,969
Other general plant and equipment .....	<u>14,433,689</u>	<u>226,505</u>	<u>(1,033,867)</u>	<u>13,666,327</u>
	<u>214,393,013</u>	<u>10,362,563</u>	<u>(1,571,581)</u>	<u>223,183,995</u>
Less accumulated depreciation for:				
Structures and improvements .....	(10,798,911)	(1,690,676)	20,713	(12,468,874)
Production and treatment plant .....	(19,295,157)	(1,055,230)	46,119	(20,304,268)
Transmission, distribution, and collection and treatment plant .....	(49,213,347)	(2,398,562)	362,292	(51,249,617)
Other general plant and equipment .....	<u>(8,536,609)</u>	<u>(1,180,442)</u>	<u>1,027,420</u>	<u>(8,689,631)</u>
Total accumulated depreciation .....	<u>(87,844,024)</u>	<u>(6,324,910)</u>	<u>1,456,544</u>	<u>(92,712,390)</u>
Total capital assets, being depreciated, net .....	<u>126,548,989</u>	<u>4,037,653</u>	<u>(115,037)</u>	<u>130,471,605</u>
Total capital assets, net .....	<u>\$ 144,343,450</u>	<u>10,275,057</u>	<u>(7,830,916)</u>	<u>146,787,591</u>

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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**NOTE 6 – DECOMMISSIONING AND ASSET RETIREMENT OBLIGATION PROVISIONS**

Provisions for nuclear decommissioning costs associated with the Utilities Commission’s 0.5608% undivided participant interest with Progress Energy Florida, Inc. at its Crystal River Unit 3 (CR3) nuclear generation facility are approved by the Florida Public Service Commission. Progress Energy Florida, Inc.’s most recent site-specific estimates of decommissioning costs for the CR3 nuclear plant were developed in 2005, using 2005 cost factors, and are based on prompt dismantlement decommissioning, which reflects the cost of removal of all radioactive and other structures at the site, with such removal occurring shortly after operating license expiration. The Utilities Commission’s share of these estimated costs, in 2005 dollars was \$3.8 million and is subject to change based on a variety of factors including, but not limited to, cost escalation, changes in technology applicable to nuclear decommissioning and changes in federal, state or local regulations. It is anticipated that Progress Energy Florida, Inc. will be requesting a 20 year extension from the Nuclear Regulatory Commission to increase the useful life of the plant which will have the effect of postponing the decommissioning of the plant to 2036.

Based on the 2005 cost factors, the Utilities Commission’s capitalized asset retirement costs were \$752,650 and \$780,526, net of accumulated depreciation of \$2,997,241 and \$2,969,365, as of September 30, 2008 and 2007, respectively. Depreciation of the asset retirement costs is calculated using a straight-line method over the remaining license period. Annual depreciation expense related to the asset retirement costs is \$27,876, which is included in total depreciation expense. A corresponding asset retirement obligation related to the legal requirement of decommissioning the Utilities Commission’s interest in the Crystal River Unit 3 nuclear generation facility amounted to \$4,245,182 and \$4,107,151, as of September 30, 2008 and 2007, respectively. The accretion period for this obligation is consistent with the plant’s license period. Accretion expense was \$138,031 and \$180,465 for 2008 and 2007, respectively.

The Utilities Commission maintains a separate restricted cash account for accumulating funds to pay the asset retirement obligation at the time of the plant’s license expiration. Based on the most recent available information on the funding progress provided by Progress Energy Florida, Inc., the Utilities Commission’s balance of funds held in the CR3 Decommissioning Fund exceeded the estimated level of funding needed as of December 31, 2007. Management believes that the plant decommissioning costs being recovered through the Utilities Commission’s present electric utility rate structure are currently sufficient to provide for the future payments to liquidate the asset retirement obligation.

**NOTE 7 – NET ASSETS**

Net assets represent the difference between assets and liabilities. The following is a summary of the individual components of the Utilities Commission’s net assets at September 30, 2008 and 2007:

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	September 30,	
	2008	2007
Invested in utility plant, net of related debt:		
Net utility plant.....	\$ 146,787,591	144,343,450
Add: Unamortized debt expense.....	283,436	315,626
Less: Revenue certificates payable (net), excluding unspent proceeds of \$6,444,971, 2008 and \$ -0 -, 2007.....	(34,436,706)	(34,320,704)
Notes payable (net) .....	<u>(28,331,761)</u>	<u>(30,209,338)</u>
	<u>84,302,560</u>	<u>80,129,034</u>

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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	September 30,	
	2008	2007
Restricted for debt service:		
Funds restricted for debt service sinking fund purposes .....	6,033,680	5,716,175
Funds restricted for debt service reserve purposes.....	<u>539,839</u>	<u>539,839</u>
	<u>6,573,519</u>	<u>6,256,014</u>
Restricted for renewal and replacement:		
Funds legally restricted for renewal and replacement.....	<u>5,296,849</u>	<u>3,315,754</u>
Total net assets invested and restricted .....	96,172,928	89,700,802
Unrestricted net assets .....	<u>9,385,525</u>	<u>9,792,637</u>
Total net assets.....	<u>\$ 105,558,453</u>	<u>99,493,439</u>

Pursuant to Resolution No. 28-78, Section 16 D (8), as amended, the Commission established a Renewal and Replacement Fund that requires mandatory monthly contributions of not less than 8% of the gross revenues derived from sale of services from the combined utility system for the second preceding years, after deducting from the gross revenues a sum equal to 100% of the fuel and purchased power expenses incurred by the Electric system in the second preceding fiscal year. The moneys in the Renewal and Replacement Fund can be used to pay the cost of extensions or improvements to the combined utility system, emergency repairs to the combined system, and if necessary, for operating expenses. If not needed for these purposes, the moneys in the Renewal and Replacement Fund may also be used for any lawful purpose.

The principles under GASB Statement No. 34, as amended, are followed by the Commission in accounting for restricted net assets. Based on this criteria restricted net assets of the Commission are those net assets where limitations on the use of such assets are externally imposed, for example, by creditors (bond covenants), contributors (developer agreements), or the laws and regulations of other governments. Because the Renewal and Replacement Fund can be used for operating expenses and for any lawful purpose, as deemed necessary by the Commission, it is excluded from the determination of restricted net assets as reported above.

The Renewal and Replacement Fund is distinguished from the Restricted Renewal and Replacement Fund, which is a separately established fund to invest service capacity fees received from customers that are legally restricted for extensions of water, wastewater and reclaimed water utility plant assets.

A restricted Developer Infrastructure Fund has been separately established to invest infrastructure fees received from developers that are legally restricted pursuant to the developer agreements for expansion of electric, water, wastewater and reclaimed water utility plant assets.

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

**NOTE 8 – LONG-TERM DEBT**

A summary of long-term debt outstanding at September 30, 2008 and 2007 is as follows:

	September 30, 2008	2007
Utilities System Refunding Revenue Certificates, Series 1993 4.75% due serially to 2011; called for redemption on October 1, 2002, with \$1,245,000 (5.00%) and \$1,285,000 (5.00%) term bonds due in 2018 and 2019, respectively .....	\$ 2,530,000	2,530,000
Utilities System Refunding Revenue Certificates, Series 2002 2.75% to 5.00% due serially to 2017.....	27,590,000	30,600,000
Utilities System Refunding Revenue Certificates, Series 2004A 2.895% due serially to 2011 .....	1,165,000	1,765,000
Utilities System Refunding Revenue Certificates, Series 2007 3.93% due serially to 2027 .....	<u>10,000,000</u>	<u>---</u>
Total utilities revenue certificates outstanding.....	<u>41,285,000</u>	<u>34,895,000</u>
Less current maturities:		
Series 1993 Certificates.....	--	--
Series 2002 Certificates.....	(3,095,000)	(3,010,000)
Series 2004A Certificates.....	(305,000)	(300,000)
Series 2007 Certificates.....	<u>--</u>	<u>--</u>
	<u>(3,400,000)</u>	<u>(3,310,000)</u>
Long-term certificate debt.....	37,885,000	31,585,000
Plus: unamortized debt premium.....	206,282	295,367
Less: deferred amount on advance refunding.....	(563,894)	(819,602)
unamortized debt discount .....	<u>(45,711)</u>	<u>(50,061)</u>
Net long-term certificate debt .....	<u>37,481,677</u>	<u>31,010,704</u>
Notes Payable:		
State Revolving Fund Loan		
Construction loans consisting of \$5,773,821, bearing interest at 3.22% per annum, \$1,203,532, bearing interest at 3.18% per annum, and \$4,819,407 bearing interest at 3.11% per annum; payable in equal semi-annual payments of \$639,359, and maturing in August, 2019.....	11,796,761	12,680,339

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
September 30, 2008 and 2007  
**UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA**  
New Smyrna Beach, Florida

	September 30,	
	2008	2007
\$12,200,000 payable to Florida Municipal Power Agency, as agent for Initial Pooled Loan Project, at a variable interest rate; interest payable monthly with annual principal payments over 20 year term; repayment commencing on April 1, 2001 and maturing in April 2020 .....	\$ 8,705,000	9,215,000
\$3,000,000 payable to Florida Municipal Power Agency, as agent for Initial Pooled Loan Project, at a variable interest rate; interest payable monthly with annual principal payments over 20 year term; repayment commencing on October 1, 2001 and maturing in October 2020.....	2,177,000	2,301,000
\$9,050,000 payable to Florida Municipal Power Agency, as agent for Initial Pooled Loan Project, at a variable interest rate; interest payable monthly with annual principal payments over 20 year term; repayment commencing on December 1, 2001 and maturing in December 2020 .....	<u>5,653,000</u>	<u>6,013,000</u>
Total notes payable .....	<u>28,331,761</u>	<u>30,209,339</u>
Less current maturities:		
State Revolving Fund Loan.....	(911,816)	(883,578)
FMPA Pooled loans .....	<u>(1,041,000)</u>	<u>(994,000)</u>
	<u>(1,952,816)</u>	<u>(1,877,578)</u>
Long-term portion of note payable .....	<u>26,378,945</u>	<u>28,331,761</u>
Total long-term debt, net.....	<u>\$ 63,860,622</u>	<u>59,342,465</u>

A summary of borrowings and debt service activity for the year ended September 30, 2008 is as follows:

	Beginning of Year	Borrowings	Maturities / Redemptions	End of Year
Utilities revenue certificates .....	\$ 34,895,000	10,000,000	(3,610,000)	41,285,000
Notes payable .....	<u>30,209,339</u>	--	<u>(1,877,578)</u>	<u>28,331,761</u>
Total outstanding debt .....	<u>\$ 65,104,339</u>	<u>10,000,000</u>	<u>(5,487,578)</u>	<u>69,616,761</u>

The authorization for the above described revenue certificates outstanding (collectively referred to as the "Certificates") provides that the Utilities Commission will not issue additional obligations except for the construction and acquisition of additions, extensions and improvements to the system or for refunding



**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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purposes and except upon the parity conditions provided in the authorizing resolution. The Certificates are payable from and secured by a first lien upon and pledge of the net revenues derived from the operation of the system. The Certificates do not constitute general indebtedness of the Utilities Commission or the City of New Smyrna Beach, Florida (the "City"), and the City is not obligated to levy any taxes for the payment thereof.

Under the terms of its long-term debt agreements, the Utilities Commission has agreed to maintain certain restricted funds and to comply with the covenants contained in such agreements, which require specific actions to be taken by the Utilities Commission. Certain of these agreements contain the following provision relating to the right of the obligation holder:

"Any holder of certificates or any coupons appertaining thereto issued under the provision hereof or any trustee acting for the holders of such certificates may by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under the laws of the State of Florida, or granted and contained herein, and may enforce and compel the performance of all duties herein required or by any applicable statutes to be performed by the Commission or by any officer thereof. Nothing herein, however, shall be construed to grant to any holder of the certificates any lien on any real property of the Commission or the City."

The notes payable to the State of Florida, Department of Environmental Protection and State Revolving Fund Loan are secured by pledged revenues of the Utilities Commission; however, the lien on the pledged revenues is subordinate to the right of payment and security to the Revenue Certificates Payable - Series 1993, 2002, 2004A, and 2007. The notes payable to the Florida Municipal Power Agency are secured by a pledge and lien upon the Utilities Commission's utility system revenues and are subordinate to the right of payment and security to the Revenue Certificates and are on parity with the State Revolving Fund Loan.

Aggregate annual long-term debt service requirements for each of the next five years and five year increments thereafter are as follows:

Fiscal Year Ending September 30,	Revenue Certificates		Note Payable SRF Loan		Notes Payable FMPA		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009.....	\$ 3,400,000	1,672,367	1,041,000	338,246	994,000	675,318	5,352,816	2,377,516
2010.....	\$ 3,820,000	1,572,077	1,103,000	315,417	1,041,000	630,385	5,863,956	2,225,256
2011.....	\$ 3,745,000	1,439,312	1,156,000	291,416	1,103,000	583,128	5,872,031	2,038,415
2012.....	\$ 3,970,000	1,271,742	1,215,000	266,236	1,156,000	533,582	6,187,065	1,814,631
2013.....	\$ 4,300,000	1,063,992	1,284,000	239,666	1,215,000	481,320	6,618,093	1,548,284
2014-2018.....	\$ 11,365,000	3,233,892	7,561,000	745,555	7,169,000	1,710,345	24,613,865	4,685,174
2019-2023.....	\$ 6,165,000	1,385,196	3,175,000	62,508	4,851,000	326,025	10,588,935	1,477,486
2019-2023.....	\$ 4,520,000	459,810	--	--	--	--	4,520,000	459,810

**NOTE 9 – PRIOR YEARS' DEFEASANCE OF DEBT**

In prior years, the Utilities Commission defeased certain of its outstanding utilities revenue certificates (and certain general obligation bonds of the City of New Smyrna Beach, Florida), originally issued for the System and payable from revenues derived from the operation of the utilities systems by placing the proceeds of new certificates in irrevocable trusts to provide for all future debt service payments on the defeased

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

certificates/bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the accompanying financial statements. As of September 30, 2008 all prior year defeased bonds have been called and redeemed.

**NOTE 10 – COMPENSATED ABSENCES**

Compensated absences due and payable within one-year are reported in the caption accrued liabilities amounted to \$458,462 and \$457,680 as of September 30, 2008 and 2007, respectively. The balances of compensated absences due beyond one year are estimated to be equal to the current amounts due and are reported separately on the balance sheet. The changes in compensated absences for the year ended September 30, 2008 are as follows:

	Beginning of Year	Additions	Deletions	End of Year
Due and payable within one year .....	\$ 457,680	65,887	(65,105)	458,462
Deferred portion .....	<u>457,680</u>	<u>65,887</u>	<u>(65,105)</u>	<u>458,462</u>
Total compensated absences.....	<u>\$ 915,360</u>	<u>131,774</u>	<u>(130,210)</u>	<u>916,924</u>

**NOTE 11 – REQUIRED PAYMENT TO CITY**

The legislation that created the Utilities Commission requires it to pay to the general fund of the City of New Smyrna Beach a sum equal to six percent (6%) of the gross revenues from utilities under Utilities Commission control. This payment is subordinate to the debt service requirement of all utilities revenue certificates and is recorded as a quasi-external transaction for financial reporting purposes. Amounts paid to the City for the years ended September 30, 2008 and 2007 totaled \$3,612,294 and \$3,670,560, respectively. The balances payable to the City at September 30, 2008 and 2007, totaled \$337,961 and \$395,008, respectively.

**NOTE 12 – EMPLOYEE PENSION PLANS**

**A. Defined Benefit Pension Plan**

*Plan Description.* The Utilities Commission contributes to the Florida (public employee) Retirement System of the State of Florida (the “FRS”), a cost-sharing, multiple-employer defined benefit pension plan created in December, 1970, that acts as a common investment and administrative agent for municipalities and other qualifying political subdivisions in the State of Florida. The pension plan, which is administered by the State of Florida, Department of Administration, Division of Retirement, provides retirement and disability benefits and death benefits to plan members and beneficiaries. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The FRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Florida Retirement System, Department of Administration, Division of Retirement, Cedars Executive Center, Building C, 2639 North Monroe Street, Tallahassee, FL 32399-1560.

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

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UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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*Funding Policy.* The funding methods and determination of benefits payable are provided in the various acts of the Florida Legislature, which created the fund, including subsequent amendments thereto. In previous years, these acts provided, in general, that funds were to be accumulated from employee contributions, employer contributions, State appropriations and income from investments of accumulated funds. The act also provides that, should the accumulated funds in the fund at any time be insufficient to meet and pay the benefits due, the employer shall supplement the funds by an appropriation from current funds, or from any revenues which may lawfully be used for said purposes, in an amount sufficient to make up the deficiency.

The Utilities Commission made the required contributions to the plan for the fiscal years ended September 30, 2008, 2007, and 2006, as follows: \$359,607, \$345,008, and \$326,802, respectively. The employer contribution rates for FRS members (which are examined and amended each year on July 1<sup>st</sup>) were as follows:

Plan year beginning June 30, 2007 .....	9.85%
Plan year beginning June 30, 2006 .....	9.85%
Plan year beginning June 30, 2005 .....	9.85%

There were no employee contributions made during these years.

**B. Defined Contribution Plan**

The Utilities Commission contributes to the Utilities Commission of New Smyrna Beach Retirement Plan, a defined contribution plan administered by the Principal Mutual Life Insurance Company, P. O. Box 9396, Des Moines, IA 50306-9396. Under Resolution No. 54-95, the Utilities Commission established this plan for all regular full time and regular part time employees hired on or after January 1, 1996, by revoking its participation in the Florida Retirement System pursuant to Chapter 95-338, Laws of Florida with respect to such employees. All qualifying employees at least 18 years of age participate in the plan on the date of employment. Normal retirement and disability benefits are available after 5 years of service and attaining age 62. Early retirement and disability benefits are available after 5 years of service and attaining age 55. Employer contributions to the plan are 8% of the gross employee wages. Employees may make supplemental contributions to the extent permitted by law. Employer contributions to the plan were \$351,912, \$341,195, and \$337,595, for the years ended September 30, 2008, 2007, and 2006, respectively. There were no employee contributions made during these years.

Pursuant to a contract of employment the Utilities Commission offers its current General Manager/Chief Executive Officer participation in the Utilities Commission of New Smyrna Beach Retirement Plan, the same defined contribution plan administered by the Principal Mutual Life Insurance Company. Employer contributions to the plan are 16% of the CEO's gross salary. The CEO may make supplemental contributions to plan to the extent permitted by law. Employer contributions to the plan for the year ended September 30, 2008 were \$26,163. There were no employee contributions made during the year.

