



**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, 2010 and 2009**

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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, 2010 AND 2009*

### **UTILITIES COMMISSIONERS**

Walter Allen III, Chairman

William Hall, Vice-Chairman

William Reynolds, Secretary-Treasurer

Oscar Zeller, Assistant Secretary-Treasurer

Jeanne Diesen, Commissioner

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

William Ray Mitchum

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

Laurie Matta

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September 30, 2010 and 2009  
**UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA**  
New Smyrna Beach, Florida

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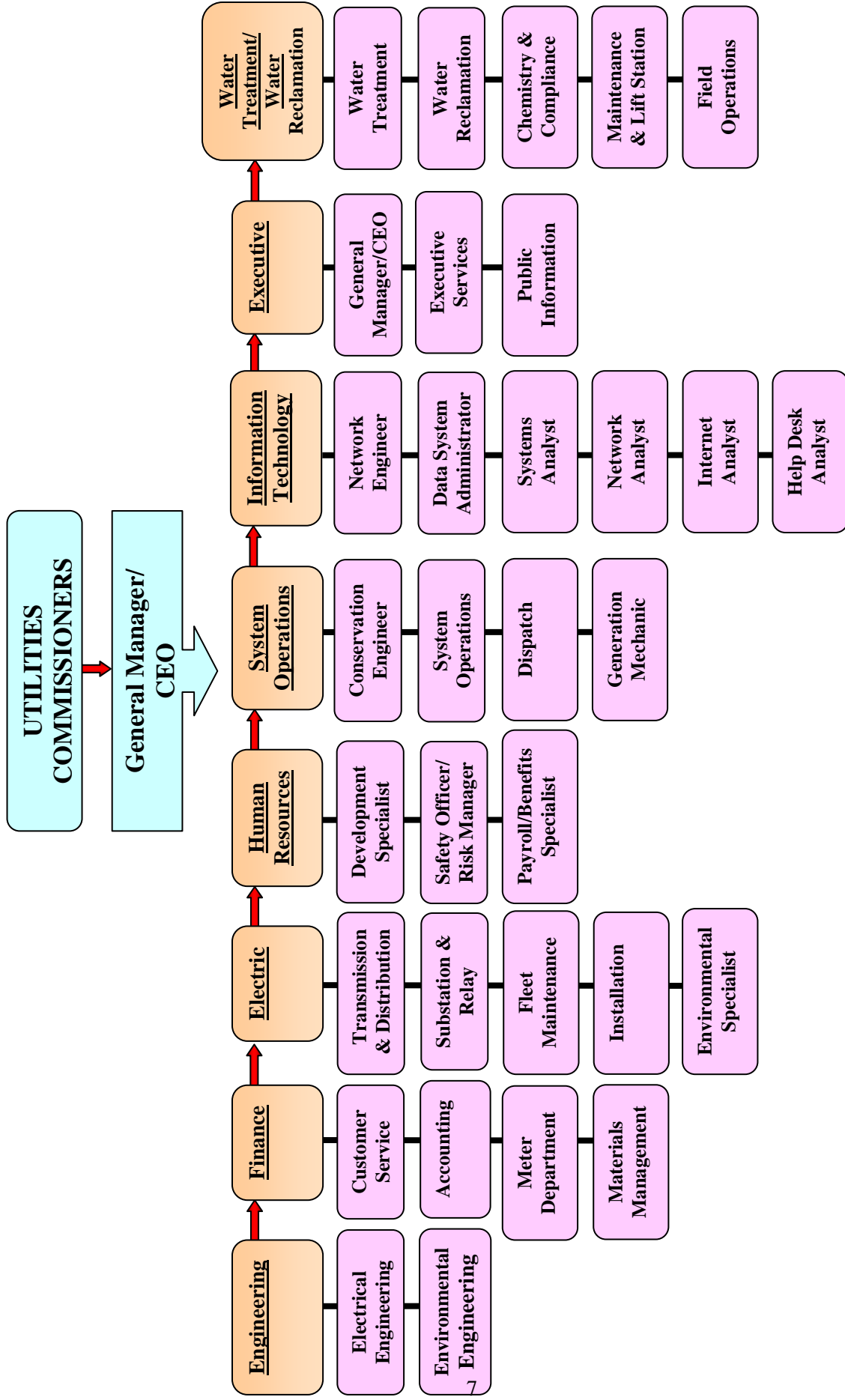
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## ***ORGANIZATION CHART***

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# Utilities Commission, City of New Smyrna Beach



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# ***CERTIFICATE OF ACHIEVEMENT***

***FOR THE YEAR ENDED SEPTEMBER 30, 2009***

*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, 2009.*

*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, 2009

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, 2009

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



President

Executive Director

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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 14, 2011

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, 2010 and 2009, 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, reclamation (wastewater & reuse) and broadband 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.

*"Connecting You With Quality"*

To the Chairman and Members  
of the Utilities Commission  
January 14, 2011

## **ECONOMIC CONDITION AND OUTLOOK**

The economic condition and outlook of the Utilities Commission (UC) has remained stable due to expense reductions to match the overall US economic downturn and due to continued recovery from the substantial losses incurred and attributed to the cessation of the Communications System in the past years and the financial effect of the failed Customer Service software solution, enQuesta.

The financial impact of both failed solutions is not expected to have an impact on the UC's financial statements in future years. In FY 2010 the failed enQuesta billing and collections software and its inability to recognize outstanding accounts receivable as well as provide uncollectible billing information to a collection agency has resulted in expense recognition in excess of \$280,000 as bad debt.

While the failing banking industry has appeared to somewhat stabilize, there continues to be a major impact on revenues as interest income decreased an additional 64% (a reduction of \$74,092) from the prior year. Based on FY2009's drastic revenue shortfall from budget, FY2010 revenue projections were extremely conservative to ensure expense alignment which included further cost containments. For FY 2010 actual revenues were \$1.7 million above projections.

The growth of the Utilities Commission's service area continued to slow considerably this past year due to the general economic down turn, increased conservation efforts, level of homeowner foreclosures and local business bankruptcies. Recently the service area is experiencing a slight increase in commercial growth/activity. Serving our customers/ratepayers remains our priority. UC Management continues to evaluate procedures to recommend possible pilot programs to assist customers while still providing reasonable assurance of cost recovery. The Fuel and Purchased Power Cost Adjustment was decreased by 10% during the year to \$37.70, which was again a conservative estimate based on the volatile energy market. At the end of FY2010 the UC had an over-recovery of \$2.3 million of fuel costs with the intent of reducing the Fuel and Purchased Power Cost Adjustment once again in early FY2011.

Portions of the UC's existing aging infrastructure continue the need for prioritized material capital investment as well as planning for new infrastructure, on an as-necessary basis that can accommodate the future needs of our service area as the overall economy starts to recover.

## **MAJOR INITIATIVES**

During FY2010 the Utilities Commission staff created and obtained approval, by the Commission as well as the City, a five-year and ten-year Capital Improvements Plans (Plan) through 2015 and 2020. 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 (as necessary), 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. Capital financing costs are distinguished in the Plan for existing and future needs. Included in the Plan are items attributed to growth, these capital projects are planned to be funded from Infrastructure Fees, allowing growth to pay for growth.

On a continual basis the Utilities Commission evaluates projects and their priorities based on need. Determination to authorize expending funds is based on well defined criterion including: continued core system operations, resolution of degradation of core systems, restoration of failed core systems, restoration of damaged components of core systems, required/mandated or investment work. All project requests must be

To the Chairman and Members  
of the Utilities Commission  
January 14, 2011

accompanied by detailed consequences of eliminating, delaying, additional benefits and possible alternatives in order to be considered for funding.

For FY2010 the Utilities Commission budgeted \$5.7 million for capital improvements, of which \$2.7 is mandatory as per Resolution 28-78 for bond compliance. \$6 million (of which \$186,000 was funded from infrastructure fees collected from new developments as to not impact existing rate payers) was approved and expended for capital maintenance and improvements to continue to provide superior utility connectivity to the New Smyrna Beach service territory.

For the Plan approved March 2010 for fiscal years 2011 to 2020, 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 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.
  1. Electronic reclosures, maintain and install to provide acceptable reliability levels
  2. Distribution system automation – necessary to upgrade existing SCADA system and install additional switches and switchgear to improve reliability levels.
- Water System Upgrade Under-sized Water Mains – this project will allow upgrade to 6-inch lines including looping where necessary to ensure water quality.
- Develop a new central well field – while this project will be funded with infrastructure monies, this project will allow development of a 175 MGD increased allocation which includes 4-6 production wells, auxiliary generator with remote transfer switch, piping to raw water transmission line at SR 44 and automated remote control, site and access improvements.
- Horizontal Wells/ASR/Deep Well – this project is also scheduled to be funded with infrastructure monies. This project will allow for development of a holding lake, horizontal wells, deep Floridan well and a combination ASR to develop more source water to augment reclaim and potable water supplies.
- 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. This project includes reconstruction of 6 lift stations that 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.

Utilities Commission forecasts for the electric, water, reclamation (wastewater, & 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. Details of the Plan are available on our web-site included as part of the approved FY2011 Budget document.

To the Chairman and Members  
of the Utilities Commission  
January 14, 2011

## MAJOR ACCOMPLISHMENTS

During FY 2010, the Utilities Commission accomplished the following:

- Revised and updated formal strategic initiatives detailing vision, strategic plan, strategies, objectives, tactics, and goals.
- Continued to implement Key Performance Indicators (KPI's) and the measurement tools necessary to monitor and develop succession planning for key positions. Departmental metrics were implemented company-wide to be tracked daily, weekly, monthly or annually by functional area that feed measurements and KPIs. Further refinement in necessary and on-going.
- Revised and reviewed ERU Developer's Agreement Addendum to aid in paying for external infrastructure for new developments.
- Updated and presented alternate water source and energy production concepts.
- Successful transition to Cogsdale and GreatPlains version 10.0 and moving forward with service pack updates to stay current. Continue to work on enhancements and additional module implementations to make our ERP system more efficient and effective. The UC is committed to process improvements and staying current with proven technologies.
- The UC is committed to seeking alternate funding sources. During FY 2010 the UC applied for six (6) grants to assist in funding projects especially "green" projects. Although none were granted in 2010, we will continue with the application processes.
- Received three awards from AWWA for excellence in water conservation through programs supporting water-wise gardens, rain barrels and showerhead exchange.
- Achieved 18 to 30% energy reductions in the Water Resources department due to an aggressive conservation initiative as the UC's largest electric customer.
- Compliance Matters:
  1. As per the Fair & Accurate Credit Transactions Act of 2003 ("Act") a Red Flag program was originally required to be in place by November, 2008, while the final implementation date was extended multiple times, the UC implemented well over one (1) year prior to the final required implementation date. Since its inception the UC has experienced over 100 "Red Flags" that have assisted in possible fraud detection. The Committee meets semi-annually and reports to the Commission annually. An amendment to the Act requires creditors, including the UC, who charge a deposit to initiate service, to provide to a consumer a "risk-based pricing notice." The UC has implemented the noticing program prior to the January 1, 2011 effective date.
  2. As per GASB Statement 51 – the UC is required to record a value for all utility easements and/or rights, intangible assets. The UC evaluated many valuation techniques and began compiling and recording all utility easements at fair market value based on tax roles. By fiscal year end \$2.3 million has been added to the UC's assets. This is an on-going project to record all easements within the service territory.
- Electric System Reliability Improvements
  1. In accordance with Florida Public Service Commission regulation, the UC's electrical system has undergone 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. The UC has instituted a continuous storm hardening inspection program to ensure continued reliability and compliance.
  2. In accordance with NERC reliability standards applicable to the UC's transmission system, specific practices, studies, and operational device projects have been completed and we continue to review and upgrade in order to meet new national standards and compliance efforts.