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

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UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

**NOTE 13 – DEFERRED EMPLOYEE BENEFITS****A. IRC Section 457 Plan**

The Utilities Commission also provides its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of this plan are administered by the International City Managers Association Retirement Corporation. Annual contributions, determined by the participant, may not exceed the lesser of \$15,500 or 100% of gross annual compensation for plan years beginning in 2008. Deferred compensation withheld from a participating employee's pay is not taxable as current income until withdrawn from the plan. Such compensation is not available to the employees until employment termination, retirement, or death. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

**NOTE 14 – DEPARTMENTAL INFORMATION**

The information below discloses certain financial activity for the Utilities Commission's individual utility systems as follows:

	Electric System	Water System	Wastewater System	Internet System	Communications System	Total
Operating revenue.....	\$ 48,645,746	6,672,764	7,416,379	187,311	--	62,922,200
Depreciation.....	3,015,390	1,216,233	1,872,464	--	220,823	6,324,910
Required payments to City.....	2,763,854	395,640	441,572	11,228	--	3,612,294
Operating income (loss).....	2,979,517	404,879	945,155	(187,868)	(220,823)	3,920,860
Income (loss) before contributions.....	2,199,521	85,636	305,319	(187,868)	(184,761)	2,217,847
Capital contributions.....	531,920	1,552,133	1,763,114	--	--	3,847,167
Change in net assets.....	2,731,441	1,637,769	2,068,433	(187,868)	(184,761)	6,065,014
Utility plant acquisitions.....	5,675,503	2,314,782	2,372,281	--	--	10,362,566
Utility plant retirements.....	929,878	336,802	304,901	--	--	1,571,581
Revenue certificates payable.....	15,576,693	18,867,247	6,841,060	--	--	41,285,000
Notes payable.....	14,358,000	957,880	13,015,881	--	--	28,331,761
Net assets.....	43,745,360	35,198,596	36,963,033	(241,041)	(10,107,495)	105,558,453
Total assets.....	84,900,408	50,423,140	57,611,884	--	2,122,504	195,057,937

**NOTE 15 – LEGAL MATTERS**

The Utilities Commission is engaged in routine litigation incidental to the conduct of its utilities affairs. In the opinion of its legal counsel, no legal proceedings are pending or threatened against the Utilities Commission which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

**NOTE 16 – COMMITMENTS**

The Utilities Commission, acting through the Florida Municipal Power Agency (FMPA), is a participant in a portion of Florida Power and Light Company's (FPL) St. Lucie Unit No. 2, a nuclear generating unit. FMPA originally acquired an 8.806% undivided ownership interest of St. Lucie No. 2 together with rights to receive electric capacity and electric energy under a reliability exchange agreement. The Utilities Commission's participation provides for a 9.884% entitlement share of FMPA's ownership interest.

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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A reliability exchange agreement provides for FMPA exchanging 50% of its share of the output from St. Lucie No. 2 for a like amount from FPL's exclusively owned St. Lucie No. 1 to mitigate the potential for economic loss resulting from the extended or permanent outage or early retirement of St. Lucie No. 2. The Utilities Commission, as a participant, has also entered into a power sales contract which requires payment on a "take-and-pay" basis for its entitlement share of the project capability for the St. Lucie Project for each month during any portion of which electric capacity and electric energy are available to the Utilities Commission from the St. Lucie Project, including electric capacity and electric energy under the reliability exchange agreement with FPL. In the event payment is not required for any month under the power sales contract, the Utilities Commission is required to make payment for such month under its project support contract on a "take-or-pay" basis. The payment under the project support contract would be the amount the Utilities Commission would have been required to pay under its power sales contract for such month if any electric capacity and electric energy from the St. Lucie Project had been made available to them. As a result of these agreements, the Utilities Commission is obligated to provide payments of approximately \$3.3 million annually.

As of September 30, 2008, the Utilities Commission had additional unrecognized construction contract commitments of approximately \$13.8 million for utility plant expansion and upgrading.

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



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## ***SUPPLEMENTAL INFORMATION***

*THIS SECTION IS COMPOSED OF THE FOLLOWING:*

***SUPPLEMENTAL DETAIL FINANCIAL INFORMATION OF THE:***

***ELECTRIC SYSTEM,  
WATER SYSTEM,  
WASTEWATER SYSTEM,  
INTERNET SYSTEM, AND  
COMMUNICATIONS SYSTEM***

***STATISTICAL SECTION***

*THESE SCHEDULES PROVIDE A MORE DETAILED VIEW OF THE "BASIC FINANCIAL STATEMENTS" PRESENTED IN THE PRECEDING SUBSECTION.*

***RESOLUTION NUMBERS 16-75 AND 28-78, AS AMENDED, ESTABLISHED THE ELECTRIC, WATER, POLLUTION CONTROL, AND WATER REUSE SYSTEMS AS A SINGLE ENTERPRISE FUND. THESE SCHEDULES ARE PRESENTED TO PROVIDE DETAILED INFORMATION ON THE INDIVIDUAL UTILITY SYSTEMS AND TO PRESENT THE BUDGETARY COMPARISONS THAT ARE NOT NECESSARY FOR A FAIR PRESENTATION IN CONFORMITY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.***

**SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - BY UTILITY SYSTEM**

For the Fiscal Year Ended September 30, 2008

With Comparative Actual Amounts for the Fiscal Year Ended September 30, 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Electric	Water
Operating Revenue:		
Sales.....	\$ 48,241,274	6,459,294
Other revenues.....	<u>404,472</u>	<u>213,470</u>
Total operating revenue.....	<u>48,645,746</u>	<u>6,672,764</u>
Operating Expenses:		
Purchased power and fuel expenses.....	28,018,777	-
Other production expenses.....	4,682,655	1,750,594
Transmission, distribution, and sewage collection and treatment.....	2,884,549	1,006,435
Customer accounting.....	812,724	238,670
Administrative and general.....	3,488,280	1,660,313
Required payments to City of New Smyrna Beach.....	2,763,854	395,640
Depreciation.....	<u>3,015,390</u>	<u>1,216,233</u>
Total operating expenses.....	<u>45,666,229</u>	<u>6,267,885</u>
Operating income.....	<u>2,979,517</u>	<u>404,879</u>
Nonoperating Revenue (Expenses):		
Interest earnings.....	392,960	127,001
Other income.....	352,696	76,112
Interest and debt expense.....	(1,360,171)	(479,958)
Other expenses.....	(72,092)	(36,227)
Gain (loss) on disposal of assets.....	<u>(93,389)</u>	<u>(6,171)</u>
Total nonoperating revenue (expenses).....	<u>(779,996)</u>	<u>(319,243)</u>
Income (loss) before contributions.....	2,199,521	85,636
Capital contributions.....	<u>531,920</u>	<u>1,552,133</u>
Change in net assets.....	2,731,441	1,637,769
Net assets, beginning of year.....	<u>41,013,919</u>	<u>33,560,827</u>
Net assets, end of year.....	<u>\$ 43,745,360</u>	<u>35,198,596</u>



**Schedule 1**

Wastewater	Internet	Communications	Totals	
			2008	2007
7,409,412	187,311	-	62,297,291	58,882,023
<u>6,967</u>	<u>-</u>	<u>-</u>	<u>624,909</u>	<u>594,119</u>
<u>7,416,379</u>	<u>187,311</u>	<u>-</u>	<u>62,922,200</u>	<u>59,476,142</u>
-	-	-	28,018,777	24,043,491
-	360	-	6,433,609	6,278,690
2,608,617	-	-	6,499,601	5,766,272
35,053	-	-	1,086,447	1,057,779
1,513,518	363,591	-	7,025,702	6,795,197
441,572	11,228	-	3,612,294	3,670,560
<u>1,872,464</u>	<u>-</u>	<u>220,823</u>	<u>6,324,910</u>	<u>6,065,225</u>
<u>6,471,224</u>	<u>375,179</u>	<u>220,823</u>	<u>59,001,340</u>	<u>53,677,214</u>
<u>945,155</u>	<u>(187,868)</u>	<u>(220,823)</u>	<u>3,920,860</u>	<u>5,798,928</u>
107,107	-	-	627,068	958,771
79,316	-	36,062	544,186	792,294
(794,919)	-	-	(2,635,048)	(3,119,606)
(15,863)	-	-	(124,182)	(191,580)
<u>(15,477)</u>	<u>-</u>	<u>-</u>	<u>(115,037)</u>	<u>(115,502)</u>
<u>(639,836)</u>	<u>-</u>	<u>36,062</u>	<u>(1,703,013)</u>	<u>(1,675,623)</u>
305,319	(187,868)	(184,761)	2,217,847	4,123,305
<u>1,763,114</u>	<u>-</u>	<u>-</u>	<u>3,847,167</u>	<u>12,037,997</u>
2,068,433	(187,868)	(184,761)	6,065,014	16,161,302
<u>34,894,600</u>	<u>(53,173)</u>	<u>(9,922,734)</u>	<u>99,493,439</u>	<u>83,332,137</u>
<u>36,963,033</u>	<u>(241,041)</u>	<u>(10,107,495)</u>	<u>105,558,453</u>	<u>99,493,439</u>

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS -  
BUDGET AND ACTUAL - ELECTRIC SYSTEM (NON-GAAP BUDGETARY BASIS)**

**Schedule 2**

For the Fiscal Year Ended September 30, 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Final Budget	Actual	Variance
<b>Revenue and Receipts:</b>			
Direct Sales:			
Electric sales.....	\$ 48,986,383	48,241,274	(745,109)
Other revenues.....	300,038	404,472	104,434
Nonoperating revenue (expenses):			
Interest earnings.....	402,300	392,960	(9,340)
Other revenues (expenses).....	456,900	280,604	(176,296)
Capital contributions.....	<u>343,244</u>	<u>531,920</u>	<u>188,676</u>
	<u>50,488,865</u>	<u>49,851,230</u>	<u>(637,635)</u>
<b>Operating Expenses:</b>			
Purchased power and fuel expenses.....	23,946,318	28,018,777	(4,072,459)
Power production.....	4,941,539	4,682,655	258,884
Transmission and distribution.....	3,148,087	2,884,549	263,538
Customer accounting.....	849,005	812,724	36,281
Administrative and general.....	4,552,537	3,488,280	1,064,257
Required payments to the City of New Smyrna Beach.....	2,955,775	2,763,854	191,921
Decommissioning expense.....	<u>129,046</u>	<u>-</u>	<u>129,046</u>
	<u>40,522,307</u>	<u>42,650,839</u>	<u>(2,128,532)</u>
Net revenue and receipts.....	<u>9,966,558</u>	<u>7,200,391</u>	<u>(2,766,167)</u>
<b>Operating Transfers In (Out):</b>			
Bond/loan proceeds.....	3,660,000	-	(3,660,000)
Sinking Fund - 1993 Certificates.....	(70,727)	(67,412)	3,315
Sinking Fund - 2002 Certificates.....	(2,211,039)	(2,121,856)	89,183
Sinking Fund - 2004A Certificates.....	(320,803)	(307,606)	13,197
Debt Reduction Fund - required contribution.....	(125,241)	(125,241)	-
Sinking Fund - FMPA Pooled Loans.....	(1,611,175)	(1,331,994)	279,181
CR3 Decommissioning Fund.....	-	(108,700)	(108,700)
Renewal and Replacement Funds.....	<u>(9,287,573)</u>	<u>(2,672,869)</u>	<u>6,614,704</u>
	<u>(9,966,558)</u>	<u>(6,735,678)</u>	<u>3,230,880</u>
Budgeted net cash receipts.....	<u>\$ -</u>	<u>464,713</u>	<u>464,713</u>
<b>Reconciliation of Net Cash Receipts to Net Income (GAAP):</b>			
Principal portion of required Sinking Fund transfers.....		2,713,533	
Net transfers to Renewal and Replacement Fund.....		2,672,869	
Net transfers to Debt Reduction Fund.....		125,241	
Net transfers to CR3 Decommissioning Fund.....		108,700	
Gain (loss) on disposal of property and equipment.....		(93,389)	
Depreciation.....		(3,015,390)	
Accretion.....		(138,031)	
Amortization of debt expense and loss on refunding.....		<u>(106,805)</u>	
Change in net assets.....		<u>\$ 2,731,441</u>	

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS -  
BUDGET AND ACTUAL - WATER SYSTEM (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended September 30, 2008  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

**Schedule 3**

	Final Budget	Actual	Variance
<b>Revenue and Receipts:</b>			
Direct Sales:			
Water sales.....	\$ 7,136,162	6,459,294	(676,868)
Other revenues.....	229,788	213,470	(16,318)
Nonoperating revenue (expenses):			
Interest earnings.....	186,894	127,001	(59,893)
Other revenues (expenses).....	137,000	39,885	(97,115)
Capital contributions.....	<u>772,800</u>	<u>1,552,133</u>	<u>779,333</u>
	<u>8,462,644</u>	<u>8,391,783</u>	<u>(70,861)</u>
<b>Operating Expenses:</b>			
Water production.....	1,893,815	1,750,594	143,221
Transmission and distribution.....	888,279	1,006,435	(118,156)
Customer accounting.....	260,362	238,670	21,692
Administrative and general.....	2,358,873	1,660,313	698,560
Required payments to the City of New Smyrna Beach.....	<u>438,513</u>	<u>395,640</u>	<u>42,873</u>
	<u>5,839,842</u>	<u>5,051,652</u>	<u>788,190</u>
Net revenue and receipts.....	<u>2,622,802</u>	<u>3,340,131</u>	<u>717,329</u>
<b>Operating Transfers In (Out):</b>			
Bond/loan proceeds.....	2,000,000	10,000,000	8,000,000
Sinking Fund - 1993 Certificates.....	(45,736)	(43,592)	2,144
Sinking Fund - 2002 Certificates.....	(1,231,527)	(1,181,853)	49,674
Sinking Fund - 2004A Certificates.....	(219,533)	(210,501)	9,032
Debt Reduction Fund - required contribution.....	(69,758)	(69,758)	-
Sinking Fund - FMPA Pooled Loans.....	(100,120)	(84,539)	15,581
Series 2007 Certificates Project Account.....	(2,000,000)	(10,000,000)	(8,000,000)
Renewal and Replacement Funds - required contribution....	(183,328)	(1,413,303)	(1,229,975)
Renewal and Replacement Funds - restricted contribution...	<u>(772,800)</u>	<u>(310,487)</u>	<u>462,313</u>
	<u>(2,622,802)</u>	<u>(3,314,033)</u>	<u>(691,231)</u>
Budgeted net cash receipts.....	<u>\$ -</u>	<u>26,098</u>	<u>26,098</u>
<b>Reconciliation of Net Cash Receipts to Net Income (GAAP):</b>			
Principal portion of required Sinking Fund transfers.....		1,103,670	
Net transfers to Renewal and Replacement Fund.....		1,723,790	
Net transfers to Debt Reduction Fund.....		69,758	
Gain (loss) on disposal of property and equipment.....		(6,171)	
Depreciation.....		(1,216,233)	
Amortization of debt expense and loss on refunding.....		<u>(63,143)</u>	
Change in net assets.....		<u>\$ 1,637,769</u>	

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS -  
BUDGET AND ACTUAL - WASTEWATER SYSTEM (NON-GAAP BUDGETARY BASIS)**

**Schedule 4**

For the Fiscal Year Ended September 30, 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Final Budget	Actual	Variance
<b>Revenue and Receipts:</b>			
Direct Sales:			
Wastewater sales.....	\$ 6,839,104	7,409,412	570,308
Other revenues.....	59,974	6,967	(53,007)
Nonoperating revenue (expenses):			
Interest earnings.....	147,597	107,107	(40,490)
Other revenues (expenses).....	44,700	63,453	18,753
Capital contributions.....	<u>587,600</u>	<u>1,763,114</u>	<u>1,175,514</u>
	<u>7,678,975</u>	<u>9,350,053</u>	<u>1,671,078</u>
<b>Operating Expenses:</b>			
Collection and treatment system.....	2,454,541	2,608,617	(154,076)
Customer accounting.....	22,640	35,053	(12,413)
Administrative and general.....	1,508,978	1,513,518	(4,540)
Required payments to the City of New Smyrna Beach.....	<u>410,537</u>	<u>441,572</u>	<u>(31,035)</u>
	<u>4,396,696</u>	<u>4,598,760</u>	<u>(202,064)</u>
Net revenue and receipts.....	<u>3,282,279</u>	<u>4,751,293</u>	<u>1,469,014</u>
<b>Operating Transfers In (Out):</b>			
Bond/loan proceeds.....	2,930,000	-	(2,930,000)
Sinking Fund - 1993 Certificates.....	(16,258)	(15,496)	762
Sinking Fund - 2002 Certificates.....	(1,017,872)	(976,815)	41,057
Sinking Fund - 2004A Certificates.....	(136,607)	(130,987)	5,620
Debt Reduction Fund - required contribution.....	(57,656)	(57,656)	-
Sinking Fund - FMPA Pooled Loans.....	(127,425)	(107,595)	19,830
Sinking Fund - State Revolving Fund Loan.....	(1,300,022)	(1,279,857)	20,165
Renewal and Replacement Funds - required contribution....	(2,968,839)	(1,823,458)	1,145,381
Renewal and Replacement Funds - restricted contribution...	<u>(587,600)</u>	<u>(370,136)</u>	<u>217,464</u>
	<u>(3,282,279)</u>	<u>(4,762,000)</u>	<u>(1,479,721)</u>
Budgeted net cash receipts.....	<u>\$ -</u>	<u>(10,707)</u>	<u>(10,707)</u>
<b>Reconciliation of Net Cash Receipts to Net Income (GAAP):</b>			
Principal portion of required Sinking Fund transfers.....		1,785,046	
Net transfers to Renewal and Replacement Fund.....		2,193,594	
Net transfers to Debt Reduction Fund.....		57,656	
Gain (loss) on disposal of property and equipment.....		(15,477)	
Depreciation.....		(1,872,464)	
Amortization of debt expense and loss on refunding.....		<u>(69,215)</u>	
Change in net assets.....		<u>\$ 2,068,433</u>	

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS -  
 BUDGET AND ACTUAL - INTERNET SYSTEM (NON-GAAP BUDGETARY BASIS)**  
 For the Fiscal Year Ended September 30, 2008  
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
 New Smyrna Beach, Florida

**Schedule 5**

	Final Budget	Actual	Variance
<b>Revenue and Receipts:</b>			
Direct Sales:			
Internet sales.....	\$ 322,507	187,311	(135,196)
Nonoperating revenue (expenses):			
Other revenues (expenses).....	<u>-</u>	<u>-</u>	<u>-</u>
	<u>322,507</u>	<u>187,311</u>	<u>(135,196)</u>
<b>Operating Expenses:</b>			
Other production.....	-	360	(360)
Administrative and general.....	303,157	363,591	(60,434)
Required payments to the City of New Smyrna Beach.....	<u>19,350</u>	<u>11,228</u>	<u>8,122</u>
	<u>322,507</u>	<u>375,179</u>	<u>(52,672)</u>
Budgeted net cash receipts.....	<u>\$ -</u>	(187,868)	<u>(187,868)</u>
<b>Reconciliation of Net Cash Receipts to Net Income (GAAP):</b>			
Depreciation.....		<u>-</u>	
Change in net assets.....		<u>\$ (187,868)</u>	

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS - Schedule 6**  
**BUDGET AND ACTUAL - COMMUNICATIONS SYSTEM (NON-GAAP BUDGETARY BASIS)**  
 For the Fiscal Year Ended September 30, 2008  
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
 New Smyrna Beach, Florida

	Final Budget	Actual	Variance
<b>Revenue and Receipts:</b>			
Nonoperating revenue (expenses):			
Other revenues (expenses).....	\$ -	36,062	36,062
<b>Operating Expenses:</b>			
Administrative and general.....	-	-	-
Required payments to the City of New Smyrna Beach.....	-	-	-
	-	-	-
Budgeted net cash receipts.....	<u>\$ -</u>	36,062	<u>36,062</u>
<b>Reconciliation of Net Cash Receipts to Net Income (GAAP):</b>			
Depreciation.....		<u>(220,823)</u>	
Change in net assets.....		<u>\$ (184,761)</u>	

**SCHEDULE OF OPERATING EXPENSES-  
ELECTRIC SYSTEM**

**Schedule 7**

For the Fiscal Years Ended September 30, 2008 and 2007  
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
 New Smyrna Beach, Florida

	2008	2007
Operating Expenses:		
Purchased power and fuel:		
Nuclear fuel .....	\$ 1,239,905	719,942
Diesel fuel .....	49,075	27,762
Purchased power .....	<u>26,729,797</u>	<u>23,295,787</u>
	<u>28,018,777</u>	<u>24,043,491</u>
Power production:		
Nuclear power generation .....	3,767,226	3,575,884
Diesel power generation .....	254,085	278,746
System control and load dispatching .....	<u>661,344</u>	<u>589,185</u>
	<u>4,682,655</u>	<u>4,443,815</u>
Transmission and distribution .....	2,884,549	2,435,207
Customer accounting .....	812,724	573,135
Administrative and general .....	3,488,280	3,462,470
Required payments to the City of New Smyrna Beach .....	2,763,854	2,802,272
Depreciation.....	<u>3,015,390</u>	<u>2,955,529</u>
Total operating expenses .....	<u>\$ 45,666,229</u>	<u>40,715,919</u>

**SCHEDULE OF OPERATING EXPENSES-  
WATER SYSTEM**

**Schedule 8**

For the Fiscal Years Ended September 30, 2008 and 2007  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2008	2007
Operating Expenses:		
Water production:		
Source of supply.....	\$ 549,877	668,767
Water treatment.....	<u>1,200,717</u>	<u>1,166,108</u>
	<u>1,750,594</u>	<u>1,834,875</u>
Transmission and distribution.....	1,006,435	894,258
Customer accounting.....	238,670	253,160
Administrative and general.....	1,660,313	1,583,853
Required payments to the City of New Smyrna Beach.....	395,640	406,428
Depreciation.....	<u>1,216,233</u>	<u>1,159,578</u>
Total operating expenses.....	<u>\$ 6,267,885</u>	<u>6,132,152</u>



**SCHEDULE OF OPERATING EXPENSES-  
WASTEWATER SYSTEM**

**Schedule 9**

For the Fiscal Years Ended September 30, 2008 and 2007  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2008	2007
Operating Expenses:		
Collection and treatment system:		
Collection expenses.....	\$ 386,787	382,211
Pumping expenses.....	488,647	348,588
Treatment and disposal.....	<u>1,733,183</u>	<u>1,706,008</u>
	<u>2,608,617</u>	<u>2,436,807</u>
Customer accounting.....	35,053	231,484
Administrative and general.....	1,513,518	1,436,064
Required payments to the City of New Smyrna Beach.....	441,572	445,750
Depreciation.....	<u>1,872,464</u>	<u>1,729,295</u>
Total operating expenses.....	<u>\$ 6,471,224</u>	<u>6,279,400</u>

**SCHEDULE OF OPERATING EXPENSES-  
INTERNET SYSTEM**

**Schedule 10**

For the Fiscal Years Ended September 30, 2008 and 2007  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2008	2007
Operating Expenses:		
Other production expenses.....	\$ 360	-
Administrative and general.....	363,591	312,810
Required payments to the City of New Smyrna Beach.....	<u>11,228</u>	<u>16,110</u>
Total operating expenses.....	<u>\$ 375,179</u>	<u>328,920</u>

**SCHEDULE OF OPERATING EXPENSES-  
COMMUNICATIONS SYSTEM**

**Schedule 11**

For the Fiscal Years Ended September 30, 2008 and 2007  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2008	2007
Operating Expenses:		
Depreciation.....	\$ <u>220,823</u>	<u>220,823</u>
Total operating expenses.....	\$ <u><u>220,823</u></u>	<u><u>220,823</u></u>

**SCHEDULE OF INTEREST EARNINGS****Schedule 12**

For the Fiscal Years Ended September 30, 2008 and 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2008	2007
<b>Interest Earnings By Source:</b>		
From Investments:		
Sinking funds.....	\$ 118,174	181,391
Renewal and replacement funds.....	247,978	401,287
Customers' deposits.....	97,916	126,453
CR3 nuclear decommissioning funds.....	108,700	156,100
Other.....	<u>54,300</u>	<u>93,540</u>
Total interest earnings.....	<u>\$ 627,068</u>	<u>958,771</u>
<b>Interest Earnings By System:</b>		
Electric system.....	\$ 392,960	592,038
Water system.....	127,001	200,319
Wastewater system.....	107,107	166,414
Internet system.....	-	-
Communications system.....	<u>-</u>	<u>-</u>
Total interest earnings.....	<u>\$ 627,068</u>	<u>958,771</u>

Schedule 13

**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**REVENUE CERTIFICATES PAYABLE**  
 For the Fiscal Year Ended September 30, 2008  
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
 New Smyrna Beach, Florida

Payment Date	Utilities System Refunding Revenue Certificates Series 1993			Utilities System Refunding Revenue Certificates Series 2002			Utilities System Refunding Revenue Certificates Series 2004A			Utilities System Revenue Certificates Series 2007			Total Debt Service Requirements to Maturity -- All Certificates --		
	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
10/01/2008	-	63,250	63,250	3,095,000	592,762	3,687,762	-	-	-	-	-	-	3,095,000	852,512	3,947,512
04/01/2009	-	63,250	63,250	-	543,241	543,241	305,000	16,864	321,864	-	196,500	196,500	305,000	819,855	1,124,855
10/01/2009	-	63,250	63,250	3,195,000	543,241	3,738,241	310,000	12,449	322,449	-	196,500	196,500	3,505,000	815,440	4,320,440
04/01/2010	-	63,250	63,250	-	488,926	488,926	315,000	7,961	322,961	-	196,500	196,500	315,000	756,637	1,071,637
10/01/2010	-	63,250	63,250	3,510,000	488,927	3,998,927	115,000	3,402	118,402	-	196,500	196,500	3,625,000	752,079	4,377,079
04/01/2011	-	63,250	63,250	-	425,746	425,746	120,000	1,737	121,737	-	196,500	196,500	120,000	687,233	807,233
10/01/2011	-	63,250	63,250	3,970,000	425,746	4,395,746	-	-	-	-	196,500	196,500	3,970,000	685,496	4,655,496
04/01/2012	-	63,250	63,250	-	326,496	326,496	-	-	-	-	196,500	196,500	-	586,246	586,246
10/01/2012	-	63,250	63,250	4,300,000	325,496	4,625,496	-	-	-	-	196,500	196,500	4,300,000	585,246	4,885,246
04/01/2013	-	63,250	63,250	-	218,996	218,996	-	-	-	-	196,500	196,500	-	478,746	478,746
10/01/2013	-	63,250	63,250	4,515,000	218,996	4,733,996	-	-	-	-	196,500	196,500	4,515,000	478,746	4,993,746
04/01/2014	-	63,250	63,250	-	106,121	106,121	-	-	-	-	196,500	196,500	-	365,871	365,871
10/01/2014	-	63,250	63,250	1,305,000	106,121	1,411,121	-	-	-	-	196,500	196,500	1,305,000	365,871	1,670,871
04/01/2015	-	63,250	63,250	-	79,369	79,369	-	-	-	-	196,500	196,500	-	339,119	339,119
10/01/2015	-	63,250	63,250	1,355,000	79,369	1,434,369	-	-	-	-	196,500	196,500	1,945,000	339,119	2,284,119
04/01/2016	-	63,250	63,250	-	50,575	50,575	-	-	-	-	184,907	184,907	-	298,732	298,732
10/01/2016	-	63,250	63,250	1,155,000	50,575	1,205,575	-	-	-	-	184,907	184,907	1,770,000	298,732	2,068,732
04/01/2017	-	63,250	63,250	-	26,031	26,031	-	-	-	-	172,822	172,822	-	262,103	262,103
10/01/2017	-	63,250	63,250	1,190,000	26,031	1,216,031	-	-	-	-	172,822	172,822	1,830,000	262,103	2,092,103
04/01/2018	-	63,250	63,250	-	-	-	-	-	-	-	160,246	160,246	-	223,496	223,496
10/01/2018	1,245,000	63,250	1,308,250	-	-	-	-	-	-	-	160,246	160,246	1,910,000	223,496	2,133,496
04/01/2019	-	32,125	32,125	-	-	-	-	-	-	-	147,178	147,178	-	179,303	179,303
10/01/2019	1,285,000	32,125	1,317,125	-	-	-	-	-	-	-	147,178	147,178	1,980,000	179,303	2,159,303
04/01/2020	-	-	-	-	-	-	-	-	-	-	133,522	133,522	-	133,522	133,522
10/01/2020	-	-	-	-	-	-	-	-	-	-	133,522	133,522	725,000	858,522	858,522
04/01/2021	-	-	-	-	-	-	-	-	-	-	119,275	119,275	-	119,275	119,275
10/01/2021	-	-	-	-	-	-	-	-	-	-	119,275	119,275	760,000	879,275	879,275
04/01/2022	-	-	-	-	-	-	-	-	-	-	104,341	104,341	-	104,341	104,341
10/01/2022	-	-	-	-	-	-	-	-	-	-	104,341	104,341	790,000	894,341	894,341
04/01/2023	-	-	-	-	-	-	-	-	-	-	88,818	88,818	-	88,818	88,818
10/01/2023	-	-	-	-	-	-	-	-	-	-	88,818	88,818	825,000	913,818	913,818
04/01/2024	-	-	-	-	-	-	-	-	-	-	72,607	72,607	-	72,607	72,607
10/01/2024	-	-	-	-	-	-	-	-	-	-	72,607	72,607	865,000	937,607	937,607
04/01/2025	-	-	-	-	-	-	-	-	-	-	55,609	55,609	-	55,609	55,609
10/01/2025	-	-	-	-	-	-	-	-	-	-	55,609	55,609	900,000	955,609	955,609
04/01/2026	-	-	-	-	-	-	-	-	-	-	37,925	37,925	-	37,925	37,925
10/01/2026	-	-	-	-	-	-	-	-	-	-	37,925	37,925	945,000	982,925	982,925
04/01/2027	-	-	-	-	-	-	-	-	-	-	19,355	19,355	-	19,355	19,355
10/01/2027	-	-	-	-	-	-	-	-	-	-	19,355	19,355	985,000	1,004,355	1,004,355
<b>Totals</b>	<b>\$ 2,530,000</b>	<b>\$ 1,392,500</b>	<b>\$ 3,922,500</b>	<b>\$ 27,590,000</b>	<b>\$ 5,122,765</b>	<b>\$ 32,712,765</b>	<b>\$ 1,165,000</b>	<b>\$ 42,413</b>	<b>\$ 1,207,413</b>	<b>\$ 10,000,000</b>	<b>\$ 5,540,710</b>	<b>\$ 15,540,710</b>	<b>\$ 41,285,000</b>	<b>\$ 12,098,388</b>	<b>\$ 53,383,388</b>

**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY -  
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION STATE REVOLVING FUND LOAN**

For the Fiscal Year Ended September 30, 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

Payment Date	Wastewater Treatment Plan Project CS 120 4260060										Total Debt Service Requirements	
	State Revolving Fund Loan (3.220%) Original Loan			State Revolving Fund Loan (3.180%) Amendment 1			State Revolving Fund Loan (3.110%) Amendment 2			to Maturity		Total Requirements
	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	
02/15/2009	\$ 220,791	\$ 92,959	\$ 313,750	\$ 46,124	\$ 19,136	\$ 65,260	\$ 185,408	\$ 74,942	\$ 260,350	\$ 452,323	\$ 187,037	\$ 639,360
08/15/2009	224,345	89,404	313,749	46,857	18,403	65,260	188,291	72,059	260,350	459,493	179,866	639,359
02/15/2010	227,957	85,792	313,749	47,602	17,658	65,260	191,219	69,131	260,350	466,778	172,581	639,359
08/15/2010	231,627	82,122	313,749	48,359	16,901	65,260	194,192	66,158	260,350	474,178	165,181	639,359
02/15/2011	235,357	78,392	313,749	49,128	16,132	65,260	197,212	63,138	260,350	481,697	157,662	639,359
08/15/2011	239,146	74,603	313,749	49,909	15,351	65,260	200,279	60,071	260,350	489,334	150,025	639,359
02/15/2012	242,996	70,753	313,749	50,703	14,557	65,260	203,393	56,957	260,350	497,092	142,267	639,359
08/15/2012	246,908	66,841	313,749	51,509	13,751	65,260	206,556	53,794	260,350	504,973	134,386	639,359
02/15/2013	250,884	62,866	313,750	52,328	12,932	65,260	209,768	50,582	260,350	512,980	126,380	639,360
08/15/2013	254,923	58,826	313,749	53,160	12,100	65,260	213,030	47,320	260,350	521,113	118,246	639,359
02/15/2014	259,027	54,722	313,749	54,005	11,255	65,260	216,342	44,008	260,350	529,374	109,985	639,359
08/15/2014	263,197	50,552	313,749	54,864	10,396	65,260	219,706	40,644	260,350	537,767	101,592	639,359
02/15/2015	267,435	46,314	313,749	55,736	9,524	65,260	223,123	37,227	260,350	546,294	93,065	639,359
08/15/2015	271,741	42,009	313,750	56,623	8,637	65,260	226,592	33,758	260,350	554,956	84,404	639,360
02/15/2016	276,116	37,634	313,750	57,523	7,737	65,260	230,116	30,234	260,350	563,755	75,605	639,360
08/15/2016	280,561	33,188	313,749	58,438	6,822	65,260	233,694	26,656	260,350	572,693	66,666	639,359
02/15/2017	285,078	28,671	313,749	59,367	5,893	65,260	237,328	23,022	260,350	581,773	57,586	639,359
08/15/2017	289,668	24,081	313,749	60,311	4,949	65,260	241,019	19,331	260,350	590,998	48,361	639,359
02/15/2018	294,331	19,418	313,749	61,270	3,990	65,260	244,767	15,583	260,350	600,368	38,991	639,359
08/15/2018	299,070	14,679	313,749	62,244	3,016	65,260	248,573	11,777	260,350	609,887	29,472	639,359
02/15/2019	303,885	9,864	313,749	63,233	2,027	65,260	252,438	7,912	260,350	619,556	19,803	639,359
08/15/2019	308,778	4,971	313,749	64,239	1,021	65,260	256,361	3,987	260,348	629,378	9,979	639,357
	<u>\$ 5,773,821</u>	<u>\$ 1,128,661</u>	<u>\$ 6,902,482</u>	<u>\$ 1,203,532</u>	<u>\$ 232,188</u>	<u>\$ 1,435,720</u>	<u>\$ 4,819,407</u>	<u>\$ 908,291</u>	<u>\$ 5,727,698</u>	<u>\$ 11,796,760</u>	<u>\$ 2,269,140</u>	<u>\$ 14,065,900</u>

**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

**Schedule 15**

**Note Payable - Florida Municipal Power Agency**

For the Fiscal Year Ended September 30, 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
NEW SMYRNA BEACH, FLORIDA

Payment Period	Initial Pooled Loan Project Acquisition of Electric Generation Plant Loan - \$12,200,000, Principal due 04/01			Initial Pooled Loan Project Acquisition of Sugar Mill Plant Loan - \$3,000,000, Principal due 10/01			Initial Pooled Loan Project Acquisition of Land for Plant Expansion Loan - \$9,050,000, Principal due 12/01			Total Debt Service Requirements to Maturity -- Combined --		
	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements
09/30/2009	\$ 535,000	\$ 178,875	\$ 713,875	\$ 131,000	\$ 46,152	\$ 177,152	\$ 375,000	\$ 113,219	\$ 488,219	\$ 1,041,000	\$ 338,246	\$ 1,379,246
09/30/2010	565,000	167,215	732,215	138,000	43,375	181,375	400,000	104,827	504,827	1,103,000	315,417	1,418,417
09/30/2011	590,000	154,972	744,972	146,000	40,450	186,450	420,000	95,994	515,994	1,156,000	291,416	1,447,416
09/30/2012	620,000	142,146	762,146	155,000	37,354	192,354	440,000	86,736	526,736	1,215,000	266,236	1,481,236
09/30/2013	655,000	128,631	783,631	164,000	34,068	198,068	465,000	76,967	541,967	1,284,000	239,666	1,523,666
09/30/2014	690,000	114,374	804,374	173,000	30,592	203,592	490,000	66,667	556,667	1,353,000	211,633	1,564,633
09/30/2015	730,000	99,322	829,322	183,000	26,924	209,924	515,000	55,837	570,837	1,428,000	182,083	1,610,083
09/30/2016	770,000	83,422	853,422	194,000	23,044	217,044	545,000	44,389	589,389	1,509,000	150,855	1,659,855
09/30/2017	815,000	66,621	881,621	205,000	18,932	223,932	575,000	32,305	607,305	1,595,000	117,858	1,712,858
09/30/2018	860,000	48,866	908,866	216,000	14,586	230,586	600,000	19,674	619,674	1,676,000	83,126	1,759,126
09/30/2019	910,000	30,104	940,104	229,000	10,006	239,006	635,000	6,335	641,335	1,774,000	46,445	1,820,445
09/30/2020	965,000	10,229	975,229	243,000	5,152	248,152	193,000	682	193,682	1,401,000	16,063	1,417,063
	<u>\$ 8,705,000</u>	<u>\$ 1,224,777</u>	<u>\$ 9,929,777</u>	<u>\$ 2,177,000</u>	<u>\$ 330,635</u>	<u>\$ 2,507,635</u>	<u>\$ 5,653,000</u>	<u>\$ 703,632</u>	<u>\$ 6,356,632</u>	<u>\$ 16,535,000</u>	<u>\$ 2,259,044</u>	<u>\$ 18,794,044</u>



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## ***STATISTICAL SECTION***

*This part of Utilities Commission, City of New Smyrna Beach, Florida's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commission's overall financial health.*

<b><u>Contents</u></b>	<b><u>Pages</u></b>
<b>Financial Trends</b> .....	53-64
<i>These tables contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time.</i>	
<b>Revenue Capacity</b> .....	65-80
<i>These tables contain information to help the reader assess the Commission's most significant revenue sources, consumptive user fees.</i>	
<b>Debt Capacity</b> .....	81-83
<i>These tables present information to help the reader assess the affordability of the Commission's current levels of outstanding debt and its ability to issue additional debt in the future.</i>	
<b>Demographic and Economic Information</b> .....	84-86
<i>These tables offer demographic and economic indicators to help the reader understand the environment within which the Commission's financial activities take place.</i>	
<b>Operating Information</b> .....	87-90
<i>These tables contain service and infrastructure data to help the reader understand how the information in the Commission's financial report relates to the services the Commission provides and the activities it performs.</i>	