To the Chairman and Members  
of the Utilities Commission  
January 14, 2011

3. In accordance with National Electric Safety Code (NESC) and NFPA 70E the UC contracted with SET Solutions, LLC to completed an ARC Flash Assessment Study which mandates appropriate protective clothing including gloves, face shields, etc. for all positions who could be exposed to an ARC flash. Completed and implemented the ARC flash assessment.
4. Continue to monitor regulatory and compliance issues
- Water system low pressure transmission main.
  1. The project is near completion at fiscal year end.
  2. The project provides for a direct pipeline to 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 complex project is expected to be completed at a 30% reduction in cost or nearly \$4 million under the original budget estimates.

### **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, reclamation (wastewater & reuse), and internet systems are included in the annual budget. The level of budgetary control (that is, the level at which expenditures should not exceed the appropriated amount) is established by function and activity within each individual operating system. The Utilities Commission also maintains an accounting system that allows for encumbrance tracking 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, reclamation (wastewater & reuse) 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 2010.

#### *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, reclamation (wastewater& reuse), and internet systems are accounted for as a single enterprise fund. As of September 30, 2010, the Utilities Commission served 24,984 electric customers, 23,733 water customers, 20,023 reclamation (wastewater & reuse) customers, and 558

To the Chairman and Members  
of the Utilities Commission  
January 14, 2011

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 31 to 41.

*Cash Management*

Cash, with the exception of interest earnings, shows sign of recovery. Interest earnings have nearly ceased with the banking industry's difficulties. Due to the UC's continued efforts to recover from the telecommunication financial losses and the difficult economy the rate payers are facing, as typical of a municipality and our investment policies, the UC remains risk adverse. Cash flow has been a difficult area over many years, as such it has been necessary to maximize operating cash and limit, and in some instances, cease any mid to long term investment tools. Any and all investments comply with the UC's financing policy, which is governed by Resolution 52-95. The amount of interest earned during the years ended September 30, 2010, 2009, and 2008 totaled \$42,380, \$116,472 and, \$627,068, respectively. The Utilities Commission's cash and investments, including accrued interest and dividends receivable, on hand at September 30, 2010, 2009, and 2008 totaled \$31.7, \$28.5 and, \$28.2 million, respectively. As clearly represented below the Operating (overdraft) has been significantly decreased (approximately 50% reduction) during FY2010. The individual components are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current assets:			
Operating cash and cash equivalents .....	\$ 592,344	51,529	57,426
Operating (overdraft).....	<u>(2,331,619)</u>	<u>(4,651,277)</u>	<u>(4,565,282)</u>
	<u>(1,739,275)</u>	<u>(4,599,748)</u>	<u>(4,507,856)</u>
Restricted assets:			
Revenue certificate covenant funds.....	7,631,485	6,541,404	13,018,490
R&R service capacity fee funds .....	7,123,652	10,959,916	5,296,849
Developer infrastructure escrow.....	1,428,141	1,445,587	1,468,220
CR-3 decommissioning fund.....	<u>3,875,935</u>	<u>3,755,639</u>	<u>3,626,928</u>
	<u>20,059,213</u>	<u>22,702,546</u>	<u>23,410,487</u>
Internally designated assets:			
Renewal and replacement (discretionary) .....	11,205,809	8,294,295	7,328,325
Customer deposits .....	<u>2,189,580</u>	<u>2,071,816</u>	<u>1,979,114</u>
	<u>13,395,389</u>	<u>10,366,111</u>	<u>9,307,439</u>
 Total cash and investments.....	 <u>\$31,715,327</u>	 <u>28,468,909</u>	 <u>28,210,070</u>

The Utilities Commission's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits are either insured by federal depository insurance or collateralized in accordance with the Florida Security for Public Deposits Act (the "Act"). All collateral on deposits are 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. As of November, 2008 the UC filed with the Florida Department of Financial Services Collateral Management, as required by Chapter 280 of the Florida Statutes, to ensure full collateralization of all funds on deposit, protecting the UC from financial loss due to bank failure as per Section 280.18 of the Florida Statutes. This is an annual requirement and has been filed and acknowledged by the State each November since implementation in 2008.

To the Chairman and Members  
of the Utilities Commission  
January 14, 2011

The average yield, indicative of the continuing banking crisis, from interest earnings on cash and investments that was earned each month during the fiscal year ending September 30, 2010, is as follows:

	<u>Average Yield</u>
October .....	0.11%
November .....	0.10%
December.....	0.10%
January.....	0.08%
February.....	0.09%
March.....	0.11%
April .....	0.13%
May.....	0.14%
June.....	0.15%
July .....	0.15%
August .....	0.17%
September .....	0.16%

*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, fiduciary liability 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. The UC instituted a comprehensive Fraud Risk Assessment policy, procedure and self-assessment tool. All management is held responsible and accountable for reporting any possible fraud or risk of fraud to our Controller. At a minimum a semi-annual review is conducted by our Controller through a combination of interviews, random audits and spot checks. Annually this information is reported to the Commission as an informational agenda item.

**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, reclamation (wastewater & reuse) 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 latest Triennial Report included fiscal years 2005 to 2007 and was presented to the Utilities Commission on July 31, 2008.

To the Chairman and Members  
of the Utilities Commission  
January 14, 2011

The final report as presented to the Utilities Commission on July 31, 2008 is available on our website. The next Triennial Report, currently underway, is being conducted for the fiscal years 2008 to 2010.

*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, 2009. We are quite proud of the fact that we have been awarded with this Certificate for the thirtieth (30<sup>th</sup>) consecutive year. For the second consecutive year the GFOA had no recommendations to improve the presentation of our Comprehensive Annual Financial Report (CAFR).

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.

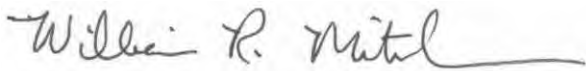
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

*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,



William Ray Mitchum  
General Manager/CEO



Laurie Matta  
Director of Finance/CFO



# ***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, 2010 and 2009, 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 the 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, 2010 and 2009, 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 14, 2011, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 31 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The introductory section, supplemental financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

January 14, 2011

## ***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, 2010. 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 increased in 2010 at 404.3 million kWh sales compared to 366.8 million kWh sales in 2009, or a 10.2% increase, due to fluctuations in weather and a corresponding increase in demand. Sales revenue generated by the Electric System increased from \$42.6 million in 2009 to \$45.4 million in 2010, primarily due to increased demand and the \$2.3 million over-recovery of fuel and purchased power costs recognized in FY 2010.
- The volume of treated potable water sold in 2010 increased by 4.4%. The volume of wastewater treated in 2010 decreased by 11.2%. The volume of reclaimed water treated in 2010 decreased by 5.2%. The increases in water sold were the generally the result of a combination of meter replacements and weather patterns. The Water Resources Division implemented a meter testing and replacement program throughout the service territory. Retiring many meters that had been in service 20+ years and were recording reduced flows. Sales revenue generated by the Water System and Reclamation (wastewater and reuse) System remained stable compared to the prior year.
- The Utilities Commission's assets exceeded its liabilities (*net assets*) at the end of September 30, 2010 by \$111.0 million. Of this amount, approximately \$5.9 million was unrestricted and available for us to meet the Commission's ongoing obligations to its customers and creditors. Of the remaining \$105.1 million, approximately \$86.6 million was invested in utility plant assets, while the remainder was restricted for utility plant expansion.
- During the year, the Utilities Commission's net assets increased by \$750 thousand. Of this amount, approximately \$73 thousand came from developer donated assets reported as capital contributions. Contributed capital has remained flat since 2008 with a reduction of 98.2%; this continues to evidence the failing economy and resulting drastic reduction in new development in the UC's service area. Net assets totaled \$111.0 million in 2010 compared to approximately \$110.3 million at the end of 2009.
- During 2010, the Utilities Commission's operating revenue increased by approximately \$3.0 million to \$59.9 million, which was an increase of 5.3% from last year's operating revenue of \$56.9 million. The increase in Operating Revenues is primarily attributed to the \$2.3 million over-recovered fuel and purchased power cost adjustment. The Utilities Commission's operating expenses increased by \$3.7 million to \$56.7 million, which was 7.0% more than last year's \$53.0 million. The \$3.7 million increase in operating expenses can be attributed primarily to increased costs of fuel and purchased power, as well as increased production expenses.
- The Commission's long-term debt decreased to \$56 million in 2010, which is a decrease of \$4.5 (principal and interest) million from last year's \$60.5 million. The decrease is attributed to the aggressive debt service repayment schedule.
- At September 30, 2010 the UC has an over-recovery of fuel and purchased power in the amount of \$2.3 million. During the year Management chose to reduce the fuel adjustment by 10%

effective June 1, 2010 to \$37.70 from \$41.70, a conservative decrease with the intention of monitoring this volatile market. As trends continued to improve, management requested and received approval from the Commission on December 20, 2010 to further reduce the fuel adjustment rate by approximately 17%, to \$31.41 effective January 1, 2011, to lessen the financial impact on the rate payers and reduce the UC's over recovery of funds. Due to the over-recovery of fuel costs, \$2.3 million is now represented as a liability on the UC's financial statements instead of a receivable.

## **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, and 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 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 (77%) reflects its investment in utility plant assets (e.g., land, buildings, utility plant, and equipment), less that portion of related debt used to acquire assets 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>2010</u>	<u>2009</u>	<u>2008</u>
<b>Assets:</b>			
Utility plant, net.....	\$ 148,009	147,757	146,788
Restricted and internally designated assets.....	33,455	33,069	32,718
Current assets.....	10,845	13,720	15,269
Other assets.....	<u>268</u>	<u>385</u>	<u>283</u>
	<u>192,577</u>	<u>194,931</u>	<u>195,058</u>
<b>Liabilities and Net Assets:</b>			
Long-term debt, net.....	55,954	60,478	63,861
Current liabilities.....	20,241	19,305	20,935
Other liabilities and deferred credits.....	<u>5,375</u>	<u>4,887</u>	<u>4,703</u>
Total liabilities .....	<u>81,570</u>	<u>84,670</u>	<u>89,499</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt.....	86,635	81,813	84,303
Restricted net assets.....	18,465	21,889	9,871
Unrestricted net assets.....	<u>5,907</u>	<u>6,559</u>	<u>11,385</u>
Total net assets .....	<u>\$ 111,007</u>	<u>110,261</u>	<u>105,559</u>

The Utilities Commission's net assets increased \$746 thousand to \$111.0 million in 2010, which is up from \$110.3 million in 2009 and \$105.6 million in 2008. The most significant change in net asset position in 2010 was from an increase of \$4.8 million in capital assets, net of related debt. In 2009, the most significant changes in net assets came from an increase of \$12.0 million in restricted net assets.

In FY2009 the Utilities Commission's had \$7,467,493 designated as "Plant Held for Future Use" within its Capital Asset section of the Balance Sheet. Plant Held for Future Use was comprised of the land owned by the UC west of I-95 (formerly known as Saks property). As the UC has moved forward with proposed alternative water project and Letters of Intent to work with renewable energy companies, utilizing this land for a renewable generation site, this property has been reclassified as in-service capital asset for FY2010.