**Sources:** *Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The Utilities Commission implemented GASB Statement No. 34 in 2001.*

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

Year Ending September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2008	2007	2006	2005
Invested in capital assets, net of related debt.....	\$ 84,302,560	\$ 80,129,034	\$ 59,628,096	\$ 56,511,156
Restricted for debt service.....	6,573,519	6,256,014	6,128,109	539,839
Restricted for renewal and replacement.....	5,296,849	3,315,754	6,293,735	7,455,768
Unrestricted.....	<u>9,385,525</u>	<u>9,792,637</u>	<u>11,282,197</u>	<u>8,413,020</u>
Total net assets.....	<u>\$ 105,558,453</u>	<u>\$ 99,493,439</u>	<u>\$ 83,332,137</u>	<u>\$ 72,919,783</u>

**Table 1**

Fiscal Year					
2004	2003	2002	2001	2000	1999
\$ 48,625,159	\$ 43,970,077	\$ 39,241,910	\$ 35,711,172	\$ 31,100,384	\$ 33,274,975
539,839	539,839	539,839	560,100	539,839	543,788
10,690,203	10,953,401	9,736,744	11,488,378	12,648,988	4,071,752
<u>8,369,197</u>	<u>11,404,708</u>	<u>9,695,283</u>	<u>8,144,046</u>	<u>7,509,509</u>	<u>13,928,858</u>
<u>\$ 68,224,398</u>	<u>\$ 66,868,025</u>	<u>\$ 59,213,776</u>	<u>\$ 55,903,696</u>	<u>\$ 51,798,720</u>	<u>\$ 51,819,373</u>

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

Year Ending September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2008	2007	2006	2005
<b>Operating Revenue:</b>				
Sales.....	\$ 62,297,291	\$ 58,882,023	\$ 63,246,281	\$ 58,243,276
Other revenue.....	<u>624,909</u>	<u>594,119</u>	<u>704,082</u>	<u>724,127</u>
Total operating revenue.....	<u>62,922,200</u>	<u>59,476,142</u>	<u>63,950,363</u>	<u>58,967,403</u>
<b>Operating Expenses:</b>				
Purchased power and fuel expenses.....	28,018,777	24,043,491	24,854,589	18,615,982
Other production expenses.....	6,433,609	6,278,690	10,042,297	13,946,939
Transmission, distribution, and sewage collection and treatment.....	6,499,601	5,766,272	5,187,372	4,788,033
Customer accounting.....	1,086,447	1,057,779	2,202,317	2,536,210
Administrative and general.....	7,025,702	6,795,197	7,947,091	8,713,250
Required payments to the City.....	3,612,294	3,670,560	3,665,315	3,328,647
Depreciation.....	<u>6,324,910</u>	<u>6,065,225</u>	<u>5,790,996</u>	<u>5,451,571</u>
Total operating expenses.....	<u>59,001,340</u>	<u>53,677,214</u>	<u>59,689,977</u>	<u>57,380,632</u>
Operating income.....	<u>3,920,860</u>	<u>5,798,928</u>	<u>4,260,386</u>	<u>1,586,771</u>
<b>Nonoperating Revenue (Expense):</b>				
Interest earnings.....	627,068	958,771	1,024,376	690,497
Other income.....	544,186	792,294	901,493	1,081,808
Interest and debt expense.....	(2,635,048)	(3,119,606)	(3,075,803)	(3,097,313)
Other expenses.....	(124,182)	(191,580)	(210,748)	(102,333)
Gain (loss) on disposal of assets.....	(115,037)	(115,502)	(9,814)	1,107,426
Loss on abandonment of wastewater treatment plant.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating revenue (expense).....	<u>(1,703,013)</u>	<u>(1,675,623)</u>	<u>(1,370,496)</u>	<u>(319,915)</u>
Income (loss) before contributions and transfers.....	<u>2,217,847</u>	<u>4,123,305</u>	<u>2,889,890</u>	<u>1,266,856</u>
Capital contributions.....	3,847,167	12,037,997	7,522,464	3,428,529
Residual transfer to the City.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>(163,250)</u>
Total contributions and transfers.....	<u>3,847,167</u>	<u>12,037,997</u>	<u>7,522,464</u>	<u>3,265,279</u>
Change in net assets.....	<u>\$ 6,065,014</u>	<u>\$ 16,161,302</u>	<u>\$ 10,412,354</u>	<u>\$ 4,532,135</u>

Notes: In 2003, the Commission officially established the Communications System Division to account for internet and telephone related services to its customers within and outside the City. The first full year of operations of telephone sales under its own CLEC license occurred in 2004. The Commission ceased providing telephone services effective in September 2006.

**Table 2**

Fiscal Year					
2004	2003	2002	2001	2000	1999
\$ 53,918,028	\$ 45,758,867	\$ 39,966,040	\$ 42,177,716	\$ 40,960,150	\$ 32,143,555
<u>695,454</u>	<u>588,199</u>	<u>646,185</u>	<u>537,671</u>	<u>459,757</u>	<u>408,626</u>
<u>54,613,482</u>	<u>46,347,066</u>	<u>40,612,225</u>	<u>42,715,387</u>	<u>41,419,907</u>	<u>32,552,181</u>
16,082,797	16,569,259	13,652,608	16,385,996	17,525,068	16,005,319
10,745,373	6,431,093	6,038,839	5,844,715	5,445,855	-
4,686,910	3,751,847	3,782,641	3,348,147	3,140,325	2,731,438
6,764,647	996,421	821,128	745,380	818,320	721,860
6,643,995	4,302,892	3,385,868	3,519,275	3,227,988	3,169,521
3,262,587	2,706,427	2,509,729	2,625,008	2,214,486	2,016,471
<u>5,149,600</u>	<u>5,049,264</u>	<u>4,899,416</u>	<u>4,581,217</u>	<u>3,875,830</u>	<u>3,694,652</u>
<u>53,335,909</u>	<u>39,807,203</u>	<u>35,090,229</u>	<u>37,049,738</u>	<u>36,247,872</u>	<u>28,339,261</u>
<u>1,277,573</u>	<u>6,539,863</u>	<u>5,521,996</u>	<u>5,665,649</u>	<u>5,172,035</u>	<u>4,212,920</u>
281,003	358,454	461,153	905,244	1,114,573	1,006,728
1,125,069	336,526	433,355	440,007	356,616	286,029
(3,101,348)	(3,355,193)	(3,952,841)	(3,976,825)	(3,877,542)	(3,353,913)
(227,937)	(690,017)	(56,064)	(15,466)	(61,620)	(11,328)
310,665	(9,541)	(58,114)	(99,267)	(45,269)	(87,446)
-	-	-	-	(3,452,645)	-
<u>(1,612,548)</u>	<u>(3,359,771)</u>	<u>(3,172,511)</u>	<u>(2,746,307)</u>	<u>(5,965,887)</u>	<u>(2,159,930)</u>
<u>(334,975)</u>	<u>3,180,092</u>	<u>2,349,485</u>	<u>2,919,342</u>	<u>(793,852)</u>	<u>2,052,990</u>
1,854,598	4,474,157	960,595	1,185,634	773,199	2,872,855
-	-	-	-	-	-
<u>1,854,598</u>	<u>4,474,157</u>	<u>960,595</u>	<u>1,185,634</u>	<u>773,199</u>	<u>2,872,855</u>
<u>\$ 1,519,623</u>	<u>\$ 7,654,249</u>	<u>\$ 3,310,080</u>	<u>\$ 4,104,976</u>	<u>\$ (20,653)</u>	<u>\$ 4,925,845</u>

In 2001, the Commission began accounting for other production expenses separate from purchased power and fuel expenses in its electric system. Other electric production expenses include nuclear power generation, diesel power generation, and system control load dispatch expenses. Water production expenses include source of supply and treatment expenses. Communications division expenses include payments to internet and telephone providers.

**OPERATING REVENUES BY UTILITY SYSTEM,  
LAST TEN FISCAL YEARS**

Year Ending September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2008	2007	2006	2005
<b>Electric:</b>				
Sales.....	\$ 48,241,274	\$ 44,552,582	\$ 43,926,115	\$ 35,811,162
Other revenue.....	<u>404,472</u>	<u>307,069</u>	<u>359,679</u>	<u>291,429</u>
Total electric operating revenue.....	<u>48,645,746</u>	<u>44,859,651</u>	<u>44,285,794</u>	<u>36,102,591</u>
<b>Water:</b>				
Sales.....	6,459,294	6,659,160	6,126,093	5,493,378
Other revenue.....	<u>213,470</u>	<u>227,057</u>	<u>219,761</u>	<u>234,461</u>
Total water operating revenue.....	<u>6,672,764</u>	<u>6,886,217</u>	<u>6,345,854</u>	<u>5,727,839</u>
<b>Wastewater:</b>				
Sales.....	7,409,412	7,394,534	7,092,911	6,294,451
Other revenue.....	<u>6,967</u>	<u>59,993</u>	<u>75,574</u>	<u>85,191</u>
Total wastewater operating revenue.....	<u>7,416,379</u>	<u>7,454,527</u>	<u>7,168,485</u>	<u>6,379,642</u>
<b>Internet:</b>				
Sales.....	187,311	275,747	-	-
Other revenue.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total internet operating revenue.....	<u>187,311</u>	<u>275,747</u>	<u>-</u>	<u>-</u>
<b>Communications:</b>				
Sales.....	-	-	6,101,162	10,644,285
Other revenue.....	<u>-</u>	<u>-</u>	<u>49,068</u>	<u>113,046</u>
Total communications operating revenue.....	<u>-</u>	<u>-</u>	<u>6,150,230</u>	<u>10,757,331</u>
Total operating revenues.....	<u>\$ 62,922,200</u>	<u>\$ 59,476,142</u>	<u>\$ 63,950,363</u>	<u>\$ 58,967,403</u>

Notes: In fiscal year 2003 the Utilities Commission officially established the Communications System division to account for internet and telephone related services to its customers and to customers outside the Commission's immediate customer base. The first full year of operations for telephone sales under its own CLEC license occurred in fiscal year 2004. The Commission ceased providing telephone services effective in September 2006.

In fiscal year 2007 the Utilities Commission officially established the Internet System division to account for internet services to its customers, separate from telephone services previously offered under the Communications System.

Other revenue includes connection charges, penalties, and miscellaneous revenue.

**Table 3**

Fiscal Year					
2004	2003	2002	2001	2000	1999
\$ 32,893,546	\$ 32,743,047	\$ 29,668,517	\$ 32,839,422	\$ 31,733,864	\$ 23,831,914
<u>274,800</u>	<u>244,605</u>	<u>328,487</u>	<u>275,258</u>	<u>233,878</u>	<u>234,532</u>
<u>33,168,346</u>	<u>32,987,652</u>	<u>29,997,004</u>	<u>33,114,680</u>	<u>31,967,742</u>	<u>24,066,446</u>
5,022,495	4,927,877	4,768,459	4,551,228	4,416,112	4,428,064
<u>212,057</u>	<u>195,143</u>	<u>214,767</u>	<u>185,769</u>	<u>159,987</u>	<u>124,646</u>
<u>5,234,552</u>	<u>5,123,020</u>	<u>4,983,226</u>	<u>4,736,997</u>	<u>4,576,099</u>	<u>4,552,710</u>
5,937,940	5,543,949	5,529,064	4,787,066	4,810,174	3,883,577
<u>87,340</u>	<u>110,588</u>	<u>102,931</u>	<u>76,644</u>	<u>65,892</u>	<u>49,448</u>
<u>6,025,280</u>	<u>5,654,537</u>	<u>5,631,995</u>	<u>4,863,710</u>	<u>4,876,066</u>	<u>3,933,025</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10,064,047	2,543,994	-	-	-	-
<u>121,257</u>	<u>37,863</u>	-	-	-	-
<u>10,185,304</u>	<u>2,581,857</u>	-	-	-	-
<u>\$ 54,613,482</u>	<u>\$ 46,347,066</u>	<u>\$ 40,612,225</u>	<u>\$ 42,715,387</u>	<u>\$ 41,419,907</u>	<u>\$ 32,552,181</u>

**OPERATING EXPENSES BY UTILITY SYSTEM,  
LAST TEN FISCAL YEARS**

Year Ending September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2008	2007	2006	2005
<b>Electric:</b>				
Purchased power and fuel expenses.....	\$ 28,018,777	\$ 24,043,491	\$ 24,854,589	\$ 18,615,982
Other production expenses.....	4,682,655	4,443,815	4,432,793	4,489,665
Transmission and distribution.....	2,884,549	2,435,207	2,242,885	2,026,026
Customer accounting.....	812,724	573,135	384,102	382,405
Administrative and general.....	3,488,280	3,462,470	2,798,686	2,521,562
Required payments to City of New Smyrna Beach...	2,763,854	2,802,272	2,490,845	2,087,723
Depreciation.....	<u>3,015,390</u>	<u>2,955,529</u>	<u>3,017,152</u>	<u>2,896,653</u>
Total electric operating expenses.....	<u>45,666,229</u>	<u>40,715,919</u>	<u>40,221,052</u>	<u>33,020,016</u>
<b>Water:</b>				
Other production expenses.....	1,750,594	1,834,875	1,587,444	1,359,754
Transmission and distribution.....	1,006,435	894,258	667,497	635,541
Customer accounting.....	238,670	253,160	196,207	142,171
Administrative and general.....	1,660,313	1,583,853	1,412,816	1,222,904
Required payments to City of New Smyrna Beach...	395,640	406,428	388,093	350,742
Depreciation.....	<u>1,216,233</u>	<u>1,159,578</u>	<u>1,073,632</u>	<u>978,583</u>
Total water operating expenses.....	<u>6,267,885</u>	<u>6,132,152</u>	<u>5,325,689</u>	<u>4,689,695</u>
<b>Wastewater:</b>				
Transmission and distribution.....	2,608,617	2,436,807	2,276,990	2,126,466
Customer accounting.....	35,053	231,484	176,113	147,662
Administrative and general.....	1,513,518	1,436,064	1,200,226	1,153,560
Required payments to City of New Smyrna Beach...	441,572	445,750	404,297	358,096
Depreciation.....	<u>1,872,464</u>	<u>1,729,295</u>	<u>1,589,799</u>	<u>1,465,922</u>
Total wastewater operating expenses.....	<u>6,471,224</u>	<u>6,279,400</u>	<u>5,647,425</u>	<u>5,251,706</u>
<b>Internet:</b>				
Other production expenses.....	360	-	-	-
Administrative and general.....	363,591	312,810	-	-
Required payments to City of New Smyrna Beach...	<u>11,228</u>	<u>16,110</u>	-	-
Total internet operating expenses.....	<u>375,179</u>	<u>328,920</u>	-	-



**Table 4**

Fiscal Year					
2004	2003	2002	2001	2000	1999
\$ 16,082,797	\$ 16,569,259	\$ 13,652,608	\$ 16,385,996	\$ 21,979,607	\$ 15,109,769
4,164,312	4,035,211	4,907,957	4,810,363	-	-
2,160,952	1,486,640	1,423,256	1,287,820	1,230,798	1,136,881
403,381	387,282	445,467	407,539	449,764	373,494
2,587,728	2,140,755	1,714,629	1,901,354	1,683,087	1,634,589
2,006,630	1,920,119	1,891,212	2,047,697	1,646,439	1,507,252
<u>2,779,602</u>	<u>2,773,920</u>	<u>2,741,739</u>	<u>2,479,970</u>	<u>2,152,056</u>	<u>2,078,377</u>
<u>30,185,402</u>	<u>29,313,186</u>	<u>26,776,868</u>	<u>29,320,739</u>	<u>29,141,751</u>	<u>21,840,362</u>
1,281,799	1,118,865	1,130,882	1,034,352	991,316	895,550
522,887	451,335	495,611	454,633	450,456	411,252
165,246	171,455	197,827	177,757	190,922	180,766
1,173,213	1,052,938	864,307	809,936	790,096	752,050
324,781	319,812	301,359	298,783	286,807	287,382
<u>930,241</u>	<u>885,034</u>	<u>832,380</u>	<u>792,520</u>	<u>756,493</u>	<u>737,964</u>
<u>4,398,167</u>	<u>3,999,439</u>	<u>3,822,366</u>	<u>3,567,981</u>	<u>3,466,090</u>	<u>3,264,964</u>
2,003,071	1,813,872	1,863,774	1,605,694	1,459,071	1,183,305
151,001	155,287	177,834	160,084	177,634	167,600
1,056,851	922,121	806,932	807,985	754,805	782,882
341,550	320,858	317,158	278,528	281,240	221,837
<u>1,439,757</u>	<u>1,390,310</u>	<u>1,325,297</u>	<u>1,308,727</u>	<u>967,281</u>	<u>878,311</u>
<u>4,992,230</u>	<u>4,602,448</u>	<u>4,490,995</u>	<u>4,161,018</u>	<u>3,640,031</u>	<u>3,233,935</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**OPERATING EXPENSES BY UTILITY SYSTEM,  
LAST TEN FISCAL YEARS**

Year Ending September 30,  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2008	2007	2006	2005
(Continued)				
Communications:				
Other production expenses.....	-	-	4,022,060	8,097,520
Customer accounting.....	-	-	1,445,895	1,863,972
Administrative and general.....	-	-	2,535,363	3,815,224
Required payments to City of New Smyrna Beach...	-	-	382,080	532,086
Depreciation.....	<u>220,823</u>	<u>220,823</u>	<u>110,413</u>	<u>110,413</u>
Total communications operating expenses.....	<u>220,823</u>	<u>220,823</u>	<u>8,495,811</u>	<u>14,419,215</u>
Totals-Combined Systems:				
Purchased power and fuel expenses.....	\$ 28,018,777	\$ 24,043,491	\$ 24,854,589	\$ 18,615,982
Other production expenses.....	6,433,609	6,278,690	10,042,297	13,946,939
Transmission and distribution.....	6,499,601	5,766,272	5,187,372	4,788,033
Customer accounting.....	1,086,447	1,057,779	2,202,317	2,536,210
Administrative and general.....	7,025,702	6,795,197	7,947,091	8,713,250
Required payments to City of New Smyrna Beach...	3,612,294	3,670,560	3,665,315	3,328,647
Depreciation and decommissioning.....	<u>6,324,910</u>	<u>6,065,225</u>	<u>5,790,996</u>	<u>5,451,571</u>
Total operating expenses.....	<u>\$ 59,001,340</u>	<u>\$ 53,677,214</u>	<u>\$ 59,689,977</u>	<u>\$ 57,380,632</u>

Notes: In fiscal year 2003, the Commission officially established the Communications System division to account for internet and telephone related services to its customers and to customers outside the Commission's immediate customer base. The first full year of operations for telephone sales under its own CLEC license occurred in fiscal year 2004. The Commission ceased providing telephone services effective in September 2006.

In fiscal year 2007 the Utilities Commission officially established the Internet System division to account for internet services to its customers, separate from telephone services previously offered under the Communications System.

In fiscal year 2001, the Commission began accounting for other production expenses separate from purchased power and fuel expenses in the electric system. Other production expenses in the electric system include nuclear power generation, diesel power generation, and system control load dispatch expenses.

Other production expenses in the water system include source of supply and water treatment expenses. Other production expenses in the communications system include payments to internet and telephone providers.

**Table 4**

Fiscal Year					
2004	2003	2002	2001	2000	1999
5,299,262	1,277,017	-	-	-	-
6,045,019	282,397	-	-	-	-
1,826,203	187,078	-	-	-	-
589,626	145,638	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>13,760,110</u>	<u>1,892,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ 16,082,797	\$ 16,569,259	\$ 13,652,608	\$ 16,385,996	\$ 21,979,607	\$ 15,109,769
10,745,373	6,431,093	6,038,839	5,844,715	991,316	895,550
4,686,910	3,751,847	3,782,641	3,348,147	3,140,325	2,731,438
6,764,647	996,421	821,128	745,380	818,320	721,860
6,643,995	4,302,892	3,385,868	3,519,275	3,227,988	3,169,521
3,262,587	2,706,427	2,509,729	2,625,008	2,214,486	2,016,471
<u>5,149,600</u>	<u>5,049,264</u>	<u>4,899,416</u>	<u>4,581,217</u>	<u>3,875,830</u>	<u>3,694,652</u>
<u>\$ 53,335,909</u>	<u>\$ 39,807,203</u>	<u>\$ 35,090,229</u>	<u>\$ 37,049,738</u>	<u>\$ 36,247,872</u>	<u>\$ 28,339,261</u>

**NONOPERATING REVENUE AND EXPENSES,  
LAST TEN FISCAL YEARS**

Year Ending September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2008	2007	2006	2005
Interest earnings.....	\$ 627,068	\$ 958,771	\$ 1,024,376	\$ 690,497
Other income.....	544,186	792,294	901,493	1,081,808
Interest and debt expense.....	(2,635,048)	(3,119,606)	(3,075,803)	(3,097,313)
Other expenses.....	(124,182)	(191,580)	(210,748)	(102,333)
Gain (loss) on disposal of assets.....	(115,037)	(115,502)	(9,814)	1,107,426
Loss on abandonment of wastewater treatment plant.....	-	-	-	-
<b>Total nonoperating revenue (expense).....</b>	<b><u>\$ (1,703,013)</u></b>	<b><u>\$ (1,675,623)</u></b>	<b><u>\$ (1,370,496)</u></b>	<b><u>\$ (319,915)</u></b>

Note: Interest and debt expenses are reported net of capitalized amounts.

**Table 5**

Fiscal Year					
2004	2003	2002	2001	2000	1999
\$ 281,003	\$ 358,454	\$ 461,153	\$ 905,244	\$ 1,114,573	\$ 1,006,728
1,125,069	336,526	433,355	440,007	356,616	286,029
(3,101,348)	(3,355,193)	(3,952,841)	(3,976,825)	(3,877,542)	(3,353,913)
(227,937)	(690,017)	(56,064)	(15,466)	(61,620)	(11,328)
310,665	(9,541)	(58,114)	(99,267)	(45,269)	(87,446)
-	-	-	-	(3,452,645)	-
<u>\$ (1,612,548)</u>	<u>\$ (3,359,771)</u>	<u>\$ (3,172,511)</u>	<u>\$ (2,746,307)</u>	<u>\$ (5,965,887)</u>	<u>\$ (2,159,930)</u>

**UTILITY SYSTEM OPERATIONS ANALYSIS,  
LAST TEN FISCAL YEARS**

September 30,  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2008	2007	2006	2005
<b>Electric System:</b>				
Net energy load requirements (kWh).....	392,050,932	400,815,801	402,421,129	396,805,566
Total Consumption/Sales (kWh).....	370,659,029	378,243,711	383,185,319	371,219,399
<b>Total Direct Rate-Electric:<sup>(1)</sup></b>				
Customer charge.....	\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75
Energy charge.....	\$ 0.076454	\$ 0.076454	\$ 0.076454	\$ 0.071730
<b>Water System:</b>				
Gallons of water pumped from water plant (KGs).....	1,696,270	1,798,869	1,735,327	1,616,605
Gallons of water consumed (KGs).....	1,549,232	1,652,273	1,673,828	1,489,905
<b>Total Direct Rate-Water:<sup>(2)</sup></b>				
Base facility charge.....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
Gallage charge per 1,000 gallons.....	\$ 1.62	\$ 1.62	\$ 1.62	\$ 1.90
<b>Wastewater System:</b>				
<b>Wastewater:</b>				
Gallons of wastewater treated (KGs).....	1,242,790	1,140,230	1,203,830	1,262,520
Gallons of wastewater sold (KGs).....	864,822	897,975	934,437	873,874
<b>Total Direct Rate-Wastewater:<sup>(3)</sup></b>				
Base facility charge.....	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62
Gallage charge per 1,000 gallons.....	\$ 3.63	\$ 3.63	\$ 3.63	\$ 2.83
<b>Reclaimed Water:</b>				
Gallons of reclaimed water pumped from wastewater treatment plant (KGs).....	978,500	1,046,630	872,810	816,750
Gallons of reclaimed water sold (KGs).....	373,691	476,767	360,942	282,769
<b>Total Direct Rate-Reclaimed water:<sup>(4)</sup></b>				
Minimum monthly charge.....	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Gallage charge per 1,000 gallons.....	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00

Notes: Water, wastewater and reclaimed water amounts are presented in 1,000 gallon (KG) units.

<sup>(1)</sup>Rate for customer charge shown for electric system is an average for single phase and three phase service for residential customers. See Table 7 for rate schedule applicable to electric customers.

<sup>(2)</sup>Rate shown for water system is for residential single family 5/8" meter size. The gallage charge is an average of the monthly rate block rates. See Table 8 for rate schedule applicable to water customers.

<sup>(3)</sup>Rate shown for wastewater system is for residential single family 5/8" meter size. See Table 9 for rate schedule applicable to wastewater customers.

<sup>(4)</sup>Rate shown for reclaimed water is for primary tier 3/4" meter size. See Table 9 for rate schedule applicable to reclaimed water customers.

**Table 6**

Fiscal Year					
2004	2003	2002	2001	2000	1999
385,510,397	386,385,433	367,175,437	361,158,839	360,759,259	355,599,074
361,426,028	370,242,195	342,753,470	344,819,905	340,631,525	340,606,215
\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75
\$ 0.071730	\$ 0.071730	\$ 0.071730	\$ 0.071730	\$ 0.069170	\$ 0.069170
1,660,316	1,743,832	1,718,618	1,658,415	1,762,930	1,667,354
1,538,925	1,471,435	1,402,576	1,498,145	1,579,828	n/a
\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.33	\$ 1.33
1,369,390	1,339,026	1,422,280	1,307,300	1,203,430	1,083,480
873,105	871,680	862,022	891,140	933,490	n/a
\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62	\$ 11.90
\$ 2.53	\$ 2.53	\$ 2.53	\$ 2.18	\$ 1.55	\$ 1.55
770,080	800,083	1,108,070	968,060	610,870	673,403
262,818	349,117	264,685	761,966	580,550	n/a
\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
\$ 2.00	\$ -	\$ -	\$ -	\$ -	\$ -

**UTILITY RATE SCHEDULE - ELECTRIC SERVICE,  
LAST TEN FISCAL YEARS**

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Total Direct Monthly Rate	2008	2007	2006	2005
<b>Residential:</b>				
Customer charge:				
Single phase service.....	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.65
Three phase service.....	\$ 7.85	\$ 7.85	\$ 7.85	\$ 7.85
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.076454	\$ 0.076454	\$ 0.076454	\$ 0.071730
<b>General Service - Non-Demand:<sup>(1)</sup></b>				
Customer charge:				
Single phase service.....	\$ 6.05	\$ 6.05	\$ 6.05	\$ 6.05
Three phase service.....	\$ 8.85	\$ 8.85	\$ 8.85	\$ 8.85
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.074504	\$ 0.074504	\$ 0.074504	\$ 0.073330
<b>General Service - Demand:<sup>(2)</sup></b>				
Customer charge.....	\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50
Demand charge - all kWh of billing demand.....	\$ 6.75	\$ 6.75	\$ 6.75	\$ 5.50
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.065040	\$ 0.065040	\$ 0.065040	\$ 0.055460
<b>General Service - Large Demand:<sup>(3)</sup></b>				
Customer charge.....	\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50
Demand charge - all kWh of billing demand.....	\$ 6.50	\$ 6.50	\$ 6.50	\$ 5.50
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.060040	\$ 0.060040	\$ 0.060040	\$ 0.055460
<b>General Service - Demand Time of Use:<sup>(4)</sup></b>				
Customer charge.....	\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50
Demand charge - per kW of excess demand.....	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.065040	\$ 0.065040	\$ 0.065040	\$ 0.055460
<b>Fuel and Purchased Power Cost Adjustment<sup>(5)</sup></b>				
Clause Monthly Billing Factor (per 1,000 kWh) .....	\$ 41.70	\$ 41.70	\$ 31.20	\$ 17.18

Notes: <sup>(1)</sup>Non-Demand electric rate schedule reserved for non-residential customers with an annual measured peak demand of less than 50kW.

<sup>(2)</sup>Demand electric rate schedule reserved for non-residential customers with an annual measured peak demand of 50kW up to 250kW.

<sup>(3)</sup>Large Demand electric rate schedule reserved for non-residential customers with an annual measured peak demand of 250kW or greater.

<sup>(4)</sup>Demand Time of Use electric rate schedule reserved for non-residential customers with an annual measured peak demand of 50kW or greater. Service under this schedule is limited to customers who shift their capacity requirements from on-peak periods to off-peak periods and enter into an agreement with the Commission to do so.



**Table 7**

Fiscal Year		2004		2003		2002		2001		2000		1999	
\$	5.65	\$	5.65	\$	5.65	\$	5.65	\$	5.65	\$	5.65	\$	5.65
\$	7.85	\$	7.85	\$	7.85	\$	7.85	\$	7.85	\$	7.85	\$	7.85
\$	0.071730	\$	0.071730	\$	0.071730	\$	0.071730	\$	0.071730	\$	0.069170	\$	0.069170
\$	6.05	\$	6.05	\$	6.05	\$	6.05	\$	6.05	\$	6.05	\$	6.05
\$	8.85	\$	8.85	\$	8.85	\$	8.85	\$	8.85	\$	8.85	\$	8.85
\$	0.073330	\$	0.073330	\$	0.073330	\$	0.073330	\$	0.073330	\$	0.070670	\$	0.070670
\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50
\$	5.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50
\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.053930	\$	0.053930
\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50
\$	5.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50
\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.053930	\$	0.053930
\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50
\$	22.00	\$	22.00	\$	22.00	\$	22.00	\$	22.00	\$	22.00	\$	22.00
\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.053930	\$	0.053930
\$	17.18	\$	12.89	\$	8.82	\$	28.47	\$	13.91	\$	-	\$	-

<sup>(5)</sup>The Fuel and Purchased Power Cost Adjustment Clause (FPPCAC) is an integral component of the monthly charges, and is designed to allow for accurate billing of fluctuating applicable fuel and purchased power costs. In order to minimize changes in customer billings, the FPPCAC is developed on a twelve month projected basis, with provision to "true-up" any over or under recovery of any applicable fuel and purchased power cost in each subsequent twelve month period. A provision in the clause allows the FPPCAC to be modified if significant circumstances arise during the twelve month billing cycle.

<sup>(6)</sup>Increases in electric rates do not require approval by the Florida Public Service Commission; however, the Commission voluntarily files tariff sheets with the Florida Public Service Commission whenever there are rate increases, which are kept on file in the Bureau of Certification, Economics & Tariffs Section of the Division of Economic Regulation.

<sup>(7)</sup>An interim net metering rider has been approved by the Utilities Commission and submitted to the Florida Public Service Commission. As of 9/30/2008 no customers have yet to be billed under this rider.

**UTILITY RATE SCHEDULE - WATER SERVICE,  
LAST TEN FISCAL YEARS**

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Total Direct Monthly Rate	2008	2007	2006	2005
<b>Residential:</b>				
Single Family:				
Base facility charge:				
Meter Size (Inches):				
5/8".....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
1".....	\$ 29.13	\$ 29.13	\$ 29.13	\$ 26.30
1 1/2".....	\$ 58.25	\$ 58.25	\$ 58.25	\$ 50.65
2".....	\$ 93.20	\$ 93.20	\$ 93.20	\$ 79.90
3".....	\$ 174.75	\$ 174.75	\$ 174.75	\$ 157.90
4".....	\$ 291.25	\$ 291.25	\$ 291.25	\$ 245.65
6".....	\$ 582.50	\$ 582.50	\$ 582.50	\$ 489.40
8".....	\$ 932.00	\$ 932.00	\$ 932.00	\$ 781.90
10".....	\$ 1,339.75	\$ 1,339.75	\$ 1,339.75	\$ -
Gallorage charge per 1,000 Gallons: <sup>(1)</sup>				
Block 1.....	\$ 0.93	\$ 0.93	\$ 0.93	\$ 1.10
Block 2.....	\$ 1.24	\$ 1.24	\$ 1.24	\$ 1.20
Block 3.....	\$ 1.96	\$ 1.96	\$ 1.96	\$ 2.40
Block 4.....	\$ 2.33	\$ 2.33	\$ 2.33	\$ 2.90
<b>Multi-Family:</b>				
Base facility charge:				
Each Unit.....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 9.75
Master Meter.....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 1.90
Gallorage charge per 1,000 Gallons:				
Each Unit.....	\$ -	\$ -	\$ -	\$ -
Master Meter.....	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.15
<b>Non-Residential:</b>				
Base facility charge:				
Meter Size (Inches):				
5/8".....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
1".....	\$ 29.13	\$ 29.13	\$ 29.13	\$ 26.30
1 1/2".....	\$ 58.25	\$ 58.25	\$ 58.25	\$ 50.65
2".....	\$ 93.20	\$ 93.20	\$ 93.20	\$ 79.90
3".....	\$ 174.75	\$ 174.75	\$ 174.75	\$ 157.90
4".....	\$ 291.25	\$ 291.25	\$ 291.25	\$ 245.65
6".....	\$ 582.50	\$ 582.50	\$ 582.50	\$ 489.40
8".....	\$ 932.00	\$ 932.00	\$ 932.00	\$ 781.90
10".....	\$ 1,339.75	\$ 1,339.75	\$ 1,339.75	\$ -
Gallorage charge per 1,000 Gallons: <sup>(2)</sup>				
Block 1.....	\$ 1.54	\$ 1.54	\$ 1.54	\$ 1.15
Block 2.....	\$ 2.05	\$ 2.05	\$ 2.05	\$ 1.35
Block 3.....	\$ -	\$ -	\$ -	\$ 1.85

**Table 8**

Fiscal Year					
2004	2003	2002	2001	2000	1999
\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30
\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65
\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90
\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90
\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65
\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40
\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.05	\$ 1.05
\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.25	\$ 1.25
\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 1.70	\$ 1.70
\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ -	\$ -
\$ 9.75	\$ 9.75	\$ 9.75	\$ 9.75	\$ 9.75	\$ 9.75
\$ 1.90	\$ 1.90	\$ 1.90	\$ 1.90	\$ 1.90	\$ 1.90
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05
\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30
\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65
\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90
\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90
\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65
\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40
\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05
\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25
\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.70

**UTILITY RATE SCHEDULE - WATER SERVICE,  
LAST TEN FISCAL YEARS**

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Total Direct Monthly Rate	2008	2007	2006	2005
<b>Irrigation Service:</b>				
Base facility charge:				
Meter Size (Inches):				
5/8".....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
1".....	\$ 29.13	\$ 29.13	\$ 29.13	\$ 26.30
1 1/2".....	\$ 58.25	\$ 58.25	\$ 58.25	\$ 50.65
2".....	\$ 93.20	\$ 93.20	\$ 93.20	\$ 79.90
3".....	\$ 174.75	\$ 174.75	\$ 174.75	\$ 157.90
4".....	\$ 291.25	\$ 291.25	\$ 291.25	\$ 245.65
6".....	\$ 582.50	\$ 582.50	\$ 582.50	\$ 489.40
8".....	\$ 932.00	\$ 932.00	\$ 932.00	\$ 781.90
10".....	\$ 1,339.75	\$ 1,339.75	\$ 1,339.75	\$ -
Gallonge charge per 1,000 Gallons: <sup>(1)</sup>				
Block 1.....	\$ 1.37	\$ 1.37	\$ 1.37	\$ 1.10
Block 2.....	\$ 1.83	\$ 1.83	\$ 1.83	\$ 1.20
Block 3.....	\$ 2.88	\$ 2.88	\$ 2.88	\$ 2.40
Block 4.....	\$ 3.43	\$ 3.43	\$ 3.43	\$ 2.90

Notes:

<sup>(1)</sup>The monthly rate blocks for residential and irrigation water usage at September 30, 2008 are as follows:

Meter Size (Inches):	Monthly Rate Blocks (Gallons)			
	Block 1	Block 2	Block 3	Block 4
5/8".....	0-2,999	3,000-5,999	6,000-15,000	Above 15,000
1".....	0-5,999	6,000-13,999	14,000-38,000	Above 38,000
1 1/2".....	0-10,999	11,000-25,999	26,000-75,000	Above 75,000
2".....	0-16,999	17,000-40,999	41,000-120,000	Above 120,000
3".....	0-30,999	31,000-75,999	76,000-225,000	Above 225,000
4".....	0-50,999	51,000-125,999	126,000-375,000	Above 375,000
6".....	0-100,999	101,000-250,999	251,000-750,000	Above 750,000
8".....	0-160,999	170,000-400,999	401,000-1,200,000	Above 1,200,000
10".....	0-230,999	231,000-575,999	576,000-1,725,000	Above 1,725,000

<sup>(2)</sup>The monthly rate blocks for non-residential water usage at September 30, 2008, are as follows:

Meter Size (Inches):	Monthly Rate Blocks (Gallons)	
	Block 1	Block 2
5/8".....	0-7,000	Above 7,000
1".....	0-18,000	Above 18,000
1 1/2".....	0-35,000	Above 35,000
2".....	0-56,000	Above 56,000
3".....	0-105,000	Above 105,000
4".....	0-175,000	Above 175,000
6".....	0-350,000	Above 350,000
8".....	0-560,000	Above 560,000
10".....	0-805,000	Above 805,000

<sup>(3)</sup>Increases in water rates do not require approval by the FPSC; however, the Commission voluntarily files tariff sheets with the FPSC whenever there are rate increases, which are kept on file in the Bureau of Certification, Economics & Tariffs Section of the Division of Economic Regulation.