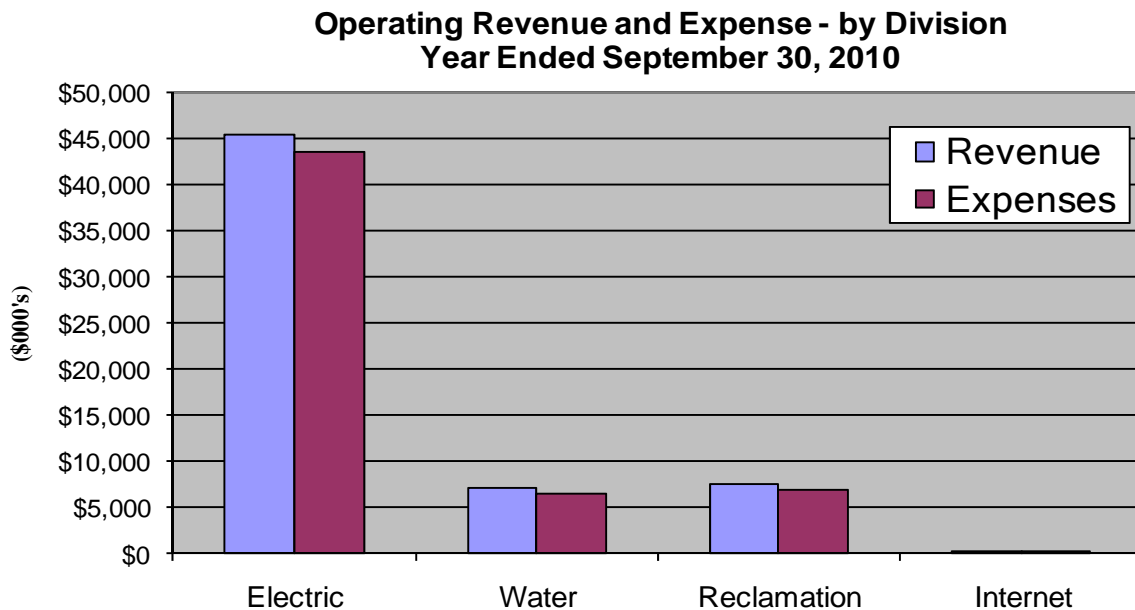
**Condensed Statement of Revenues, Expenses  
and Changes in Net Assets**  
Fiscal Years Ended September 30,  
(\$000's)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues:			
Charges for services:			
Electric system.....	\$ 45,397	42,607	48,646
Water system.....	6,957	6,805	6,673
Reclamation system.....	7,399	7,394	7,416
Internet system.....	<u>102</u>	<u>131</u>	<u>187</u>
Total charges for services.....	59,855	56,937	62,922
Interest earnings.....	42	116	627
Other revenues.....	<u>619</u>	<u>546</u>	<u>544</u>
Total revenues.....	<u>60,516</u>	<u>57,599</u>	<u>64,093</u>
Expenses:			
Division operating expenses:			
Electric system.....	43,415	39,434	45,666
Water system.....	6,285	6,368	6,268
Reclamation system.....	6,795	6,656	6,471
Internet system.....	176	222	375
Communications system.....	<u>-</u>	<u>291</u>	<u>221</u>
Total division operating expenses.....	56,671	52,971	59,001
Interest and debt expense.....	2,389	2,404	2,635
Other expenses.....	<u>1,329</u>	<u>473</u>	<u>239</u>
Total expenses.....	<u>60,389</u>	<u>55,848</u>	<u>61,875</u>
Income before contributions.....	127	1,751	2,218
Contributions.....	<u>619</u>	<u>622</u>	<u>3,847</u>
Increase (decrease) in net assets.....	746	<u>2,373</u>	6,065
Net assets, beginning of year (previously reported).....		105,559	
Change in accounting principle.....		<u>2,329</u>	
Net assets, beginning of year (restated).....	<u>110,261</u>	<u>107,888</u>	<u>99,494</u>
Net assets, end of year.....	<u>\$ 111,007</u>	<u>110,261</u>	<u>105,559</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 stability in the Commission’s traditional services reported by the electric, water, and reclamation (wastewater and reuse) divisions, which continue to produce positive net income. The UC also provides internet service to its customers. As of fiscal year end the Internet Division has not achieved breakeven status. Attempted efforts to continue cost reduction and increase/retain customer base has again not allowed for breakeven status. The Internet Division began the fiscal year with 803 internet accounts and ended the fiscal year with 558 internet accounts, a reduction of 30.51%. Although a detailed presentation and public hearing was held in June 2009 and the Commission voted to continue this value added service, profitability continues to be an ongoing issue for this Division. Profitability of providing communications services (including internet) must be reviewed every four (4) years as per Florida Statute.

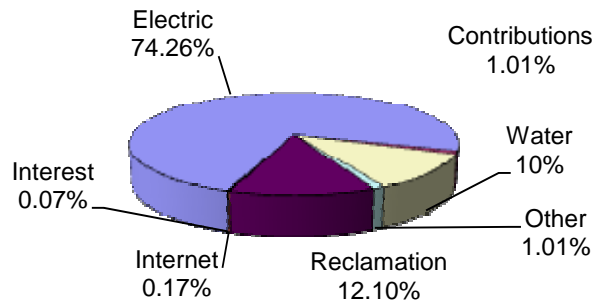
Interest earnings continue to be a sign of the struggling banking industry. Once again the UC experienced a dramatic decrease in interest income, 63.6% decrease from fiscal year 2009. For Fiscal Year 2010 Other Operating Expenses increased by a 179.1% as compared to Fiscal Year 2009; \$1,317,991 and \$472,297 respectively. This increase is attributed to \$636,835 from asset disposals and asset retirements. A major portion was for the 5G Wireless, Cable equipment (purchased during the telecommunications era and never implemented – this out of date technology had no resale or scrap value), and the failed enQuesta customer service system.

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



The following is a summary of the composition of 2010 utility system revenues by source:

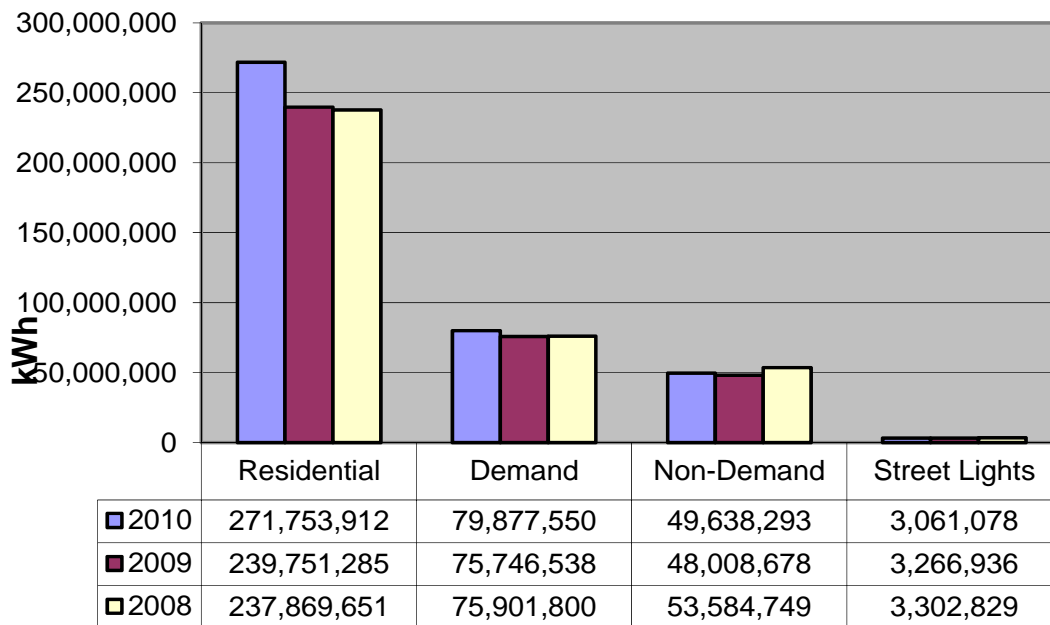
### Revenues - By Source Year Ended September 30, 2010



During FY2010, the overall demand for electricity increased. Total electric kWh sales increased from 366.8 million kWh sales in 2009 to 404.3 million kWh sales in 2010. In the prior year, the demand for electricity had decreased from 370.7 million kWh sales in 2008 to 366.8 million kWh sales in 2009. Fuel and purchased power costs for FY 2010 increased by \$2.4 million, compared to the costs incurred in the prior year. These fluctuations are typical of the volatile fuel market.

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

### Electric kWh Sales Years Ended September 30, 2010, 2009 and 2008



**kWh Sold by Service Type**

Despite the rising costs to produce electric system revenues, management opted to reduce the fuel and purchased power cost adjustment billing factor fixed at \$37.70 per 1,000 kWh's effective June 1, 2010 with another planned reduction in FY2011.

The volume of potable water sold during 2010 increased 4.4% to 1,578 MG compared to 1,512 MG in 2009 and compared to 1,549 MG in 2008. The reclamation (wastewater and reuse) system experienced a 2.7% increase in 2010 volume to 868.6 MG compared to 845.6 MG in the volume of wastewater treated in 2009 and as compared to 864.8 MG treated in 2008. The volume of reclaimed water sold during 2010 increased 28.4% to 644.9 MG, compared to 502.3 MG sold in 2009, and as compared to 373.7 MG sold in 2008.

For FY 2010 the customer accounts billed for electric, water and wastewater have remained stable, each service with approximately 1% growth compared to 2009. Internet has and continues to experience a significant loss in customer base averaging approximately 21 less customers per month. The trend appears to be continuing for FY 2011. Reuse water has continued to increase, mostly due to meter installations and more accurate reporting on this valuable resource. For FY 2010 reuse water experienced a 7.9% increase in billed customers.

<u>Utility Operations</u>	2010 Customers	2009 Customers	2008 Customers
Electric (FY 2008 meters).....	24,984	24,731	24,702
Water (FY 2008 meters) .....	23,733	23,835	27,565
Wastewater (FY 2008 meters) .....	19,091	18,908	23,716
Reuse water (FY 2008 meters) .....	932	864	825
Internet .....	558	816	1,085

### Capital Assets

At the end of 2010, the Utilities Commission's investment in capital assets amounted to \$148.0 million, which is stated net of \$103.4 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 reuse water distribution facilities, and
- Machinery and equipment.

Over the past four (4) fiscal years extensive work and progress has been made to more accurately reflect the assets of the Utilities Commission. Annually, a physical inventory of all assets is conducted. Assets no longer in use are disposed of through proper procedure in a timely manner.

For FY2010 with the implementation of GASB 51, approximately \$2.3 million of easements have been added to the UC's Land and Land Rights categories. As per GASB 51 this change in accounting principal is retroactive to the prior fiscal year and allows for a restatement of Beginning Net Assets. This will be an on-going project to locate historical information on easements acquired in prior years.

**Utility Plant, Net**  
September 30,  
(\$000's)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Utility Plant:			
Land and land rights.....	\$ 13,069	5,601	3,272
Structures and improvements.....	34,882	34,547	32,149
Production and treatment plant.....	48,474	47,667	46,943
Transmission, distribution and collection and treatment plant.....	134,283	133,637	130,425
Other general plant and equipment.....	<u>11,580</u>	<u>12,522</u>	<u>13,666</u>
	242,288	233,974	226,455
Accumulated depreciation.....	<u>(103,405)</u>	<u>(98,060)</u>	<u>(92,712)</u>
	138,883	135,914	133,743
Construction in progress.....	8,202	3,660	5,158
Plant held for future use.....	-	7,467	7,467
Nuclear fuel, net of amortization.....	<u>925</u>	<u>716</u>	<u>419</u>
Utility plant, net.....	<u>\$ 148,010</u>	<u>147,757</u>	<u>146,787</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:

**Debt Service Coverage Ratios**  
Fiscal Years Ended September 30,  
(\$000's)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues.....	\$ 59,855	56,937	62,922
Interest and other income.....	661	662	1,171
Capacity and other fees.....	<u>545</u>	<u>574</u>	<u>1,015</u>
Revenues per certificate resolution.....	61,061	58,173	65,108
Cost of Operation and Maintenance, net of depreciation and required payments to City of New Smyrna Beach.....	<u>46,335</u>	<u>42,989</u>	<u>49,064</u>
Net revenues per certificate resolution.....	<u>14,726</u>	<u>15,184</u>	<u>16,044</u>
Annual debt service requirement.....	<u>\$ 7,403</u>	<u>8,238</u>	<u>8,143</u>
Debt service coverage ratio (times).....	<u>1.99</u>	<u>1.84</u>	<u>1.97</u>



In 2009, the Commission issued \$20,250,000 in Utilities System Revenue Certificates, Series 2009 to refinance the FMPA Pooled Loans and the remaining balance of the 1993 Revenue Certificate. Included in this refinancing was an additional \$2 million that was expected to be necessary to complete the prior year's capital water infrastructure project financed with the Series 2007 issuance. These funds were not necessary to complete the water project and are being held as "internally-restricted" funds for future water resources capital improvements. As of September 30, 2010, the Utilities Commission had outstanding principal of \$51,626,508 for revenue certificates payable. The decrease of \$3.43 million from fiscal year 2009 is attributed to the UC's aggressive repayment schedule. All outstanding debt obligations are secured by a first lien on and a pledge of the net revenues of the system.

When issuing bonds, the Utilities Commission utilized bond insurance as surety rather than providing for debt service reserves as additional financial security. The downgrading of the insurers' underlying bond ratings was due to the impact of the economy and the resulting insurance industry's failures. Due to the unique nature of the economy and historic events, reporting of the underlying ratings would not be of any benefit to display the stability of the Utilities Commission. The ratings provided by Moody's and Standard & Poor are more of a reflection of the stability of the insurance companies (e.g. AMBAC and FGIC) than that of the UC. In the future, the Utilities Commission plans on pursuing its own bond rating, rather than relying on ratings that are based on that 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 12 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 \$9,943,987 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 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 13 of the supplementary section of the financial statements.

At the end of the fiscal year, the Utilities Commission had \$56 million in long-term debt outstanding, which decreased by \$4.5 million over the prior year's \$60.5 million. The net decrease is attributed to scheduled principal payments.

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. Even with the downward spiraling economy, the effects on revenue and collections, and the volatile fuel market, the UC has maintained a much higher debt service coverage ratio than mandated.

## **Cash Flows**

The UC continues to make progress with its unrestricted cash negative balance evidenced by a drastic decrease of 49.9% since FY2009. The Statement of Cash Flows, shown in the Financial Statements section, demonstrates that the net cash provided by operating activities and investing activities is exceeding the net cash necessary to cover our capital financing activities by \$3.2 million. In our opinion this is a dramatic improvement from continually incurring negative operating cash flows for many years to a positive cash flow from operations. As the UC continues through our Strategic Plan and Initiatives we expect the cash flow situation to continually improve.

## **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, reclamation (wastewater and reuse) 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 12.4%, which is slightly higher than the 11.7% rate experienced one year earlier. These estimates are consistent with the state's 12% unemployment rate.
- Nationwide the unemployment rate is stated at 9.8% evidencing the additional financial constraints placed on residents of Volusia County with an unemployment rate that is 26.5% higher than the nationally stated rate.
- The 2011 budget included no general wage increases or bonus/incentive program. UC's management has endeavored to maintain current staffing levels as attrition would support declining expenses.
- Revenue projections for fiscal year 2011 are forecasted based on a combined modified regression model and expected consumptions. No rate increases were planned for any service provided by the UC.
- Based on the most recent engineering studies the existing infrastructure is aging. This fact continues to cause significant stress on existing systems, with the anticipation of continued increases in routine operating and maintenance expenses.

Other factors influencing the Commission's 2011 operating budget includes the ever changing cost of fuel and purchased power and minimal if any anticipated growth in all divisions, with the exception of the internet division. A summary of the enacted 2011 budget follows:

**FY 2011 Operating Budget**  
**With Comparison to FY 2010 Actual (Non-GAAP Budgetary Basis)\***  
(\$000's)

	<u>2011</u> <u>Budget</u>	<u>2010</u> <u>Actual*</u>	<u>Dollar</u> <u>Change</u>
Revenues:			
Revenue and Receipts:			
Electric system.....	\$ 46,038	45,560	478
Water system.....	7,480	6,876	604
Reclamation system.....	7,687	7,298	389
Internet system.....	117	102	15
Capital contributions.....	<u>3,984</u>	<u>618</u>	<u>3,366</u>
	<u>65,306</u>	<u>60,454</u>	<u>4,852</u>
Operating Expenses:			
Operation and maintenance.....	46,161	46,345	(184)
Required payments to City.....	<u>3,613</u>	<u>3,834</u>	<u>(221)</u>
	<u>49,774</u>	<u>50,179</u>	<u>(405)</u>
Net revenue and receipts.....	15,532	10,275	5,257
Proceeds from long-term debt.....	-	-	-
Debt service (principal and interest)*.....	(9,092)	(7,027)	(2,065)
Operating transfers (net).....	<u>(6,440)</u>	<u>(7,643)</u>	<u>1,203</u>
Budgeted net cash receipts.....	<u>-</u>	<u>(4,395)</u>	<u>4,395</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.

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## ***BASIC FINANCIAL STATEMENTS***

**BALANCE SHEETS**

September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2010	2009
Assets:		
Current Assets:		
Cash and cash equivalents.....	\$ 592,344	51,529
Accounts receivable, net of allowance for doubtful accounts (\$136,204 - 2010 and \$403,800 - 2009).....	4,601,095	5,384,093
Unbilled accounts receivable.....	2,973,611	5,347,675
Notes receivable.....	50,962	152,679
Inventories.....	2,443,511	2,674,581
Prepaid expenses and other assets.....	<u>183,554</u>	<u>109,915</u>
Total current assets.....	<u>10,845,077</u>	<u>13,720,472</u>
Noncurrent Assets:		
Restricted and Internally Designated Assets:		
Restricted assets.....	20,059,213	22,702,546
Internally designated assets.....	<u>13,395,389</u>	<u>10,366,111</u>
Total restricted and internally designated assets.....	<u>33,454,602</u>	<u>33,068,657</u>
Other Assets:		
Unamortized debt expense.....	220,791	269,585
Unamortized regulatory and nonregulatory studies expense.....	<u>47,391</u>	<u>115,722</u>
Total other assets.....	<u>268,182</u>	<u>385,307</u>
Capital Assets:		
Electric utility plant in service.....	106,222,366	98,083,741
Water utility plant in service.....	53,403,456	53,856,099
Reclamation utility plant in service.....	71,380,543	71,919,830
General utility plant in service.....	<u>11,281,551</u>	<u>10,114,242</u>
	242,287,916	233,973,912
Less: accumulated depreciation.....	<u>(103,405,425)</u>	<u>(98,060,062)</u>
	138,882,491	135,913,850
Construction work in progress.....	8,201,952	3,659,698
Plant held for future use.....	-	7,467,493
Nuclear fuel, net of amortization.....	<u>925,102</u>	<u>716,096</u>
Total utility plant, net.....	<u>148,009,545</u>	<u>147,757,137</u>
Total noncurrent assets.....	<u>181,732,329</u>	<u>181,211,101</u>
Total assets.....	<u>\$ 192,577,406</u>	<u>194,931,573</u>

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

	2010	2009
<b>Liabilities and Net Assets:</b>		
<b>Current Liabilities Payable From Restricted Assets:</b>		
Accrued interest payable.....	\$ 1,125,991	584,427
Revenue certificates payable - current.....	4,645,000	4,525,000
Notes payable - current.....	971,031	940,958
Accounts payable.....	271,435	229,629
Customers' deposits.....	<u>3,799,730</u>	<u>3,534,929</u>
Total current liabilities payable from restricted assets.....	<u>10,813,187</u>	<u>9,814,943</u>
<b>Current Liabilities:</b>		
Bank overdraft-unrestricted cash and cash equivalents.....	2,331,619	4,651,277
Accounts payable.....	2,822,150	2,789,268
Accrued liabilities.....	3,001,768	758,599
Due to other governments.....	<u>1,272,043</u>	<u>1,291,296</u>
Total current liabilities payable from current assets.....	<u>9,427,580</u>	<u>9,490,440</u>
Total current liabilities.....	<u>20,240,767</u>	<u>19,305,383</u>
<b>Other Liabilities and Deferred Credits:</b>		
Asset retirement obligation.....	4,828,717	4,387,851
Other post-employment benefit obligations.....	108,808	41,503
Deferred compensated absences.....	<u>437,186</u>	<u>457,783</u>
Total other liabilities and deferred credits.....	<u>5,374,711</u>	<u>4,887,137</u>
<b>Long-Term Debt:</b>		
Revenue certificates payable (net).....	46,981,508	50,533,927
Notes payable (net).....	<u>8,972,956</u>	<u>9,943,987</u>
Total long-term debt.....	<u>55,954,464</u>	<u>60,477,914</u>
Total noncurrent liabilities.....	<u>61,329,175</u>	<u>65,365,051</u>
Total liabilities.....	<u>81,569,942</u>	<u>84,670,434</u>
<b>Net Assets:</b>		
Invested in utility plant, net of related debt.....	86,635,550	81,813,265
Restricted.....	18,465,287	21,888,490
Unrestricted.....	<u>5,906,627</u>	<u>6,559,384</u>
Total net assets.....	<u>111,007,464</u>	<u>110,261,139</u>
Total liabilities and net assets.....	<u>\$ 192,577,406</u>	<u>194,931,573</u>

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

For the Fiscal Years Ended September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2010	2009
<b>Operating Revenue:</b>		
Sales.....	\$ 58,733,895	56,146,191
Other revenue.....	<u>1,121,064</u>	<u>791,103</u>
Total operating revenue.....	<u>59,854,959</u>	<u>56,937,294</u>
<b>Operating Expenses:</b>		
Purchased power and fuel expenses.....	24,622,098	22,173,197
Other production expenses.....	7,158,937	5,802,643
Transmission, distribution, and sewage collection and treatment.....	6,259,037	6,431,192
Customer accounting.....	1,293,146	1,238,348
Administrative and general.....	7,001,554	7,343,481
Required payments to the City of New Smyrna Beach.....	3,833,943	3,601,594
Depreciation.....	<u>6,502,283</u>	<u>6,380,923</u>
Total operating expenses.....	<u>56,670,998</u>	<u>52,971,378</u>
Operating income.....	<u>3,183,961</u>	<u>3,965,916</u>
<b>Nonoperating Revenue (Expense):</b>		
Interest earnings.....	42,381	116,472
Other income.....	618,690	545,410
Interest and debt expense.....	(2,388,731)	(2,404,288)
Other expenses.....	(691,734)	(132,752)
Gain (loss) on disposal of assets.....	<u>(636,835)</u>	<u>(339,545)</u>
Total nonoperating (expense).....	<u>(3,056,229)</u>	<u>(2,214,703)</u>
Income (loss) before contributions.....	127,732	1,751,213
Capital contributions.....	<u>618,593</u>	<u>622,137</u>
Change in net assets.....	746,325	<u>2,373,350</u>
Net assets, beginning of year (as previously reported).....		105,558,453
Change in accounting principle-accounting for intangible assets.....		<u>2,329,336</u>
Net assets, beginning of year (as restated).....	<u>110,261,139</u>	<u>107,887,789</u>
Net assets, end of year.....	<u>\$ 111,007,464</u>	<u>110,261,139</u>

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



## STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2010	2009
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers.....	\$ 62,153,867	57,698,457
Cash paid to suppliers.....	(37,744,892)	(36,047,926)
Cash paid to employees.....	(9,335,187)	(8,826,303)
Cash paid to City of New Smyrna Beach.....	(3,853,196)	(3,551,555)
Other cash receipts.....	<u>4,613,637</u>	<u>1,207,409</u>
Net cash provided by operating activities.....	<u>15,834,229</u>	<u>10,480,082</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Debt reduction outlays.....	(4,450,958)	(23,686,816)
Proceeds from debt issuance.....	-	20,250,000
Capital contributions.....	545,445	573,323
Acquisition and construction of capital assets.....	(7,015,877)	(5,014,456)
Interest paid.....	<u>(1,708,802)</u>	<u>(2,459,766)</u>
Net cash used in capital and related financing activities.....	<u>(12,630,192)</u>	<u>(10,337,715)</u>
<b>Cash Flows From Investing Activities:</b>		
Interest received.....	<u>42,381</u>	<u>116,472</u>
Net cash provided by investing activities.....	<u>42,381</u>	<u>116,472</u>
Net increase in cash and cash equivalents.....	3,246,418	258,839
Cash and cash equivalents, beginning of year.....	<u>28,468,909</u>	<u>28,210,070</u>
Cash and cash equivalents, end of year.....	<u>\$ 31,715,327</u>	<u>28,468,909</u>
<b>Reconciliation to Balance Sheet:</b>		
Cash and cash equivalents.....	\$ 592,344	51,529
Bank overdraft - unrestricted cash and cash equivalents.....	(2,331,619)	(4,651,277)
Restricted cash and cash equivalents.....	<u>33,454,602</u>	<u>33,068,657</u>
Total cash and cash equivalents.....	<u>\$ 31,715,327</u>	<u>28,468,909</u>
<b>Non-cash Capital and Related Financing Activities:</b>		
Capital contributions.....	\$ 73,148	48,772
Acquisition and construction of capital assets.....	<u>\$ (73,148)</u>	<u>(48,772)</u>
Revised estimate of anticipated CR3 nuclear decommissioning.....	<u>\$ 302,500</u>	<u>\$ -</u>
Increase in asset retirement obligation.....	<u>\$ (302,500)</u>	<u>\$ -</u>