**Table 8**

Fiscal Year		2004		2003		2002		2001		2000		1999	
\$	11.65	\$	11.65	\$	11.65	\$	11.65	\$	11.65	\$	11.65	\$	11.65
\$	26.30	\$	26.30	\$	26.30	\$	26.30	\$	26.30	\$	26.30	\$	26.30
\$	50.65	\$	50.65	\$	50.65	\$	50.65	\$	50.65	\$	50.65	\$	50.65
\$	79.90	\$	79.90	\$	79.90	\$	79.90	\$	79.90	\$	79.90	\$	79.90
\$	157.90	\$	157.90	\$	157.90	\$	157.90	\$	157.90	\$	157.90	\$	157.90
\$	245.65	\$	245.65	\$	245.65	\$	245.65	\$	245.65	\$	245.65	\$	245.65
\$	489.40	\$	489.40	\$	489.40	\$	489.40	\$	489.40	\$	489.40	\$	489.40
\$	781.90	\$	781.90	\$	781.90	\$	781.90	\$	781.90	\$	781.90	\$	781.90
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	1.00	\$	1.00	\$	1.00	\$	1.00	\$	1.00	\$	1.05	\$	1.05
\$	1.10	\$	1.10	\$	1.10	\$	1.10	\$	1.10	\$	1.25	\$	1.25
\$	2.20	\$	2.20	\$	2.20	\$	2.20	\$	2.20	\$	1.70	\$	1.70
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-

**UTILITY RATE SCHEDULE - WASTEWATER AND RECLAIMED WATER SERVICES,  
LAST TEN FISCAL YEARS**

September 30,  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

Total Direct Monthly Rate:	2008	2007	2006	2005
<b>Residential (Single Family) and Non-residential:</b>				
Base facility charge:				
Meter Size (Inches):				
5/8".....	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62
1".....	\$ 41.55	\$ 41.55	\$ 41.55	\$ 39.35
1 1/2".....	\$ 83.10	\$ 83.10	\$ 83.10	\$ 77.10
2".....	\$ 132.96	\$ 132.96	\$ 132.96	\$ 122.46
3".....	\$ 249.30	\$ 249.30	\$ 249.30	\$ 243.42
4".....	\$ 415.50	\$ 415.50	\$ 415.50	\$ 379.50
6".....	\$ 831.00	\$ 831.00	\$ 831.00	\$ 757.50
8".....	\$ 1,329.60	\$ 1,329.60	\$ 1,329.60	\$ 1,211.10
10".....	\$ 1,911.30	\$ 1,911.30	\$ 1,911.30	\$ -
Gallage charge per 1,000 Gallons: <sup>(1)</sup>				
All meter sizes.....	\$ 3.63	\$ 3.63	\$ 3.63	\$ -
Block 1 .....	\$ -	\$ -	\$ -	\$ 2.55
Block 2.....	\$ -	\$ -	\$ -	\$ 3.10
<b>Multi-Family:</b>				
Base facility charge:				
Each Unit.....	\$ 16.62	\$ 16.62	\$ 16.62	\$ 15.12
Master Meter.....	\$ 16.62	\$ 16.62	\$ 16.62	\$ 1.50
Gallage charge per 1,000 Gallons:				
Each Unit.....	\$ -	\$ -	\$ -	\$ -
Master Meter.....	\$ 2.90	\$ 2.90	\$ 2.90	\$ 2.60
<b>Reclaimed Water Rate Schedule:</b>				
Primary Tier Rate:				
Minimum monthly charge:				
Meter Size (Inches):				
3/4".....	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
1".....	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
1 1/2".....	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
Major Users Meter Size (Inches):				
2".....	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
3".....	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
4".....	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
6".....	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
Gallage charge per 1,000 Gallons: <sup>(2)</sup>				
Meter Size (Inches):				
3/4".....	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
1".....	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
1 1/2".....	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
Flow charge per 1,000 Gallons:				
Major Users Meter Size (Inches):				
2".....	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
3".....	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
4".....	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
6".....	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15

**Table 9**

Fiscal Year					
2004	2003	2002	2001	2000	1999
\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62	\$ 11.90
\$ 39.35	\$ 39.35	\$ 39.35	\$ 39.35	\$ 39.35	\$ 27.55
\$ 77.10	\$ 77.10	\$ 77.10	\$ 77.10	\$ 77.10	\$ 53.50
\$ 122.46	\$ 122.46	\$ 122.46	\$ 122.46	\$ 122.46	\$ 84.70
\$ 243.42	\$ 243.42	\$ 243.42	\$ 243.42	\$ 243.42	\$ 167.90
\$ 379.50	\$ 379.50	\$ 379.50	\$ 379.50	\$ 379.50	\$ 261.50
\$ 757.50	\$ 757.50	\$ 757.50	\$ 757.50	\$ 757.50	\$ 521.50
\$ 1,211.10	\$ 1,211.10	\$ 1,211.10	\$ 1,211.10	\$ 1,211.10	\$ 833.50
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ 1.55	\$ 1.55
\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.00	\$ -	\$ -
\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.35	\$ -	\$ -
\$ 15.12	\$ 15.12	\$ 15.12	\$ 15.12	\$ 15.12	\$ 10.40
\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55
\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
\$ 75.00	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 75.00	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 75.00	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 75.00	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2.00	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2.00	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2.00	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.10	\$ 0.10
\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.10	\$ 0.10
\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.10	\$ 0.10
\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.10	\$ 0.10

**UTILITY RATE SCHEDULE - WASTEWATER AND RECLAIMED WATER SERVICES,  
LAST TEN FISCAL YEARS**

September 30,  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

Total Direct Monthly Rate:	2008	2007	2006	2005
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(Continued)

Secondary Tier Rate:

A fixed rate established at a minimum rate per acre per month for major metered users whose anticipated capacity exceeds 100,000 gallons per day and which must provide a minimum of three days of wet weather storage for a minimum flow rate of 1,900 gallons/acre/day on an annual average.	\$	16.29	\$	16.29	\$	16.29	\$	16.29
--	----	-------	----	-------	----	-------	----	-------

Notes: <sup>(1)</sup>The monthly rate blocks for wastewater services utilized from 2001 to 2005 applied to all meter sizes. Block 1 applied to gallons treated up to 2,000 per month. Block 2 applied to gallons treated above 2,000 per month.

<sup>(2)</sup>The gallonage charge for metered reclaimed water customers applies to usage over the monthly maximum allowance that is included in the minimum monthly charge, which varies depending on meter size.

<sup>(3)</sup>Increases in utility rates do not require approval by the FPSC; however, the Commission voluntarily files tariff sheets with the FPSC whenever there are rate increases, which are kept on file in the Bureau of Certification, Economics & Tariffs Section of the Division of Economic Regulation.



**Table 9**

Fiscal Year					
2004	2003	2002	2001	2000	1999
\$ 16.29	\$ 16.29	\$ 16.29	\$ 16.29	\$ 10.80	\$ 10.80

**NUMBER OF ELECTRIC, WATER, WASTEWATER, AND RECLAIMED WATER CUSTOMERS,  
LAST TEN FISCAL YEARS**

September 30,  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2008	2007	2006	2005
Electric.....	24,702	24,776	24,174	23,489
Water.....	27,565	23,388	22,765	21,905
Wastewater.....	23,716	18,775	18,243	17,601
Reclaimed water.....	825	732	570	501

Note: <sup>(1)</sup>Obtained from customer billing records as summarized in the Monthly Consolidated Sales Reports, as of September 30th for each fiscal year.

**Table 10**

Fiscal Year					
2004	2003	2002	2001	2000	1999
22,922	22,126	21,702	21,330	21,134	20,920
20,980	20,122	19,348	18,569	17,937	17,516
17,062	16,485	15,832	15,423	14,940	14,600
462	417	401	346	306	286

**TEN LARGEST CUSTOMERS, CURRENT AND NINE YEARS AGO**

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Fiscal Year Ended September 30, 2008

<b>Electric Customers</b>	<b>Kilowatt Hour Sales</b>			<b>Revenues Billed</b>	
	kWh (000's)	Percent of Total	Rank	Amount	Percent of Total
Bert Fish Medical Center.....	8,071	2.18%	1	\$ 910,556	1.89%
UCNSB-Wastewater Treatment Plant.....	4,321	1.17%	2	495,294	1.03%
Volusia School District #532568.....	4,004	1.08%	3	500,077	1.04%
Publix Food - Store #2019100.....	3,740	1.01%	4	425,816	0.88%
Reddy Ice Corp.....	2,839	0.77%	5	334,106	0.69%
Winn Dixie - Store #2304.....	2,731	0.74%	6	311,537	0.65%
Publix Food - Store #2033500.....	2,701	0.73%	7	305,331	0.63%
Home Depot.....	2,312	0.62%	8	269,504	0.56%
Volusia School District.....	1,984	0.54%	9	256,859	0.53%
Wal-Mart - Store #01-1079.....	1,870	0.50%	10	211,040	0.44%
K-Mart.....	-	-	-	-	-
Totals.....	<u>34,573</u>	9.33%		<u>\$ 4,020,120</u>	8.33%

<b>Water/Wastewater Customers</b>	<b>Consumption</b>			<b>Revenues Billed</b>	
	Gallons (000's)	Percent of Total	Rank	Amount	Percent of Total
Reddy Ice Corp.....	18,644	1.20%	1	\$ 63,683	0.99%
Volusia School District #532568.....	8,860	0.57%	2	22,457	0.35%
Volusia School District #522249.....	7,599	0.49%	3	25,158	0.39%
Islander Beach Lodge.....	8,050	0.52%	4	23,554	0.36%
Bert Fish Medical Center (52230).....	7,961	0.51%	5	27,040	0.42%
Bert Fish Medical Center (52231).....	6,899	0.45%	6	17,394	0.27%
Quail Hollow Assoc Lmt.....	6,079	0.39%	7	6,839	0.11%
Ebb Tide Condominium.....	5,993	0.39%	8	11,563	0.18%
Ocean View Nursing Home.....	5,648	0.36%	9	12,353	0.19%
Sea Woods Home Owners Association.....	5,354	0.35%	10	18,098	0.28%
Errol by the Sea Condominium Association.....	-	-	-	-	-
Federal Housing Authority.....	-	-	-	-	-
Castle Reef.....	-	-	-	-	-
The Inlet Condominium Association.....	-	-	-	-	-
Totals.....	<u>81,087</u>	5.23%		<u>\$ 228,139</u>	3.53%

Note: <sup>(1)</sup>The ten largest water customers are also the ten largest wastewater customers. However, the information above for consumption and amounts billed represents billings for water usage only.

**Table 11**

Fiscal Year Ended September 30, 1999

Kilowatt Hour Sales			Revenues Billed	
(kWh) (000's)	Percent of Total	Rank	Amount	Percent of Total
8,312	2.44%	1	\$ 529,239	2.13%
2,798	0.82%	5	181,239	0.73%
2,433	0.71%	7	167,717	0.68%
2,936	0.86%	3	187,496	0.76%
2,597	0.76%	6	165,169	0.67%
3,199	0.94%	2	203,796	0.82%
2,884	0.85%	4	183,973	0.74%
2,431	0.71%	8	179,473	0.72%
2,336	0.69%	10	150,406	0.61%
<u>2,402</u>	0.71%	9	<u>155,723</u>	0.63%
<u>32,328</u>	9.49%		<u>\$ 2,104,231</u>	8.49%

Consumption			Revenues Billed	
Gallons (000's)	Percent of Total	Rank	Amount	Percent of Total
11,375	0.74%	6	\$ 19,701	0.44%
26,554	1.73%	1	52,214	1.16%
10,468	0.68%	9	19,872	0.44%
17,879	1.16%	3	32,387	0.72%
10,777	0.70%	8	19,007	0.42%
20,230	1.32%	2	37,035	0.82%
13,997	0.91%	4	27,654	0.61%
13,394	0.87%	5	35,307	0.78%
10,906	0.71%	7	13,765	0.31%
<u>10,208</u>	0.66%	10	<u>14,805</u>	0.33%
<u>145,788</u>	9.48%		<u>\$ 271,747</u>	6.03%



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

**Table 12**

Year Ending September 30,  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

Fiscal Year Ended September 30,	Revenue Certificates <sup>(1)</sup>	Revenue Notes	State Revolving Fund	Total		
				Amount	Per Capita <sup>(2)</sup>	Percent of Personal Income <sup>(3)</sup>
1999	\$ 55,225,319	\$ -	\$ 18,204,608	\$ 73,429,927	3,869	17.60%
2000	53,068,892	14,635,747	18,144,866	85,849,505	4,282	18.36%
2001	50,804,487	23,706,468	17,435,927	91,946,882	4,559	18.80%
2002	45,754,090	23,052,000	16,704,331	85,510,421	4,152	16.79%
2003	44,766,225	22,278,000	15,949,355	82,993,580	3,890	15.52%
2004	43,265,547	20,869,000	15,170,251	79,304,798	3,601	13.79%
2005	40,749,837	19,572,000	14,366,249	74,688,086	3,341	12.27%
2006	37,603,838	18,471,000	13,536,552	69,611,390	3,044	10.73%
2007	34,320,704	17,529,000	12,680,339	64,530,043	2,810	9.51%
2008	40,881,677	16,535,000	11,796,761	69,213,438	2,844	9.23%

Notes: <sup>(1)</sup>Revenue certificates outstanding are reported net of unamortized discounts, premiums, and deferred losses on advanced refundings.

<sup>(2)</sup>Per capita based on population for City of New Smyrna Beach, Florida reported in Table 14.

<sup>(3)</sup>Percent of Personal Income based on data obtained on Table 14.

<sup>(4)</sup>The Commission's bond covenants stipulate that it may issue additional debt as long as certain conditions are met. The major criterion is that the net earnings of the system must be at least 1.40 times the highest combined debt service requirement.

**PLEDGED REVENUE COVERAGE,  
LAST TEN FISCAL YEARS**

Year Ending September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2008	2007	2006	2005
Revenues as defined by Certificate Resolution: <sup>(1)</sup>				
Operating revenues.....	\$ 62,922,200	\$ 59,476,142	\$ 63,950,363	\$ 58,967,403
Interest and other income.....	1,171,254	1,751,065	1,925,869	1,772,305
Capital contributions (excluding donated property).....	1,014,468	1,881,126	1,577,701	3,428,529
Assessment collections.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>65,107,922</u>	<u>63,108,333</u>	<u>67,453,933</u>	<u>64,168,237</u>
Expenses as defined by Certificate Resolution: <sup>(2)</sup>				
Operating expenses.....	59,001,340	53,677,214	59,689,977	57,380,632
Less:				
Depreciation expense.....	(6,324,910)	(6,065,225)	(5,558,449)	(5,272,971)
Required payments to City.....	<u>(3,612,294)</u>	<u>(3,670,560)</u>	<u>(3,665,315)</u>	<u>(3,328,647)</u>
	<u>49,064,136</u>	<u>43,941,429</u>	<u>50,466,213</u>	<u>48,779,014</u>
Net revenues available for debt service.....	<u>16,043,786</u>	<u>19,166,904</u>	<u>16,987,720</u>	<u>15,389,223</u>
Annual Debt Service Requirements: <sup>(3)</sup>				
Principal.....	5,685,020	5,388,214	5,415,697	4,988,773
Interest.....	<u>2,457,884</u>	<u>2,645,894</u>	<u>2,727,810</u>	<u>2,405,067</u>
	<u>8,142,904</u>	<u>8,034,108</u>	<u>8,143,507</u>	<u>7,393,840</u>
Coverage ratio (times).....	<u>1.97</u>	<u>2.39</u>	<u>2.09</u>	<u>2.08</u>

Notes:

<sup>(1)</sup>Revenues are defined under Resolution No. 28-78, as amended, and include: gross revenues from sales of service, all income and earnings, including special assessments, connection fees, and other revenue as derived from operation of the utility systems. Revenues do not include proceeds from the sale of debt or property, grants from governmental agencies, contributions in aid of construction (other than connection fees), customer deposits, or moneys deposited into advance refunding escrow accounts.

<sup>(2)</sup>Expenses are defined under Resolution No. 28-78, as amended, as cost of "Operation and Maintenance," which includes all expenses for operating and maintaining the utility systems. Excluded from this definition are: payments in lieu of taxes paid to the City, depreciation, and extraordinary repairs or any allowance of renewals, replacements, or reserves thereof.

<sup>(3)</sup>Annual debt service requirements are for all outstanding debt that are secured by a pledge of the net revenues derived from the operation of the utility systems.

<sup>(4)</sup>The rate covenant established for revenue certificates requires that net revenues must equal or exceed 120% of annual debt service principal and interest requirements. The rate covenant for FMPA Pooled Loan Revenue Notes requires net revenues equal to or exceeding 110% of annual debt service principal and interest requirements. The rate covenant for the State Revolving Fund Loan requires net revenues equal to or exceeding 120% of annual debt service principal and interest requirements.



**Table 13**

Fiscal Year					
2004	2003	2002	2001	2000	1999
\$ 54,613,482	\$ 46,347,066	\$ 40,612,225	\$ 42,715,387	\$ 41,419,907	\$ 32,552,181
1,406,072	694,980	894,508	1,345,251	1,471,189	1,292,757
1,854,598	4,474,157	960,595	1,185,634	773,198	1,774,292
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,408</u>
<u>57,874,152</u>	<u>51,516,203</u>	<u>42,467,328</u>	<u>45,246,272</u>	<u>43,664,294</u>	<u>35,622,638</u>
53,335,909	39,807,203	35,090,229	37,049,738	36,247,872	28,339,261
(5,009,752)	(4,904,128)	(4,737,946)	(4,360,451)	(3,656,949)	(3,502,707)
<u>(3,262,587)</u>	<u>(2,706,427)</u>	<u>(2,509,729)</u>	<u>(2,625,008)</u>	<u>(2,214,486)</u>	<u>(2,016,471)</u>
<u>45,063,570</u>	<u>32,196,648</u>	<u>27,842,554</u>	<u>30,064,279</u>	<u>30,376,437</u>	<u>22,820,083</u>
<u>12,810,582</u>	<u>19,319,555</u>	<u>14,624,774</u>	<u>15,181,993</u>	<u>13,287,857</u>	<u>12,802,555</u>
5,018,426	5,211,498	3,715,412	3,448,286	2,460,000	2,350,000
<u>2,407,605</u>	<u>2,592,401</u>	<u>3,292,614</u>	<u>3,921,252</u>	<u>2,857,214</u>	<u>2,948,209</u>
<u>7,426,031</u>	<u>7,803,899</u>	<u>7,008,026</u>	<u>7,369,538</u>	<u>5,317,214</u>	<u>5,298,209</u>
<u>1.73</u>	<u>2.48</u>	<u>2.09</u>	<u>2.06</u>	<u>2.50</u>	<u>2.42</u>



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

**Table 14**

Year Ending September 30,  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smrna Beach, Florida

Fiscal Year Ended September 30,	Population <sup>1</sup>	Personal Income <sup>2</sup>	Per Capita Personal Income <sup>3</sup>	Median Household Income <sup>3</sup>	Median HUD Income <sup>3</sup>	County Unemployment Rate <sup>3</sup>
1999	18,977	417,266,276	21,988	33,016	41,700	3.20%
2000	20,048	467,659,696	23,327	35,278	43,000	3.50%
2001	20,169	489,158,757	24,253	34,740	44,400	4.00%
2002	20,595	509,314,350	24,730	35,010	46,700	5.20%
2003	21,334	534,672,708	25,062	36,038	46,600	5.10%
2004	22,025	575,248,950	26,118	37,247	48,600	4.60%
2005	22,356	608,496,676	27,218	n/a	48,650	3.40%
2006	22,870	648,715,785	28,365	n/a	50,300	3.10%
2007	22,963	678,798,883	29,561	n/a	n/a	4.30%
2008	24,335	749,666,382	30,806	n/a	n/a	7.20%

Source: <sup>1</sup> U.S. Department of Commerce, Bureau of Census, for 2000 and 2005. 2006 and 2007 are estimated.  
2008 U.S. Bureau of the Census, 2000 Census of Population and Housing. ESRI BIS forecasts for 2008.

<sup>2</sup> Amount computed from population and per capita personal income statistics for Volusia County, Florida.

<sup>3</sup> Florida Research and Economic Database. Amounts indicated are for Volusia County, Florida.

**PRINCIPAL EMPLOYERS,  
CURRENT AND NINE YEARS AGO**

September 30,  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

Employer	September 30, 2008		
	Total Employees	Rank	Percent to Total City Employment
Bert Fish Medical Center.....	730	1	9.14%
Publix Supermarkets (2 stores).....	275	2	3.44%
City of New Smyrna Beach.....	260	3	3.25%
Wal-Mart Stores.....	215	4	2.69%
Oceanview Nursing Home.....	185	5	2.32%
Utilities Commission, City of New Smyrna Beach.....	167	6	2.09%
New Smyrna Chevrolet Chrysler Jeep Dodge.....	160	7	2.00%
Winn-Dixie Supermarkets.....	150	8	1.88%
Vern's Insulation.....	135	9	1.69%
Home Depot.....	<u>130</u>	10	1.63%
Total.....	<u><u>2,407</u></u>		30.13%
Estimated Civilian Labor Force (2005 Census).....			<u><u>7,988</u></u>

Source: City of New Smyrna Beach, Florida, Community Redevelopment Agency

The September 30, 2008 employment data is derived from September 30, 2006 data. The September 30, 2008 employment data was unavailable at date CAFR produced.

n/a - No known source for employment data for prior periods exists.

**Table 15**

September 30, 1999		
Total Employees	Rank	Percent to Total City Employment
n/a	-	n/a
n/a	-	n/a
n/a	-	n/a
n/a	-	n/a
n/a	-	n/a
n/a	-	n/a
n/a	-	n/a
n/a	-	n/a
n/a	-	n/a
n/a	-	n/a
n/a	-	n/a
n/a	-	n/a
		n/a

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

Year Ending September 30,  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	Full-Time			
	2008	2007	2006	2005
Utilities Commissioners.....	5.0	5.0	5.0	5.0
Executive Management	5.0	5.0	6.0	2.0
Finance and Accounting:				
Accounting.....	7.0	8.0	7.0	6.0
Billing and collections.....	23.0	22.0	20.8	17.5
MIS/metering.....	-	-	-	-
Materials management.....	5.0	5.0	4.0	4.0
Information Technology.....	6.0	5.0	6.0	4.0
Personnel.....	5.0	5.0	4.0	4.0
Engineering:				
Management.....	3.0	3.0	3.0	2.0
Environmental.....	4.0	4.0	3.0	3.0
Electrical engineering.....	2.0	4.0	4.0	2.0
Electric:				
Operations.....	13.0	12.0	13.0	13.0
Fleet Maintenance.....	3.0	3.0	3.0	3.0
Transmission and distribution.....	27.0	26.0	24.0	24.0
Construction.....	-	-	-	-
Substation and relay.....	5.0	5.0	3.0	3.0
Water, Wastewater and Water Reuse:				
Water production.....	12.0	13.0	13.0	12.0
Water distribution.....	14.0	19.0	17.0	16.0
Wastewater collection.....	8.0	5.0	4.0	4.0
Wastewater treatment.....	19.0	19.0	16.0	16.0
Water reuse operations.....	-	-	-	-
Internet.....	3.0	4.0	-	-
Communications:				
Call center.....	-	-	33.0	41.0
Sales/marketing.....	-	-	7.0	6.0
Other operations.....	-	-	22.8	21.0
<b>Total.....</b>	<b><u>169.0</u></b>	<b><u>172.0</u></b>	<b><u>218.5</u></b>	<b><u>208.5</u></b>

Notes: All managers or directors are included with their respective operating divisions.  
Full-time equivalent employment is calculated by dividing total labor hours by 2,080 hours.

**Table 16**

Equivalent Employees at September 30,

2004	2003	2002	2001	2000	1999
5.0	5.0	5.0	5.0	5.0	5.0
4.0	2.0	2.0	2.0	2.0	3.0
5.0	6.0	7.0	6.0	6.0	5.0
17.3	16.3	17.3	17.0	16.3	15.5
-	-	-	-	-	2.0
4.0	4.0	3.8	3.8	4.8	5.8
-	-	-	-	-	-
5.0	4.0	5.0	3.0	3.0	3.0
2.0	2.0	2.0	2.0	2.0	2.0
3.0	3.0	3.0	3.0	3.0	3.0
2.0	2.0	2.0	2.0	2.0	2.0
11.0	12.0	12.0	13.0	13.0	12.0
3.0	3.0	3.0	3.0	3.0	3.0
22.0	22.0	22.0	22.0	21.0	22.0
-	-	4.0	4.0	9.0	-
3.0	3.0	2.0	2.0	2.0	2.0
12.0	12.0	13.0	13.0	13.0	13.0
15.0	15.0	9.0	9.0	9.0	17.0
4.0	4.0	5.0	5.0	5.0	7.0
17.0	17.0	14.0	14.0	14.0	15.0
-	-	1.0	1.0	1.0	1.0
-	-	-	-	-	-
16.5	11.5	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>150.8</u>	<u>143.8</u>	<u>132.0</u>	<u>129.8</u>	<u>134.0</u>	<u>138.3</u>

**OPERATING AND CAPITAL INDICATORS,  
LAST TEN FISCAL YEARS**

Year Ending September 30,  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2008	2007	2006	2005
<b>Electric:</b>				
Net energy for load (million kWh).....	392.051	400.816	402.421	396.806
Retail energy sales (million kWh).....	370.659	378.244	383.185	371.219
Distribution loss factor (%).....	5.46%	5.63%	4.78%	6.45%
Annual peak energy demand (kW).....	89,000	91,000	94,000	91,000
<b>Peaking Power Systems Nameplate rating (kW):</b>				
Smith Street Generating Station (fuel oil).....	12,540	12,540	12,540	12,540
Field Street Generating Station (fuel oil).....	53,059	53,059	53,059	53,059
W.E. Swoope Generating Station (fuel oil).....	5,145	5,145	5,145	5,145
<b>Water:</b>				
Maximum daily flow (MGD).....	6.68	6.51	6.93	6.07
Average daily treated flow (MGD).....	4.64	4.93	4.80	4.42
Minimum daily treated flow (MGD).....	3.17	3.60	3.11	3.08
Raw water pumped and treated (MG).....	1,689.58	1,805.00	1,735.33	1,616.61
CUP Allowance <sup>(1)</sup> .....	6.62	6.04	5.58	5.17
Storage capacity (MGD) <sup>(2)</sup> .....	5.07	5.07	5.07	5.07
Water mains (miles) <sup>(3)</sup> .....	180.51	180.51	179.83	177.37
Pumping stations <sup>(2)</sup> .....	3	3	3	3
<b>Wastewater/Reclaimed Water:</b>				
Maximum daily flow (MGD).....	9.59	5.57	7.26	4.80
Average daily treated flow (MGD).....	3.40	3.12	3.30	3.73
Minimum daily treated flow (MGD).....	1.66	1.95	2.43	2.06
Wastewater collected and treated (MG).....	1,242.79	1,140.23	1,203.83	1,262.52
Reclaimed water treated and pumped (MG).....	978.50	1,032.29	870.89	830.48
Collection system (miles) <sup>(3)</sup> .....	99.02	99.02	99.02	98.92
Number of treatment plants.....	1	1	1	1
Treatment capacity (MGD) <sup>(4)</sup> .....	7.00	7.00	7.00	7.00
Maximum plant capacity (MGD).....	14.00	14.00	14.00	14.00
Amount treated annually (MGY).....	1,243	1,140	1,204	1,274
Percent of capacity utilized (MG).....	49.00%	45.00%	47.10%	49.90%
Percent of unused capacity (MG).....	51.00%	55.00%	52.90%	50.10%

Notes: kW = kilowatt; kWh = kilowatt hours; MG = million gallons; MGD = millions of gallons per day.

<sup>(1)</sup>CUP allowance is provided in lieu of size of watershed (square miles drained).

<sup>(2)</sup>Third Avenue pumping station taken off-line and steel storage tank dismantled in 2000 (scheduled to be rebuilt in 2008).

<sup>(3)</sup>Miles of water/wastewater mains do not include mileage installed by developers.

<sup>(4)</sup>Reflects 4.0MGD North Causeway plant removed from service in 1999, inclusion of 0.25 MGD Sugar Mill treatment plant added in 2001, and re-rating of SR 44 plant to 7.0MGD in 2004.



**Table 17**

Fiscal Year					
2004	2003	2002	2001	2000	1999
385.510	386.385	367.175	361.159	360.759	355.599
361.426	370.242	342.753	344.820	340.632	340.606
6.25%	4.18%	6.65%	4.52%	5.58%	4.22%
89,000	100,200	87,900	91,100	87,300	85,700
12,540	12,540	12,540	12,540	12,540	12,540
53,059	53,059	53,059	53,059	-	-
5,145	5,145	5,145	5,145	5,145	5,145
7.12	7.20	6.62	5.96	7.06	6.13
4.53	4.78	4.73	4.54	4.82	4.57
2.17	3.40	2.16	2.11	2.77	2.56
1,660.32	1,743.83	1,718.62	1,658.42	1,762.93	1,667.35
5.63	5.53	5.44	4.80	4.73	-
5.07	5.07	5.07	5.07	5.07	6.07
175.55	173.52	166.51	164.04	161.00	157.90
3	3	3	3	3	4
9.65	6.45	9.77	9.29	5.72	7.55
3.93	3.83	3.92	3.81	3.30	2.97
2.44	2.30	2.40	1.97	2.25	1.25
1,369.39	1,339.03	1,422.28	1,307.30	1,203.43	1,083.48
684.94	793.17	1,050.08	955.17	610.87	674.69
98.82	98.66	98.55	98.35	98.21	96.63
1	1	2	2	1	1
7.00	6.00	6.25	6.25	6.00	6.00
14.00	12.00	12.50	12.50	12.00	12.00
1,369	1,357	1,429	1,304	1,203	1,096
53.60%	62.00%	62.60%	57.20%	54.90%	50.00%
46.40%	38.00%	37.40%	42.80%	45.10%	50.00%



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***SUPPLEMENTAL AUDIT REPORTS***



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**BRENT MILLIKAN & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S 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***

To the Honorable Chairman and Commissioners  
Utilities Commission, City of New Smyrna Beach, Florida  
New Smyrna Beach, Florida

We have audited the financial statements of Utilities Commission, City of New Smyrna Beach, Florida, a component unit of City of New Smyrna Beach, Florida, as of and for the year ended September 30, 2008, and have issued our report thereon dated January 22, 2009. 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 Utilities Commission, City of New Smyrna Beach, Florida'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 Utilities Commission, City of New Smyrna Beach, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Utilities Commission, City of New Smyrna Beach, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Utilities Commission, City of New Smyrna Beach, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Utilities Commission, City of New Smyrna Beach, Florida's financial statements that is more than inconsequential will not be prevented or detected by Utilities Commission, City of New Smyrna Beach, Florida's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses [Findings 07-01, 07-02, 08-01, and 08-02] to be significant deficiencies in internal control over financial reporting.

To the Honorable Chairman and Commissioners  
Utilities Commission, City of New Smyrna Beach, Florida  
New Smyrna Beach, Florida  
Page 2 of 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Utilities Commission, City of New Smyrna Beach, Florida's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Utilities Commission, City of New Smyrna Beach, Florida'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 08-03.

We also noted certain additional matters that we reported to management of Utilities Commission, City of New Smyrna Beach, Florida, in the accompanying Management Letter dated January 22, 2009.

This report is intended solely for the information and use of the Utilities Commission, management, City of New Smyrna Beach, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.



January 22, 2009

## SCHEDULE OF FINDINGS AND RESPONSES

Year Ended September 30, 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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### **Finding Number Finding**

#### 07-01 Fraud Risk Assessment and Monitoring Process

In prior years we have communicated to management of the need to develop and document the Utilities Commission's fraud risk assessment and monitoring process. In performing our audit, we consider management's identification and measurement of the risks of fraud and whether preventive internal controls are implemented to mitigate those risks.

As of the most recent fiscal year ended, management had not yet fully developed and documented a formal fraud risk assessment and monitoring process. During the current year a newly hired Controller/Budget Supervisor was charged with the responsibility of developing the assessment process and documenting the monitoring process on the effectiveness of controls for identification of potential fraud risk factors. While we note that some progress has been made in implementing antifraud policies, actual antifraud procedures have not been documented and subsequently put into practice to identify and monitor potentially high-risk areas that could affect the safeguarding of assets or the Commission's financial reporting.

Recommendation: We continue to recommend that management complete the development, documentation, and implementation of an effective antifraud system. Constant monitoring is essential to enable periodic communication to those charged with governance on the effectiveness of this system to mitigate the Commission's vulnerabilities to fraudulent activities.

UC Response:

*The UC has implemented a formal policy officially addressing this matter. Finance staff will continue to complete the development and documentation of the Fraud Risk Assessment and Monitoring Process. This information will be communicated to those in charge of governance.*

#### 07-02 Accounting and Finance Uniform Accounting Policies and Procedures Manual

In prior years, we noted that the Commission had not fully developed a formal, written, accounting policies and procedures manual. During the current year, the Controller/Budget Supervisor had continued to coordinate with Finance Department staff to formally document procedures performed in the normal course of performing their assigned duties; but in some instances this documentation was still in draft outline format and was not sufficiently detailed to provide a connection to software application processes and internal controls over financial reporting that should be inherent with activities performed at each staff level.

Recommendation: We continue to recommend that management establish a standard accounting and operating procedures manual outlining all fiscal policies to be followed by all departments throughout the Commission and that the procedures be documented to provide the link to key areas of internal controls over financial reporting. We also recommend that once in place, management should periodically review each department's compliance with standard procedures for recording transactions and reporting financial activities.

## SCHEDULE OF FINDINGS AND RESPONSES (Continued)

Year Ended September 30, 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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### UC Response:

*The UC has formally established a manual consisting of existing policies and procedures. As an ongoing action item, this manual will continue to evolve and include the establishment of new policies and procedures for improvement areas as a routine responsibility of the Controller's position.*

#### 08-01 Management's Assessment of Internal Control

While the Sarbanes-Oxley Act of 2002 (Public Law 107-204) does not apply to local governments, it has had a substantial impact on the promulgation of universal auditing standards that rely upon the development of entity-wide and activity-level self-assessments of the effectiveness of internal controls over financial reporting. In July, 2007, the United States Government Accountability Office revised its *Government Auditing Standards* to reinforce the principles of transparency and accountability for high-quality government audits by adopting provisions similar to those promulgated by the American Institute of Certified Public Accountants for entities other than those required with a reporting obligation under the Securities and Exchange Act of 1934, specifically "government entities."

To successfully meet these new standards, government entities must incorporate these revised "best practices" which have placed significant emphasis on documenting entity-level and activity-level internal controls over financial reporting and the importance of appropriately designed and documented risk assessment and anti-fraud assessment processes. During the conduct of the audit, we noted that the Commission has not fully implemented procedures essential to document management's assessment of the effectiveness of the Utilities Commission's internal controls over financial reporting.

Internal control is a process effected by those charged with governance, management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Internal control over financial reporting to third parties is generally considered to consist of five interrelated elements:

1. Control environment. The tone of an organization, which influences the control consciousness of its employees. This environment is what provides a foundation of discipline and structure to other elements of internal control.
2. Risk assessment. This is the entity's identification of risks that may affect the integrity of the financial reporting system. This forms the basis for controls that reduce the risk of financial reporting errors.
3. Control activities. These are practices, policies, and procedures that reduce the possibility of errors entering in the financial reporting system (preventive controls), or that detect errors that are made (detective controls).
4. Information and communication. These are processes aimed at identifying, capturing, and exchanging information, to ensure the availability of complete and reliable information.



## SCHEDULE OF FINDINGS AND RESPONSES (Continued)

Year Ended September 30, 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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5. Monitoring. This is the process of testing the quality of internal control over time. This may include an internal audit function, or testing by outside auditors.

In the normal course of the audit process, the auditor is only required to obtain an understanding of internal control sufficient to plan the audit. This, however, does not imply that the auditor must perform any type of test or other verification of the effectiveness of the internal control system.

Recommendation: We recommend that management should report to the Commissioners on the effectiveness of the system of internal controls periodically. The report should reaffirm management's responsibility for establishing and maintaining an adequate system of internal control and financial reporting. To accomplish this objective, the overall effectiveness of the system should be assessed. Strong and effective internal controls are the responsibility of management, and we believe that this practice, conducted on an annual basis, will be of significant benefit in enhancing internal controls and preventing fraud and abuse.

UC Response:

*As UC staff's Fraud Risk Assessment and Monitoring Process evolves, so shall our formal documentation and testing of internal controls. Over the past fiscal year, the Controller/Budget Supervisor has been documenting existing controls and establishing additional controls. Moving forward, UC staff will ensure formal communication to the Commissioners. In the current economic environment, staff expects to examine the findings from national events to coordinate with other public entities, which are also attempting to meet this group of recommendations.*

08-02 Customer Information System

In July 2008 management implemented a conversion of its Customer Information System (customer service and utility billing application software) to *enQuesta*, which was to be customized by the software vendor (Systems and Software, Inc.) to meet the Commission's needs, as developed in the business process analysis conducted over approximately a two year period. During the preliminary planning stage for our audit, we were informed by the Commission's Director of Finance of several significant control deficiencies and concerns regarding the integrity of data processed by the new system, after the UC had implemented, changed, and used the new system for two months. After performing an initial assessment of the new system, we communicated to management our preliminary findings dated October 10, 2008.

In the preliminary communication of our findings, we noted that because this was new software to the UC, the implementation team had to rely heavily on the vendor for guidance in how to test the system for readiness to "go-live." Due to customization of the system to meet the UC's needs, the implementation team was unaware of additional processes that were not functioning. The vendor directed testing to demonstrate the system's readiness to "go live," well before the system was properly tested and subsequently determined and judged to be fully functional. Following this communication, key members of management from both parties met to discuss the seriousness of the matters, with the hope of resolving these issues prior to commencement of our onsite audit.