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

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

For the Fiscal Years Ended September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2010	2009
Reconciliation of operating income to net cash provided by operating activities:		
Operating income.....	\$ 3,183,961	\$ 3,965,916
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation, amortization and nuclear fuel amortization.....	6,628,658	6,264,572
Provision for losses on receivables.....	287,718	212,000
Provision for other post-employment benefits receivables.....	67,305	41,503
Decrease (increase) in operating assets:		
Accounts and notes receivable.....	596,997	(2,231,539)
Unbilled accounts receivable.....	2,374,064	3,291,335
Inventories.....	231,070	195,753
Prepaid expenses.....	(5,308)	(40,656)
Increase (decrease) in operating liabilities:		
Accounts payable.....	74,688	(1,836,647)
Due to other governments.....	(19,253)	50,040
Customer deposits.....	264,801	127,797
Accrued liabilities.....	2,243,169	(114,684)
Deferred liabilities.....	(20,597)	141,990
Other income.....	618,690	545,410
Other expense.....	(691,734)	(132,708)
Net cash provided by operating activities.....	<u>\$ 15,834,229</u>	<u>\$ 10,480,082</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, 2010 and 2009

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. Additionally, the accounting records are maintained in accordance with the accounting principles and methods prescribed by the Federal Energy Regulatory Commission (FERC), except for the method of accounting for contributed capital which is recorded in accordance with the standards prescribed by the GASB.

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, 2010 and 2009

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, 2010 and 2009. 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 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, reclamation 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 for subsequent City Commission approval. The budget was adopted on a basis consistent with generally

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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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) and FERC.

**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 deferred amounts from the advance refunding of long-term debt are presented in aggregate in the financial

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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. 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
Reclamation 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
Other general plant .....	5-15



**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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Water Reuse System:

Structures and improvements .....	50
Transmission and distribution plant.....	50

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 FERC Order 631, *Accounting, Financial Reporting, and Rate Filing Requirements for Asset Retirement Obligations*. 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 exempt positions, 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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 2009 have been reclassified to conform to the 2010 financial statement presentation.

**NOTE 2 – CASH DEPOSITS AND INVESTMENTS**

As of September 30, 2010, the Commission had the following deposits and investments:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC) and collateralized.....	\$ 23,643,748	\$ 23,482,378
Uninsured and uncollateralized.....	--	--
Cash funds.....	<u>10,150</u>	<u>--</u>
Total deposits.....	<u>\$ 23,653,898</u>	<u>\$ 23,482,378</u>

<u>Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Credit Rating</u>
Mutual Funds (CUSIP 097100515)				
BOA-Columbia Money Market				
Reserves Capital CL.....	<u>\$ 8,061,429</u>	<u>8,061,429</u>	51 days (average)	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.

***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.

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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Under the above described 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, 2010, the Commission’s only investments were in the form of a professionally managed mutual fund. Credit ratings do not apply to the securities underlying the mutual fund, which is 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 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

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

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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, 2010, the carrying amount of the Utilities Commission's deposits, including money market funds held with financial institutions, was \$23,653,898 and the September 30, 2010 bank balances totaled \$23,482,378 of which \$250,000 was covered by federal depository insurance, and \$23,232,378 was secured in accordance with the statutory provisions of the Act. Included in the carrying amount of Utilities Commission deposits is \$10,150 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, 2010 the Commission has custodial credit risk exposure of \$8,061,429 for investments in mutual funds, 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 – UNRESTRICTED, RESTRICTED AND INTERNALLY DESIGNATED ASSETS**

For financial reporting purposes, the Utilities Commission’s cash, cash equivalents and investments are aggregated into unrestricted, restricted and internally designated 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, 2010 and 2009 are as follows:

	September 30,	
	2010	2009
Cash .....	\$ 23,653,898	20,418,265
Cash Equivalents:		
Mutual funds.....	<u>8,061,429</u>	<u>8,050,644</u>
Total cash and cash equivalents .....	<u>\$ 31,715,327</u>	<u>28,468,909</u>

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
September 30, 2010 and 2009  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
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	September 30,	
	2010	2009
Unrestricted:		
Cash and cash equivalents .....	\$ 592,344	51,529
Bank overdraft .....	<u>(2,331,619)</u>	<u>(4,651,277)</u>
Total unrestricted cash and cash equivalents .....	<u>(1,739,275)</u>	<u>(4,599,748)</u>
Restricted Assets:		
Revenue certificate covenant funds:		
Debt service and related funds:		
Principal and interest funds .....	6,895,146	6,001,565
Debt service reserve funds .....	<u>539,839</u>	<u>539,839</u>
	7,434,985	6,541,404
Series 2007 Certificates Project account .....	<u>196,500</u>	<u>0</u>
Total revenue certificate covenant funds restricted .....	7,631,485	6,541,404
CR3 nuclear generation facility decommissioning funds .....	3,875,935	3,755,639
Renewal and replacement service capacity fee funds .....	7,123,652	10,959,916
Developer infrastructure escrow .....	<u>1,428,141</u>	<u>1,445,587</u>
Total restricted assets .....	<u>20,059,213</u>	<u>22,702,546</u>
Internally Designated Assets:		
Revenue certificate covenant funds:		
Renewal and replacement funds (discretionary) .....	11,205,809	8,294,295
Customer deposits .....	<u>2,189,580</u>	<u>2,071,816</u>
Total internally designated assets .....	<u>13,395,389</u>	<u>10,366,111</u>
Total cash and cash equivalents .....	<u>\$ 31,715,327</u>	<u>28,468,909</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,	
	2010	2009
Accounts receivable .....	\$ 4,737,299	5,787,893
Reserve for uncollectible accounts .....	<u>(136,204)</u>	<u>(403,800)</u>
Total accounts receivable, net .....	<u>\$ 4,601,095</u>	<u>5,384,093</u>

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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**NOTE 5 – UTILITY PLANT**

A summary of utility plant at September 30, 2010 and 2009 is as follows:

	Electric	Water	Reclamation	Common	Total September 30, 2010
Land and land rights.....	\$ 9,147,471	483,946	364,167	3,072,924	13,068,508
Structures and improvements.....	8,971,166	6,701,118	15,327,136	3,882,687	34,882,107
Production and treatment plant.....	26,979,005	7,280,076	14,215,360	-	48,474,441
Transmission, distribution and collection and treatment plant.....	57,666,006	37,457,143	39,160,192	-	134,283,341
Other general plant and equipment.....	<u>3,458,717</u>	<u>1,481,173</u>	<u>2,313,689</u>	<u>4,325,939</u>	<u>11,579,518</u>
	106,222,365	53,403,456	71,380,544	11,281,550	242,287,915
Accumulated depreciation.....	<u>(56,650,265)</u>	<u>(19,127,149)</u>	<u>(23,107,010)</u>	<u>(4,521,001)</u>	<u>(103,405,425)</u>
	49,572,100	34,276,307	48,273,534	6,760,549	138,882,490
Construction in progress.....	509,486	7,453,135	22,140	217,191	8,201,952
Nuclear fuel, net of amortization.....	<u>925,103</u>	-	-	-	<u>925,103</u>
Utility plant, net.....	<u>\$ 51,006,689</u>	<u>41,729,442</u>	<u>48,295,674</u>	<u>6,977,740</u>	<u>148,009,545</u>

	Electric	Water	Reclamation	Common	Total September 30, 2009
Land and land rights.....	\$ 1,679,978	483,946	364,167	3,072,924	5,601,015
Structures and improvements.....	8,655,804	6,698,103	15,327,136	3,866,035	34,547,078
Production and treatment plant.....	26,217,596	7,255,016	14,194,121	-	47,666,733
Transmission, distribution and collection and treatment plant.....	57,513,694	37,171,652	38,952,037	-	133,637,383
Other general plant and equipment.....	<u>3,224,695</u>	<u>1,478,701</u>	<u>2,313,689</u>	<u>5,504,618</u>	<u>12,521,703</u>
	97,291,767	53,087,418	71,151,150	12,443,577	233,973,912
Accumulated depreciation.....	<u>(53,936,979)</u>	<u>(17,908,251)</u>	<u>(21,297,207)</u>	<u>(4,917,625)</u>	<u>(98,060,062)</u>
	43,354,788	35,179,167	49,853,943	7,525,952	135,913,850
Construction in progress.....	144,912	2,515,242	49,600	949,944	3,659,698
Plant held for future use.....	7,467,493	-	-	-	7,467,493
Nuclear fuel, net of amortization.....	<u>716,096</u>	-	-	-	<u>716,096</u>
Utility plant, net.....	<u>51,683,289</u>	<u>37,694,409</u>	<u>49,903,543</u>	<u>8,475,896</u>	<u>147,757,137</u>

Depreciation expense totaled \$6,502,283 and \$6,380,923 for 2010 and 2009, respectively. There was \$393,000 and \$393,000 capitalized interest costs, net of interest earnings, associated with expansion and improvements made to utility plant for the fiscal years ended September 30, 2010 and 2009, respectively.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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A summary of capital assets activity for the year ended September 30, 2010 is as follows:

	September 30, 2009	Acquisitions	Disposals	September 30, 2010
Capital assets not being depreciated:				
Land and land rights.....	\$ 5,601,015	7,467,493	-	13,068,508
Construction work in progress.....	3,659,698	7,423,119	(2,880,865)	8,201,952
Plant held for future use.....	7,467,493	-	(7,467,493)	-
Nuclear fuel, net of amortization.....	<u>716,096</u>	<u>209,007</u>	<u>-</u>	<u>925,103</u>
Total capital assets not being depreciated.....	<u>17,444,302</u>	<u>15,099,619</u>	<u>(10,348,358)</u>	<u>22,195,563</u>
Capital assets being depreciated:				
Structures and improvements.....	34,547,078	335,029	-	34,882,107
Production and treatment plant.....	47,666,733	821,581	(13,873)	48,474,441
Transmission, distribution and collection and treatment plant.....	133,637,383	844,692	(198,734)	134,283,341
Other general plant and equipment.....	<u>12,521,703</u>	<u>638,963</u>	<u>(1,581,148)</u>	<u>11,579,518</u>
Total capital assets being depreciated.....	<u>228,372,897</u>	<u>2,640,265</u>	<u>(1,793,755)</u>	<u>229,219,407</u>
Less accumulated depreciation for:				
Structures and improvements.....	(13,101,683)	(775,658)	-	(13,877,341)
Production and treatment plant.....	(22,223,870)	(1,386,888)	9,480	(23,601,278)
Transmission, distribution and collection and treatment plant.....	(53,678,785)	(3,387,607)	184,878	(56,881,514)
Other general plant and equipment.....	<u>(9,055,724)</u>	<u>(952,130)</u>	<u>962,562</u>	<u>(9,045,292)</u>
Total accumulated depreciation.....	<u>(98,060,062)</u>	<u>(6,502,283)</u>	<u>1,156,920</u>	<u>(103,405,425)</u>
Total capital assets being depreciated.....	<u>130,312,835</u>	<u>(3,862,018)</u>	<u>(636,835)</u>	<u>125,813,982</u>
Total capital assets, net.....	<u>\$ 147,757,137</u>	<u>11,237,601</u>	<u>(10,985,193)</u>	<u>148,009,545</u>

**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 and revised in 2008, using 2008 cost factors 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 2008 dollars was \$4.1 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.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

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Based on the revised 2008 cost factors, the Utilities Commission’s capitalized asset retirement costs were \$988,194 and \$724,774, net of accumulated depreciation of \$3,064,197 and \$3,025,117, as of September 30, 2010 and 2009, respectively. Depreciation of the asset retirement costs is calculated using a straight-line method over the remaining license period (26 years). Annual depreciation expense related to the asset retirement costs is \$39,080 and \$27,876 for 2010 and 2009, respectively, 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 \$4,828,717 and \$4,387,851, as of September 30, 2010 and 2009, respectively. The accretion period for this obligation is consistent with the plant’s license period. Accretion expense was \$138,365 and \$142,669 for 2010 and 2009, 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, 2008. 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, 2010 and 2009:

	September 30,	
	2010	2009
Invested in utility plant, net of related debt:		
Net utility plant.....	\$ 148,009,545	147,757,137
Less: Revenue certificates payable (net), excluding unspent proceeds of \$196,500 in 2010 and \$-0- in 2009.....	(51,430,008)	(55,058,927)
Notes payable (net) .....	<u>(9,943,987)</u>	<u>(10,884,945)</u>
	<u>86,635,550</u>	<u>81,813,265</u>
Restricted:		
Debt service sinking and reserve funds .....	6,308,994	5,956,977
Renewal and replacement funds.....	6,852,217	10,730,287
CR3 nuclear generation facility decommissioning funds.....	3,875,935	3,755,639
Developer infrastructure escrow .....	<u>1,428,141</u>	<u>1,445,587</u>
	<u>18,465,287</u>	<u>21,888,490</u>
Unrestricted net assets .....	<u>5,906,627</u>	<u>6,559,384</u>
Total net assets .....	<u>\$ 111,007,464</u>	<u>110,261,139</u>



**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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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 and reclamation 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 and reclamation utility plant assets.

**NOTE 8 – LONG-TERM DEBT**

A summary of long-term debt outstanding at September 30, 2010 and 2009 is as follows:

	September 30,	
	2010	2009
Utilities System Refunding Revenue Certificates, Series 2002 2.75% to 5.00% due serially to 2017.....	\$ 21,300,000	24,495,000
Utilities System Refunding Revenue Certificates, Series 2004A 2.895% due serially to 2011 .....	235,000	550,000
Utilities System Refunding Revenue Certificates, Series 2007 3.93% due serially to 2027 .....	10,000,000	10,000,000
Utilities System Refunding Revenue Certificates, Series 2009 3.96% due serially to 2020 .....	<u>20,250,000</u>	<u>20,250,000</u>
Total utilities revenue certificates outstanding.....	<u>51,785,000</u>	<u>55,295,000</u>

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

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UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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	September 30,	
	2010	2009
Less current maturities:		
Series 2002 Certificates.....	\$ (3,510,000)	(3,195,000)
Series 2004A Certificates.....	(235,000)	(430,000)
Series 2009 Certificates.....	<u>(900,000)</u>	<u>(900,000)</u>
	<u>(4,645,000)</u>	<u>(4,525,000)</u>
Long-term certificate debt.....	47,140,000	50,770,000
Plus: unamortized debt premium.....	99,002	141,171
Less: deferred amount on advance refunding.....	<u>(257,494)</u>	<u>(377,244)</u>
Net long-term certificate debt .....	<u>46,981,508</u>	<u>50,533,927</u>
Note Payable:		
State Revolving Fund Loan		
Construction loans consisting of \$5,328,686, bearing interest at 3.22% per annum, \$1,110,551, bearing interest at 3.18% per annum, and \$4,445,708 bearing interest at 3.11% per annum; payable in equal semi-annual payments of \$639,359, and maturing in August, 2019.....	9,943,987	10,884,945
Less current maturities .....	<u>(971,031)</u>	<u>(940,958)</u>
Long-term portion of note payable .....	<u>8,972,956</u>	<u>9,943,987</u>
Total long-term debt, net.....	<u>\$ 55,954,464</u>	<u>60,477,914</u>

A summary of borrowings and debt service activity for the year ended September 30, 2010 is as follows:

	Beginning of Year	Borrowings	Maturities / Redemptions	End of Year
Utilities revenue certificates .....	\$ 55,295,000	--	(3,510,000)	51,785,000
Notes payable .....	<u>10,884,945</u>	--	<u>(940,958)</u>	<u>9,943,987</u>
Total outstanding debt .....	<u>\$ 66,179,945</u>	--	<u>(4,450,958)</u>	<u>61,728,987</u>

On July 1, 2009, the Utilities Commission issued \$20,250,000 Utilities System Refunding Revenue Certificates, Series 2009. The net proceeds from this obligation were used to retire the remaining principal portion of the outstanding Utilities System Refunding Revenue Certificates, Series 1993 and to retire the outstanding principal balance of all promissory notes payable to Florida Municipal Power Agency. The remaining net proceeds were used for construction funds and costs of issuance.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

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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 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 their payment.

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 2002, 2004A, 2007, and 2009.

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	Total		Revenue Certificates		Note Payable FDEP SRF	
	Principal	Interest	Principal	Interest	Principal	Interest
2011.....	\$ 5,616,031	2,404,579	4,645,000	2,096,892	971,031	307,687
2012.....	5,922,065	2,169,345	4,920,000	1,892,692	1,002,065	276,653
2013.....	6,334,093	1,890,958	5,300,000	1,646,332	1,034,093	244,626
2014.....	6,582,141	1,598,934	5,515,000	1,387,357	1,067,141	211,577
2015.....	<u>3,606,250</u>	<u>1,381,639</u>	<u>2,505,000</u>	<u>1,204,170</u>	<u>1,101,250</u>	<u>177,469</u>
	28,060,580	9,445,455	22,885,000	8,227,443	5,175,580	1,218,012
2016-2020....	24,973,408	4,100,176	20,205,000	3,753,713	4,768,408	346,463
2021-2025....	5,865,000	996,833	5,865,000	996,833	-	-
2026-2028....	<u>2,830,000</u>	<u>170,169</u>	<u>2,830,000</u>	<u>170,169</u>	-	-
Total.....	<u>\$ 61,728,988</u>	<u>14,712,633</u>	<u>51,785,000</u>	<u>13,148,158</u>	<u>9,943,988</u>	<u>1,564,475</u>

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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**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 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, 2010, all prior year outstanding and defeased bonds have been called and redeemed.

**NOTE 10 – OPERATING LEASES**

The Utilities Commission leases office copiers and equipment under six non-cancellable operating leases with terms ranging from thirty-six to forty-eight months, all of which expire at the end of their respective lease periods that extend through July 2013. These leases are accounted for as operating leases and contain options to be cancelled in the event annual appropriations are not authorized. The aggregate annual costs for operating leases totaled \$13,529 and \$12,691 for the years ended September 30, 2010 and 2009, respectively.

The minimum future rentals under these non-cancellable agreements are as follows:

Fiscal Year <u>Ending</u>	<u>Rents</u>
2011.....	\$ 15,453
2012.....	14,359
2013.....	<u>7,218</u>
Total.....	<u>\$ 37,030</u>

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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**NOTE 11 – COMPENSATED ABSENCES**

Compensated absences due and payable within one-year are reported in the caption accrued liabilities amounted to \$437,186 and \$457,783 as of September 30, 2010 and 2009, 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, 2010 are as follows:

	Beginning of Year	Additions	Deletions	End of Year
Due and payable within one year .....	\$ 457,783	586,746	(607,343)	437,186
Deferred portion .....	<u>457,783</u>	<u>0</u>	<u>(20,597)</u>	<u>437,186</u>
Total compensated absences.....	<u>\$ 915,566</u>	<u>586,746</u>	<u>(627,940)</u>	<u>874,372</u>

**NOTE 12 – 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, 2010 and 2009 totaled \$3,833,943 and \$3,601,594, respectively. The balances payable to the City at September 30, 2010 and 2009, totaled \$363,216 and \$368,553, respectively.

The Utilities Commission also acts solely as an agent of the City of New Smyrna Beach with respect to the City’s billings to citizens and customers for solid waste and storm water utilities services managed by the City. Under the arrangement, the Utilities Commission simultaneously bills and collects the City’s solid waste and storm water utilities revenues with its monthly customer service billings. All customer collections on these accounts are subsequently remitted to the City on a monthly basis. Net amounts due the City at the years ended September 30, 2010 and 2009 totaled \$505,895 and \$489,188, respectively. Effective October 1, 2010, the Utilities Commission will no longer bill and collect the City’s stormwater utilities revenues.

**NOTE 13 – EMPLOYEE PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS**

**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 for all regular full-time and regular part-time employees that were employed prior to January 1, 1996. The defined benefit 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. Benefit provisions are established under Chapter 121, Florida Statutes, which may be

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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amended by the Florida Legislature. The Florida Retirement System 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, P. O. Box 9000, Tallahassee, FL 32315-9000.

*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. The policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due based upon plan assumptions. Employer contribution rates are established by state law as a level percentage of payroll. Employer contribution rates are determined using the entry-age actuarial cost method. The consulting actuary recommends that rates based on the annual valuation, but actual contribution rates are established by the Florida Legislature. If an unfunded actuarial liability reemerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

The Utilities Commission’s contributions to the plan for the fiscal years ended September 30, 2010, 2009, and 2008 totaled \$327,136, \$340,644, and \$359,607, respectively. There were no employee contributions made during these years. The following is a summary of employer contribution percentages for qualifying compensation paid to general participants and special risk participants in effect during each of the past three fiscal years (rates specified below include an additional 1.11% for the Utilities Commission’s option to include the health insurance subsidy contribution):

	<u>Regular Employees</u>	<u>DROP</u>
From July 1, 2007 to June 30, 2008 .....	9.85%	10.91%
From July 1, 2008 to June 30, 2009 .....	9.85%	10.91%
From July 1, 2009 to June 30, 2010 .....	9.85%	10.91%
From July 1, 2010 to September 30, 2010.....	10.77%	12.25%

**B. Defined Contribution Pension 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 \$410,951, \$437,380, and \$351,912, for the years ended September 30, 2010, 2009, and 2008, respectively. There were no employee contributions made during these years.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Pursuant to a contract of employment, the Utilities Commission offered its previous 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 were 16% of the CEO's gross salary. Employee could make supplemental contributions to plan to the extent permitted by law. Employer contributions to the plan were \$48,823, \$33,861 and \$26,163 for the years ended September 30, 2010, 2009 and 2008, respectively. There were no employee contributions made during these years.

**C. Other Post-Employment Benefits (OPEB)**

*Plan Description.* Utilities Commission, City of New Smyrna Beach, Florida Other Postemployment Benefits Plan (UCOPEB Plan) is a single-employer healthcare plan administered by the Utilities Commission. Pursuant to Section 112.0801, Florida Statutes, the Utilities Commission is required to permit participation in the UCOPEB Plan to retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Eligible individuals include all regular employees of the Utilities Commission who retire from active service under one of the pension plans sponsored by the Utilities Commission. Under certain conditions, eligible individuals also include spouses and dependent children. The Plan does not issue a publicly available financial report.

*Funding Policy.* The contribution requirements of plan members and the Utilities Commission are established by state statutes and may be amended by the state legislature. The required contribution is based on projected pay-as-you-go financing requirements and is subject to constant revision. The Utilities Commission has opted to not fund the net OPEB obligation or the resulting unfunded actuarial accrued liability on an annual basis.

*Annual OPEB Cost and Net OPEB Obligation.* The Utilities Commission's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Utilities Commission's annual OPEB for each of the past two years, the amounts actually contributed to the plan, and changes in the Utilities Commission's net OPEB obligation to UCOPEB:

Valuation date .....	10/01/2009	10/01/2008
Annual required contribution (ARC) .....	\$ 83,917	72,041
Interest on the net OPEB obligation .....	2,078	0
Adjustment to annual required contribution .....	<u>(2,575)</u>	<u>0</u>
Annual OPEB cost (expense).....	83,420	72,041
Estimated net contributions made .....	<u>(16,115)</u>	<u>(30,478)</u>
Increase in net OPEB obligation.....	67,305	41,563
Net OPEB obligation-beginning of year .....	<u>41,563</u>	<u>0</u>
Net OPEB obligation-end of year .....	<u>\$ 108,868</u>	<u>41,563</u>

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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The Utilities Commission’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/10	\$83,420	19.3%	\$108,868
09/30/09	\$72,041	42.3%	\$ 41,563
09/30/08	N/A	N/A	N/A

*Funded Status and Funding Progress.* As of October 1, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$696,285, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$696,285. The covered payroll (annual payroll of active employees covered under the plan) was \$8,500,572, and the ratio of the UAAL to the covered payroll was 8.2%.