## SCHEDULE OF FINDINGS AND RESPONSES (Continued)

Year Ended September 30, 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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Months later, when conducting our audit, we randomly selected customer accounts to test the accuracy of customer billings from each billing cycle, we conducted a detailed walk-through of the complete billing process, we reviewed the reporting capabilities, and we followed-up on the progress made to remedy the deficiencies indentified with the new system that were communicated by us previously. Upon further inquiry, we learned of additional issues not previously identified that continue to cause management to believe that many of the processes have either not been fully developed and/or are still not fully functioning.

It has been approximately five months since our firm was first made aware of these deficiencies. As of the date of our audit report, the Commission is continuing to experience a large frequency of significant errors and related processing and reporting problems that management expected would have been completely resolved by now. Some of the most serious problems with the new system that continue to be unresolved are:

- Credit bureau letters and related reporting are not functioning consistently and reliably, resulting in the inability of UC staff to send delinquent customers' accounts to collection agencies;
- Problems with system setup and/or processes that identify delinquent customers accounts, resulting in a number of customers that have continued to receive service without having made a payment for months, some of which have not paid since the date of conversion;
- Month end reporting is seriously lacking in sufficient detail to enable reconciliation between *enQuesta* and the general ledger system;
- Daily reconciliation of postings from *enQuesta* to the general ledger system continue to be out of balance;
- Lack of sufficient exception reporting for pre-billing check of usage for high, low, unusual or no read reports, resulting in customer accounts that are billed with negative consumption, extremely high consumption, or incorrectly for the number of days in the billing cycle affecting the amount of the base rate billed for certain services;
- Customer accounts are incorrectly identified for utility service cut-off;
- "Promise to pay" feature no longer working properly and producing inaccurate reports, adding to collection issues that have arisen since conversion
- A complete lack of detail for control totals in system produced reports for various taxes imposed and billed to customers;
- Inaccurate customer counts, resulting in an appearance that the number of customers served and billed has changed dramatically
- Budget billing not working properly since conversion, requiring manual manipulation of ACH upload files to financial institutions
- Reporting inconsistencies, time-out issues and problems with many of the "canned" reports identified in the *enQuesta* Reports Catalog, many of which are not available have contributed significantly to many of the above-mentioned customer service and accounting functions

Utility billing requires critical internal controls due to the high volume of small dollar transactions that are billed frequently. The key to good internal controls over utility billing and collections of this regular and predictable activity is the proper use of strategically placed exception reporting controls. Many such reports found customarily in adequately designed utility billing systems provide for the following:

## SCHEDULE OF FINDINGS AND RESPONSES (Continued)

Year Ended September 30, 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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- Pre-billing check of usage for high, low unusual or no read meters;
- Pre-billing check for unbilled services;
- Pre-billing check for customer information problems such as mailing addresses; and
- Pre-billing check for pricing rate schedules, among others

While *enQuesta* does provide an on-line edit process, to identify readings that do not fall within pre-defined parameters for each service billed, it can only be viewed on-screen. The system does not allow for printing such a report. The on-line edit process is supposed to satisfy the exception reporting checks indicated above, but no reports can be produced to document compliance with these internal control activities.

In our testing of customer accounts billing we did note some exceptions. In one such instance, we found that a customer account had been improperly billed for the correct number of days in the billing cycle for the base water rate, prompting action to re-read and inspect the meter. In the subsequent month's billing for this account, again the system incorrectly computed the number of days to be billed; by omitting the remaining days in the billing cycle and instead only billing the number of days from the previous month's read date through the interim re-read date.

Through observation of an entire billing process conducted by UC personnel using the new system, we noted that some potential billing problems can be viewed by staff on-screen; however, due to a system limitation (*enQuesta* does not allow for holding a single bill, i.e., it only permits cancellation of the entire bill cycle and a re-bill for the entire cycle), some billing errors may be mailed to customers, requiring corrections in subsequent billing periods.

With respect to reporting limitations, management determined that many of the reports the vendor presented as available in the "Reports Catalog" are not available or accessible to the UC. Other options are available to UC staff, such as the separate customized report writer recommended by the vendor (COGNOS). However, developing such reports requires a significant amount of time and requires the involvement of many members from IT, customer service and accounting department personnel. The software is designed to run by "application," the term defined by the program for type of service. Accordingly, running a comprehensive report, such as a customer balance report, so that all "applications," i.e., electric, water, wastewater, etc, are included in the balances, requires in an inordinate amount of time and requires almost an entire case of paper. Such a report is quite voluminous, making it difficult to work with and retain. This factor, coupled with intermittent system time-out issues, may contribute to reluctance by staff to run certain reports that would assist them in performing their assigned duties.

Many of the key reports continue to lack any significant level of detail that are essential in providing an audit trail from the general ledger posting to each and every customer billing account. This detail is essential to the verification and recording process and, more importantly, documentation of the control environment, all of which is recommended as best practices to document adherence to internal controls and compliance reporting to other agencies. Developing reports outside of the system produced reports requires unnecessary, tedious and time consuming manually performed tasks to derive the information to properly record and/or adjust customer accounts. Inherently, this weakens internal controls and allows for the

## SCHEDULE OF FINDINGS AND RESPONSES (Continued)

Year Ended September 30, 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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possibility of human error in recording the financial activity to customers' accounts and in the summary totals posted in your general ledger system.

This new system has not been able to demonstrate its ability to consistently process reliable data or provide reporting that the management deems necessary and essential to the UC's continued financial operations. As indicated above many of the collections processes and reporting features are not functioning properly.

During our audit, we have noted intensification in the frustration level exhibited by staff and management in working with the new system. Daily reconciliations have deteriorated, no significant progress has been made on the collections processes, reporting problems continue, no significant progress has been made to correct deficiencies communicated many months earlier; all indicating a lack of appreciation by the vendor on the urgency required to correct these many system flaws.

Recommendation: We recommend that management give consideration to all available options to remedy the situation. At this point, it does not appear that many of the unresolved issues can be rectified by changing UC processes, as these issues appear to be inherent within the software and/or attributable to the inability of the vendor to modify the application to meet the Commission's specific needs, as defined in the business process analysis provided to them at the onset of this project. If the decision is made to abandon this system, we recommend that management consult with the UC's attorney to make a determination for possible remedial action.

We understand there may not be many choices in selecting an alternative CIS that would integrate with the UC's Microsoft Dynamics Great Plains financial management and general ledger software application. The previous CIS application, provided by another vendor, does integrate with Great Plains; however, it is our understanding that the application previously used by the UC is many versions behind the current version, which could impose further complications arising from potential compatibility issues, i.e., the previous CIS version may not work with the upgraded version of Great Plains, and all the current CIS data files would need to be converted from an entirely different platform that has since been required for use with the new system. Considering this option, we recommend that management consult with the previous vendor to identify potential problems to be resolved in this alternative. After that assessment, we believe management will have sufficient information to make a determination on the appropriate course of action.

UC Response:

*Management and staff have been actively investigating alternative customer billing solutions. As the former software (Cogsdale) does integrate effectively and efficiently with the UC's financial software (Microsoft Great Plains) staff has initiated conversations with this vendor. Cogsdale is current with upgrades, matching Microsoft Great Plains versions. The software has evolved dramatically from the out-of-date version the UC had formerly utilized. Based on staff's experience and statements made to management, the implementation team and the Commission staff believe there was likely misrepresentation of enQuesta's capabilities and ability to serve the UC's needs. In order to maintain the integrity of billing and financial reporting, the UC must effectively remediate enQuesta's failings in the immediate future.*

## SCHEDULE OF FINDINGS AND RESPONSES (Continued)

Year Ended September 30, 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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### 08-03 Renewal and Replacement

Pursuant to Utilities Commission Resolution No. 28-78, Section 16D(8), as amended, the Commission is required to deposit to the Renewal and Replacement Fund an amount equal to one-twelfth of not less than eight percent of the gross revenue consisting of all monies received by the Commission from the combined utility operations for the second preceding year, after deducting the cost of purchased power and fuel expenses incurred by the electric system. While the actual funding of the reserve can be made in varying installments throughout the fiscal year, it must be accomplished prior to the end of each respective year. During the conduct of the audit we noted that the Commission transferred payments to the R & R Fund totaling approximately \$1.5 million, while amounts required to be deposited during the year totaled approximately \$2.5 million. We did note that the shortfall in funding was corrected and funded in its entirety subsequent to year-end.

Recommendation: After determining the mandatory annual transfer, we recommend that management should consider funding all required reserve funds on a monthly basis to minimize the effect on the Commission's budgeted cash flows.

UC Response:

*During the year, fuel and purchased power prices were extremely volatile and every industry was rapidly increasing prices. In an effort to maintain the UC's rates and limit the impact to rate payers, already struggling under the downward economy, management determined withholding unrestricted R&R transfers temporarily would assist in this effort. As unrestricted R&R funds may be used for operations and any lawful purpose, management acted on behalf of the customers' interest to mitigate short-term relief from high fuel and purchased power costs while also implementing short-term cost reductions to subsequently meet the requirements.*



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**BRENT MILLIKAN & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

## MANAGEMENT LETTER

To the Honorable Chairman and Commissioners  
Utilities Commission, City of New Smyrna Beach, Florida  
New Smyrna Beach, Florida

We have audited the financial statements of Utilities Commission, City of New Smyrna Beach, Florida, (the "Commission") as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated January 22, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have also issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated January 22, 2009, 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 govern the conduct of local government entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls, this letter is required to include the following information.

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report, except as note below under the heading *Exhibit A - Prior Year Matters*.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that Utilities Commission, City of New Smyrna Beach, Florida, complied with Section 218.415., Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we have included our findings and recommendations as reported in the attached Exhibit A under the headings *Prior Year Matters* and *Current Year Matters*.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that occurred, and (2) control deficiencies that are not significant deficiencies, including but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we have included those findings and recommendations as reported in the attached Exhibit A under the headings *Prior Year Matters* and *Current Year Matters*.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Utilities Commission, City of New Smyrna Beach, Florida, was created in 1967 through the passage of Chapter 67-1754, Laws of Florida, Special Acts of 1967 (House Bill 1669), which amended the Charter of the City of New Smyrna Beach, Florida, to create the Utilities Commission as a component unit of the City of New Smyrna Beach, Florida.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government 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 Utilities Commission, City of New Smyrna Beach, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Utilities Commission, City of New Smyrna Beach, Florida for the fiscal year ended September 30, 2008, required to be filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. This report has not yet been completed by the Commission's oversight unit (City of New Smyrna Beach, Florida, Unit ID#251) at the time of submitting this report. Upon completion of the annual financial report, we will compare the reported data with that data contained in their audited financial statements to confirm that both are in agreement. Should it be determined by us that the data reported in the annual financial report is not in agreement with the Commission's audited financial statements, we will promptly report our findings to you in an amended or supplemental management letter.



To the Honorable Chairman and Commissioners  
Utilities Commission, City of New Smyrna Beach, Florida  
New Smyrna Beach, Florida  
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- 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 Utilities Commission, City of New Smyrna Beach, Florida'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 management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Brett Milliken & Co., P.A.*

January 22, 2009

## MANAGEMENT LETTER COMMENTS

Exhibit A

Year Ended September 30, 2008

UTILITES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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### PRIOR YEAR MATTERS

Section 10.554(1)(i)1., Rules of the Auditor General, require that we address in the management letter, if not already addressed in the auditor's report on compliance and internal control, whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The following is a summary of the status of the Prior Year Findings and Recommendations:

#### **PY-1 Accounting for Other Post Employment Benefits (OPEB)**

In previous years, we communicated to the Commission that management should plan for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 45 that provide standards for accounting, reporting and disclosure requirements for postemployment benefits other than pensions, known as "OPEB". The Commission is required to implement these new accounting principles with the fiscal year beginning October 1, 2008 and the data to be gathered could be significant and difficult to employ. These new standards could potentially require the recognition of material increases in the expenses and liabilities reported in the financial statements of many governmental entities, even when those employers provide no postretirement benefits, such as medical, dental, long-term care or life insurance to exiting employees. However, since Florida municipalities are required to continue to offer these traditional benefits to retired employees (even though they reimburse the Utilities Commission for 100% of the premium costs), employers must recognize the potential incremental costs they assume from these actions. The GASB considers the resultant "implicit rate subsidy" for retirees, which is created from these actions, to be an OPEB that must be measured and reported by the Commission in its financial statements.

Recommendation: We understand that steps have already been taken to start the planning process for determining the effect of this requirement. We continue to recommend that management make a comprehensive assessment of all of the Commission's postemployment benefit programs, summaries of the underwriting criteria used by the insurance providers in their determination of the related premium costs and unit classifications, and current employee census information that will need to be compiled to appropriately determine the expenses and liabilities associated with the postemployment benefits for inclusion in your future financial statements.

#### UC response:

*The UC has taken measures to extremely limit the risk of OPEB. UC staff has limited the amount of life insurance coverage a UC retiree can obtain through the UC (with 100% reimbursement) having a significant decrease in the rates the UC pays for all employees covered. The UC changed our definition of retired; not every employee leaving the UC has the ability to keep health benefits or any other benefit indefinitely. Once a truly retired employee reaches Medicare eligible age, they are no longer insurable on the UC's policy. The cost for an actuarial study is upwards of \$50,000, which is excessive due to the UC's limited exposure. A software package being released shortly promises to be an affordable option for actuarial studies to local municipalities.*

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**PY-2 Unrestricted Cash**

In the past two years, we noted that the Commission's year-end position in unrestricted cash and cash equivalents was significantly over drafted. During our current year audit, we noted that the Commission's carrying amount in the unrestricted Master checking account continued to decline to a larger negative balance. In the previous years we communicated that many factors contributed to the deficit in the unrestricted cash balance. Operating losses sustained by the telecommunications division, increasing fuel and purchased power costs not yet fully recovered through the fuel adjustment billed to customers, and the effects of prior management's practices, all negatively impacted operating cash.

In our prior year audit, we noted signs of this trend reversing, with a reduction of approximately \$3.3 million in the amount of the operating cash deficit from the prior year. In fiscal year 2008, other factors beyond the control of the Commission, such as: increased purchased power costs, increased expenses for gasoline and diesel fuel, and the global economic crisis, have impeded the Commission's ability to make headway in recovering the unrestricted cash deficit. As of September 30, 2008, the amount of unbilled under-recovered fuel and purchased power cost adjustment receivable increased approximately \$2 million, which negatively impacted the unrestricted cash balance; putting the Commission further behind by another \$1 million in the current fiscal year.

Recommendation: We understand that uncertainties caused by current economic conditions will hamper the ability of the Commission to make significant progress in reversing this negative trend, making it a long-term commitment to build back an adequate operating cash reserve. That said, we continue to recommend that management stay the course with its strategic plan, while continuing to implement the recommendations made by Black & Veatch in their Cost of Service Analysis and Rate Study Report prepared in March 2006.

UC response:

*The UC will continue to move forward with cost saving efforts as staff works through the UC's Strategic Plan. As the UC recovers the unbilled fuel and purchased power under-recovery, a significant improvement in operating cash balance is expected.*

**PY-3 Internet Division-Operating Loss**

Since the Commission began separately reporting the financial activity for internet services, it has experienced operating losses in this division for the past two years in a row. We also noted a decline in operating revenue and increased operating expenses reported by the Internet Division in the current fiscal year. As we communicated last year, the provisions outlined in Section 350.81, Florida Statutes, requires the Commission to conduct an annual review at a formal public meeting to consider the progress it is making toward reaching its business plan goals and objectives for providing these services. Also, if after four (4) years following the date of enactment (June 2, 2005) of the act (Chapter 2005-132, Laws of Florida, *Communication Services*), revenues do not exceed operating expenses and payment of principal and interest on any debt for a governmental entity's provision of communications services, then no later than 60 days following the end of the 4-year period the governmental entity shall hold a public hearing at which the governmental entity shall do at least one of the following: (1) approve a plan to cease providing communications services; (2) approve a plan to dispose of the system the governmental

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entity is using to provide communications services and, accordingly, to cease providing communications services; (3) approve a plan to create a partnership with a private entity in order to achieve operations in which revenues exceed operating expenses and payment of principal and interest on debt; or (4) approve the continuing provision of communications services by a majority vote of the governing body of the governing authority.

Based on these provisions the Utilities Commission is not required to take any immediate action to determine whether it should continue providing internet services until June 2, 2009. However, the law clearly requires an annual review of these operations.

Recommendation: We continue to recommend that the Commission review the requirements outlined under Section 350.81, Florida Statutes and determine the economic feasibility of continuing to provide internet services to its customers and to take the appropriate course of action to comply with the provisions of this law.

UC response:

*UC staff will bring this to the Commission for formal discussion as we have each year.*

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**CURRENT YEAR MATTERS**

Section 10.554(1)(i)5., Rules of the Auditor General, requires disclosure in the management letter of the following matters if not already addressed in the auditor's report on compliance and internal control: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. While some of our recommendations are included in the preceding sections of this letter, the following is a summary of our other Current Year Findings and Recommendations:

**CY-1 Implementation of New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* that became effective for the Commission with the beginning of its current fiscal year on October 1, 2008. According to the standard, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and a government has little or no discretion to avoid fixing the problem
- A government has violated a pollution prevention-related permit or license
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the clean up
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

Liabilities and expenses would be estimated using an "expected cash flows" measurement technique, which is used by environmental professionals but will be employed for the first time by governments. Statement 49 also will require governments to disclose information about their pollution obligations associated with clean up efforts in the notes to the financial statements.

In light of this new pronouncement we recommend that the Commission consult with an environmental risk specialist to determine if an obligating event has taken place as of the beginning of this current fiscal year and to determine the extent of any remediation obligation that would require recognition of a liability by the Commission.

In addition, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* that will become effective for the Commission in its fiscal year beginning October 1, 2009. The Statement provides needed guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending

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beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks.

Recommendation: We recommend that management identify all right-of-way easements, determine whether they were acquired or donated, and review the unique facts and circumstances of the specific easements for factors in estimating the fair value of the easements to be reported as a capital asset. Other factors should be considered to determine if there is any impairment to be recognized in valuing the asset or whether the easement has a definitive life, suggesting that amortization may need to be factored into the carrying value of the asset. A review by the Commission's attorney for other possible intangible assets, such as acquired water or timber rights, should be undertaken to determine if any other assets should be valued and recorded.

UC Response:

*Finance staff has already been working toward implementing GASB 51. Staff is prepared and will be in compliance for the Fiscal Year 2009 audit. Finance staff has reviewed GASB 49. As of this date, the UC is not aware of any Pollution Remediation Obligation necessary to report. During fiscal year 2008, the UC had a sewer line break, but was not found to be in any violation. Also, during fiscal year 2008, the UC was required to remove in-ground fuel tanks no longer in compliance (not in use for many years). A detailed soil study was required and it was determined there was no soil contamination.*