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

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2009 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 5% percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual (pre-Medicare and post-Medicare) healthcare cost trend rate of 9% percent initially, reduced by decrements to an ultimate rate of 5% in 2014. If, and when, funded, the actuarial value of assets will be determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll (closed amortization over 30 years).



**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

**NOTE 14 – 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 \$16,500 or 100% of gross annual compensation for plan years beginning in 2009. 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. Employee contributions to the plan were \$699,808 and \$642,333 for the years ended September 30, 2010 and 2009.

**NOTE 15 – DEPARTMENTAL INFORMATION**

The financial activity for the Utilities Commission's individual utility systems is as follows:

	Electric System	Water System	Reclamation System	Internet System	Total
Operating revenue.....	\$ 45,396,865	\$ 6,956,959	\$ 7,399,250	\$ 101,885	\$ 59,854,959
Depreciation.....	3,180,253	1,383,535	1,938,495	-	6,502,283
Required payments to City.....	2,972,859	408,120	446,892	6,072	3,833,943
Operating income (loss).....	1,982,032	671,602	604,153	(73,826)	3,183,961
Income (loss) before contributions....	714,189	3,702	(505,755)	(84,404)	127,732
Capital contributions.....	126,490	334,879	157,224	-	618,593
Change in net assets.....	840,679	338,581	(348,531)	(84,404)	746,325
Utility plant acquisitions.....	3,892,384	1,984,353	1,755,389	-	7,632,126
Utility plant retirements.....	(1,469,241)	(749,025)	(662,599)	-	(2,880,865)
Revenue certificates payable.....	20,849,931	19,090,454	11,686,123	-	51,626,508
Notes payable.....	-	-	9,943,987	-	9,943,987
Net assets.....	43,759,267	33,405,493	34,259,283	(416,579)	111,007,464
Total assets.....	74,966,904	55,972,959	61,637,543	-	192,577,406

**NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE**

The Utilities Commission has changed its manner of accounting for certain intangible assets that do not have indefinite useful lives. The Utilities Commission has adopted the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, for select utility easements and water rights acquired in prior years. This change is retroactively reported as a cumulative effect of a change in accounting principle in the amount of \$2,329,336 and is reflected as a restatement of beginning net assets invested in capital assets and an increase in capital assets in the electric, water and reclamation divisions. As permitted by GASB Statement No. 51, the financial statements have not been restated for prior year costs associated with the development of internally generated computer software because the Utilities Commission does not have any qualifying software in development or operation.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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**NOTE 17 – 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 18 – 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.

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 \$3.0 million annually.

As of September 30, 2010, the Utilities Commission had additional unrecognized construction contract commitments of approximately \$790,000 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.

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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### NOTE 19 – ENVIRONMENTAL MATTERS

Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49) became effective in fiscal year 2009. GASB 49 provides guidance in estimating and reporting the potential costs of pollution remediation. While GASB 49 does not require the Utilities Commission to search for pollution, it does require it to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the Utilities Commission is compelled to take action,
- The Utilities Commission is found in violation of a pollution related permit or license,
- The Utilities Commission is named, or has evidence that it will be named as a responsible party by a regulator,
- The Utilities Commission is named, or has evidence that it will be named in a lawsuit to enforce a cleanup, or
- The Utilities Commission commences or legally obligates itself to conduct remediation activities.

On August 17, 2010, the Utilities Commission experienced an accidental release of polychlorinated biphenyls at its electric stores facility. Subsequent to the release, the Utilities Commission was served a Notice of Violation and Opportunity to Show Cause by the U. S. Department of Environmental Protection in which it formally specified violations of (1) CERCLA 103(a) for failure to immediately notify the National Response Center after a reportable quantity of polychlorinated biphenyls was released, (2) EPCRA Section 304(a) for failure to immediately notify the State Emergency Response Commission and the Local Emergency Planning Committee after a reportable quantity of polychlorinated biphenyls was released, and (3) EPCRA Section 304(c) failure to provide a written follow-up emergency notice to the State Emergency Response Commission and the Local Emergency Planning Committee after a reportable quantity of polychlorinated biphenyls was released on August 17, 2010. After responding to the Notice of Violation and Opportunity to Show Cause, and providing an acceptable remediation plan, the U. S. Environmental Protection Agency withdrew its alleged violations identified therein.

Under the remediation plan accepted by the EPA, the Utilities Commission agreed to perform the cleanup of the contaminated site, and to obtain an independent review and confirmation of the cleanup. As of September 30, 2010, the estimated remediation obligation for this site is \$35,300. In connection therewith, the Utilities Commission recorded a pollution remediation liability as of September 30, 2010 of approximately \$35,300 using the expected cash flow technique. Under this technique, the Utilities Commission estimated a reasonable range of potential outlays and multiplied those outlays by their probability of occurring. This liability could change over time due to changes in costs of goods and service, changes in remediation technology, or changes in laws and regulations governing the remediation efforts.

Subsequent to year end, the Utilities Commission was informed that the accidental release of PCBs was not a “qualifying” event. Based on the results of the independent review of the final post-cleanup soil analysis, the Utilities Commission was informed that no additional cleanup is necessary.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
 September 30, 2010 and 2009  
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
 New Smyrna Beach, Florida

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The following is a summary of the activity related to pollution remediation:

	September 30,	
	2010	2009
Environmental remediation liability, beginning of year.....	\$ 0	0
Expected additional future out lays, increasing liability estimates .....	35,300	0
Fiscal year 2010 outlays for environmental remediation .....	0	0
Reduction in liability estimates .....	0	0
Estimated recoveries from third parties or tax credits.....	<u>0</u>	<u>0</u>
Environmental remediation liability, end of year.....	<u>\$ 35,300</u>	<u>0</u>

**NOTE 20 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Utilities Commission has evaluated events and transactions for potential recognition or disclosure through January 14, 2011, the date the financial statements were available to be issued.

***REQUIRED SUPPLEMENTARY INFORMATION***

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**REQUIRED SUPPLEMENTAL INFORMATION-  
 SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS**  
 For the Fiscal Years Ended September 30, 2010 and 2009  
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
 New Smyrna Beach, Florida

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (Entry Age) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/1/2009	\$ -	\$ 696,285	\$ 696,285	0.00%	\$ 8,500,572	8.2%
10/1/2008	\$ -	\$ 610,483	\$ 610,483	0.00%	\$ 8,741,419	7.0%
10/1/2007	N/A	N/A	N/A	N/A	N/A	N/A

Based on Actuarial Valuation Dated 10/01/2009

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## ***OTHER SUPPLEMENTARY INFORMATION***

*THIS SECTION IS COMPOSED OF THE FOLLOWING:*

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

***ELECTRIC SYSTEM,  
WATER SYSTEM,  
RECLAMATION 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, 2010

With Comparative Actual Amounts for the Fiscal Year Ended September 30, 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Electric	Water
Operating Revenue:		
Sales.....	\$ 44,766,297	6,471,827
Other revenues.....	<u>630,568</u>	<u>485,132</u>
Total operating revenue.....	<u>45,396,865</u>	<u>6,956,959</u>
Operating Expenses:		
Purchased power and fuel expenses.....	24,622,098	-
Other production expenses.....	5,253,527	1,905,410
Transmission, distribution, and sewage collection and treatment.....	2,683,586	842,049
Customer accounting.....	971,561	191,807
Administrative and general.....	3,730,949	1,554,436
Required payments to City of New Smyrna Beach.....	2,972,859	408,120
Depreciation.....	<u>3,180,253</u>	<u>1,383,535</u>
Total operating expenses.....	<u>43,414,833</u>	<u>6,285,357</u>
Operating income.....	<u>1,982,032</u>	<u>671,602</u>
Nonoperating Revenue (Expenses):		
Interest earnings.....	26,706	8,782
Other income.....	484,497	57,739
Interest and debt expense.....	(1,086,814)	(430,450)
Other expenses.....	(348,381)	(147,076)
Gain (loss) on disposal of assets.....	<u>(343,851)</u>	<u>(156,895)</u>
Total nonoperating revenue (expenses).....	<u>(1,267,843)</u>	<u>(667,900)</u>
Income (loss) before contributions.....	714,189	3,702
Capital contributions.....	<u>126,490</u>	<u>334,879</u>
Change in net assets.....	<u>840,679</u>	<u>338,581</u>
Net assets, beginning of year (as previously reported).....		
Change in accounting for intangible assets.....		
Net assets, beginning of year (as restated).....	<u>42,918,588</u>	<u>33,066,912</u>
Net assets, end of year.....	<u>\$ 43,759,267</u>	<u>33,405,493</u>

**Schedule 1**

Reclamation	Internet	Totals	
		2010	2009
7,393,886	101,885	58,733,895	56,146,191
<u>5,364</u>	<u>-</u>	<u>1,121,064</u>	<u>791,103</u>
<u>7,399,250</u>	<u>101,885</u>	<u>59,854,959</u>	<u>56,937,294</u>
-	-	24,622,098	22,173,197
-	-	7,158,937	5,802,643
2,733,402	-	6,259,037	6,431,192
129,778	-	1,293,146	1,238,348
1,546,530	169,639	7,001,554	7,343,481
446,892	6,072	3,833,943	3,601,594
<u>1,938,495</u>	<u>-</u>	<u>6,502,283</u>	<u>6,380,923</u>
<u>6,795,097</u>	<u>175,711</u>	<u>56,670,998</u>	<u>52,971,378</u>
<u>604,153</u>	<u>(73,826)</u>	<u>3,183,961</u>	<u>3,965,916</u>
6,893	-	42,381	116,472
76,454	-	618,690	545,410
(871,467)	-	(2,388,731)	(2,404,288)
(185,699)	(10,578)	(691,734)	(132,752)
<u>(136,089)</u>	<u>-</u>	<u>(636,835)</u>	<u>(339,545)</u>
<u>(1,109,908)</u>	<u>(10,578)</u>	<u>(3,056,229)</u>	<u>(2,214,703)</u>
(505,755)	(84,404)	127,732	1,751,213
<u>157,224</u>	<u>-</u>	<u>618,593</u>	<u>622,137</u>
<u>(348,531)</u>	<u>(84,404)</u>	<u>746,325</u>	<u>2,373,350</u>
			105,558,453
			<u>2,329,336</u>
<u>34,607,814</u>	<u>(332,175)</u>	<u>110,261,139</u>	<u>107,887,789</u>
<u>34,259,283</u>	<u>(416,579)</u>	<u>111,007,464</u>	<u>110,261,139</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, 2010

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.....	\$ 44,193,754	45,944,965	1,751,211
Other revenues.....	515,178	847,263	332,085
Nonoperating revenue (expenses):			
Interest earnings.....	-	26,706	26,706
Other revenues (expenses).....	486,053	262,353	(223,700)
Capital contributions.....	<u>50,000</u>	<u>126,490</u>	<u>76,490</u>
	<u>45,244,985</u>	<u>47,207,777</u>	<u>1,962,792</u>
<b>Operating Expenses:</b>			
Purchased power and fuel expenses.....	24,045,300	24,622,098	(576,798)
Power production.....	4,689,088	5,253,527	(564,439)
Transmission and distribution.....	2,767,400	2,683,586	83,814
Customer accounting.....	959,475	971,561	(12,086)
Administrative and general.....	4,240,201	3,773,316	466,885
Required payments to the City of New Smyrna Beach.....	<u>2,674,325</u>	<u>2,972,859</u>	<u>(298,534)</u>
	<u>39,375,789</u>	<u>40,276,947</u>	<u>(901,158)</u>
Net revenue and receipts.....	<u>5,869,196</u>	<u>6,930,830</u>	<u>1,061,634</u>
<b>Operating Transfers In (Out):</b>			
Sinking Fund - 1993 Certificates.....	(67,412)	-	67,412
Sinking Fund - 2002 Certificates.....	(2,224,628)	(2,224,629)	(1)
Sinking Fund - 2004A Certificates.....	(209,162)	(209,204)	(42)
Sinking Fund - 2009 Certificates.....	-	(406,243)	(406,243)
Debt Reduction Fund - required contribution.....	262,909	262,909	-
Sinking Fund - FMPA Pooled Loans.....	(1,237,042)	-	1,237,042
CR3 Decommissioning Fund.....	-	(4,803)	(4,803)
Infrastructure Fund.....	(50,000)	(7,302)	42,698
Renewal and Replacement Funds.....	<u>(2,343,861)</u>	<u>(2,335,187)</u>	<u>8,674</u>
	<u>(5,869,196)</u>	<u>(4,924,459)</u>	<u>944,737</u>
Budgeted net cash receipts.....	<u>\$ -</u>	2,006,371	<u>2,006,371</u>
<b>Reconciliation of Net Cash Receipts to Net Income (GAAP):</b>			
Principal portion of required Sinking Fund transfers.....		1,943,685	
Net transfers to Renewal and Replacement Fund.....		2,335,187	
Net transfers to Debt Reduction Fund.....		(262,909)	
Net transfers to CR3 Decommissioning Fund.....		4,803	
Net transfers to Infrastructure Fund.....		7,302	
Gain (loss) on disposal of property and equipment.....		(621,868)	
Depreciation.....		(3,180,253)	
Amortization of personal leave time.....		42,367	
Amortization of regulatory expense.....		(64,915)	
Unbilled utility revenues.....		(1,178,668)	
Accretion of asset retirement obligation.....		(138,365)	
Amortization of debt expense and loss on refunding.....		<u>(52,058)</u>	
Change in net assets.....		<u>\$ 840,679</u>	

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

**Schedule 3**

For the Fiscal Year Ended September 30, 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Final Budget	Actual	Variance
<b>Revenue and Receipts:</b>			
Direct Sales:			
Water sales.....	\$ 6,855,351	6,459,697	(395,654)
Other revenues.....	230,811	514,444	283,633
Nonoperating revenue (expenses):			
Interest earnings.....	-	8,782	8,782
Other revenues (expenses).....	169,603	57,685	(111,918)
Capital contributions.....	566,744	334,879	(231,865)
	<u>7,822,509</u>	<u>7,375,487</u>	<u>(447,022)</u>
<b>Operating Expenses:</b>			
Water production.....	1,854,412	1,905,410	(50,998)
Transmission and distribution.....	960,200	842,049	118,151
Customer accounting.....	191,895	191,807	88
Administrative and general.....	1,944,195	1,553,845	390,350
Required payments to the City of New Smyrna Beach.....	421,202	408,120	13,082
	<u>5,371,904</u>	<u>4,901,231</u>	<u>470,673</u>
Net revenue and receipts.....	<u>2,450,605</u>	<u>2,474,256</u>	<u>23,651</u>
<b>Operating Transfers In (Out):</b>			
Sinking Fund - 1993 Certificates.....	(43,592)	-	43,592
Sinking Fund - 2002 Certificates.....	(1,239,096)	(1,239,096)	-
Sinking Fund - 2004A Certificates.....	(143,134)	(143,163)	(29)
Sinking Fund - 2007 Certificates.....	(196,500)	-	196,500
Sinking Fund - 2009 Certificates.....	-	(125,818)	(125,818)
Debt Reduction Fund - required contribution.....	146,438	146,438	-
Sinking Fund - FMPA Pooled Loans.....	(79,805)	-	79,805
Renewal and Replacement Funds.....	(844,916)	(1,471,275)	(626,359)
Infrastructure Fund.....	(50,000)	(48,293)	1,707
	<u>(2,450,605)</u>	<u>(2,881,207)</u>	<u>(430,602)</u>
Budgeted net cash receipts.....	<u>\$ -</u>	<u>(406,951)</u>	<u>(406,951)</u>
<b>Reconciliation of Net Cash Receipts to Net Income (GAAP):</b>			
Principal portion of required Sinking Fund transfers.....		1,108,560	
Net transfers to Renewal and Replacement Fund.....		1,471,275	
Net transfers to Infrastructure Fund.....		48,293	
Net transfers to Debt Reduction Fund.....		(146,438)	
Gain (loss) on disposal of property and equipment.....		(298,234)	
Unbilled utility revenues.....		(18,770)	
Depreciation.....		(1,383,535)	
Amortization of personal leave time.....		(591)	
Amortization of regulatory expense.....		(4,095)	
Amortization of debt expense and loss on refunding.....		<u>(30,933)</u>	
Change in net assets.....		<u>\$ 338,581</u>	

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS - Schedule 4**  
**BUDGET AND ACTUAL - RECLAMATION SYSTEM (NON-GAAP BUDGETARY BASIS)**

For the Fiscal Year Ended September 30, 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Final Budget	Actual	Variance
<b>Revenue and Receipts:</b>			
Direct Sales:			
Reclamation sales.....	\$ 7,423,885	7,530,637	106,752
Other revenues.....	13,334	5,227	(8,107)
Nonoperating revenue (expenses):			
Interest earnings.....	-	6,642	6,642
Other revenues (expenses).....	59,708	76,438	16,730
Capital contributions.....	<u>617,753</u>	<u>157,224</u>	<u>(460,529)</u>
	<u>8,114,680</u>	<u>7,776,168</u>	<u>(338,512)</u>
<b>Operating Expenses:</b>			
Collection and treatment system.....	2,563,450	2,733,402	(169,952)
Customer accounting.....	127,930	129,778	(1,848)
Administrative and general.....	1,742,792	1,548,268	194,524
Required payments to the City of New Smyrna Beach.....	<u>445,594</u>	<u>446,892</u>	<u>(1,298)</u>
	<u>4,879,766</u>	<u>4,858,340</u>	<u>21,426</u>
Net revenue and receipts.....	<u>3,234,914</u>	<u>2,917,828</u>	<u>(317,086)</u>
<b>Operating Transfers In (Out):</b>			
Bond/loan proceeds.....	1,275,000	-	(1,275,000)
Sinking Fund - 1993 Certificates.....	(15,496)	-	15,496
Sinking Fund - 2002 Certificates.....	(1,024,129)	(1,024,128)	1
Sinking Fund - 2004A Certificates.....	(89,067)	(89,085)	(18)
Sinking Fund - 2009 Certificates.....	-	(269,839)	(269,839)
Debt Reduction Fund - required contribution.....	121,033	121,033	-
Sinking Fund - FMPA Pooled Loans.....	(101,570)	-	101,570
Sinking Fund - State Revolving Fund Loan.....	(1,278,718)	(1,278,718)	-
Renewal and Replacement Funds.....	(2,096,967)	(849,150)	1,247,817
Infrastructure Fund.....	<u>(25,000)</u>	<u>(3,031)</u>	<u>21,969</u>
	<u>(3,234,914)</u>	<u>(3,392,918)</u>	<u>(158,004)</u>
Budgeted net cash receipts.....	<u>\$ -</u>	<u>(475,090)</u>	<u>(475,090)</u>
<b>Reconciliation of Net Cash Receipts to Net Income (GAAP):</b>			
Principal portion of required Sinking Fund transfers.....		1,833,936	
Net transfers to Renewal and Replacement Fund.....		849,150	
Net transfers to Infrastructure Fund.....		3,031	
Net transfers to Debt Reduction Fund.....		(121,033)	
Gain (loss) on disposal of property and equipment.....		(308,539)	
Unbilled utility revenues.....		(136,751)	
Depreciation.....		(1,938,495)	
Amortization of personal leave time.....		1,740	
Amortization of regulatory expense.....		(13,098)	
Amortization of debt expense and loss on refunding.....		<u>(43,382)</u>	
Change in net assets.....		<u>\$ (348,531)</u>	

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

**Schedule 5**

For the Fiscal Year Ended September 30, 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Final Budget	Actual	Variance
<b>Revenue and Receipts:</b>			
Direct Sales:			
Internet sales.....	\$ 156,000	101,885	(54,115)
Nonoperating revenue (expenses):			
Other revenues (expenses).....	-	-	-
	<u>156,000</u>	<u>101,885</u>	<u>(54,115)</u>
<b>Operating Expenses:</b>			
Customer accounting.....	1,800	-	1,800
Administrative and general.....	170,393	167,318	3,075
Required payments to the City of New Smyrna Beach.....	<u>9,360</u>	<u>6,072</u>	<u>3,288</u>
	<u>181,553</u>	<u>173,390</u>	<u>8,163</u>
	-		
Net revenue and receipts.....	(25,553)	(71,505)	(45,952)
<b>Operating Transfers In (Out):</b>			
Appropriated retained earnings.....	<u>25,553</u>	-	<u>(25,553)</u>
Budgeted net receipts.....	-	(71,505)	<u>(71,505)</u>
<b>Reconciliation of Net Cash Receipts to Net Income (GAAP):</b>			
Gain (loss) on disposal of property and equipment.....		(10,578)	
Amortization of personal leave time.....		<u>(2,321)</u>	
Change in net assets.....		<u>\$ (84,404)</u>	

**SCHEDULE OF OPERATING EXPENSES-  
ELECTRIC SYSTEM**

**Schedule 6**

For the Fiscal Years Ended September 30, 2010 and 2009  
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
 New Smyrna Beach, Florida

	2010	2009
Operating Expenses:		
Purchased power and fuel:		
Nuclear fuel .....	\$ 807,918	1,020,875
Diesel fuel .....	251,575	10,492
Purchased power .....	<u>23,562,605</u>	<u>21,141,830</u>
	<u>24,622,098</u>	<u>22,173,197</u>
Power production:		
Nuclear power generation .....	4,161,110	2,911,094
Diesel power generation .....	298,354	284,027
System control and load dispatching .....	<u>794,063</u>	<u>816,103</u>
	<u>5,253,527</u>	<u>4,011,224</u>
Transmission and distribution .....	2,683,586	2,754,949
Customer accounting .....	971,561	928,620
Administrative and general .....	3,730,949	3,722,321
Required payments to the City of New Smyrna Beach .....	2,972,859	2,758,740
Depreciation.....	<u>3,180,253</u>	<u>3,085,391</u>
Total operating expenses .....	<u>\$ 43,414,833</u>	<u>39,434,442</u>



**SCHEDULE OF OPERATING EXPENSES-  
WATER SYSTEM**

**Schedule 7**

For the Fiscal Years Ended September 30, 2010 and 2009  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2010	2009
Operating Expenses:		
Water production:		
Source of supply.....	\$ 506,206	567,934
Water treatment.....	<u>1,399,204</u>	<u>1,222,975</u>
	<u>1,905,410</u>	<u>1,790,909</u>
Transmission and distribution.....	842,049	940,894
Customer accounting.....	191,807	284,267
Administrative and general.....	1,554,436	1,701,850
Required payments to the City of New Smyrna Beach.....	408,120	395,233
Depreciation.....	<u>1,383,535</u>	<u>1,254,566</u>
Total operating expenses.....	<u>\$ 6,285,357</u>	<u>6,367,719</u>

**SCHEDULE OF OPERATING EXPENSES-  
RECLAMATION SYSTEM**

**Schedule 8**

For the Fiscal Years Ended September 30, 2010 and 2009  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2010	2009
Operating Expenses:		
Collection and treatment system:		
Collection expenses.....	\$ 476,752	466,527
Pumping expenses.....	499,461	577,524
Treatment and disposal.....	<u>1,757,188</u>	<u>1,691,298</u>
	<u>2,733,401</u>	<u>2,735,349</u>
Customer accounting.....	129,778	25,461
Administrative and general.....	1,546,530	1,532,701
Required payments to the City of New Smyrna Beach.....	446,892	439,740
Depreciation.....	<u>1,938,495</u>	<u>1,922,580</u>
Total operating expenses.....	<u>\$ 6,795,096</u>	<u>6,655,831</u>

**SCHEDULE OF OPERATING EXPENSES-  
INTERNET SYSTEM**

**Schedule 9**

For the Fiscal Years Ended September 30, 2010 and 2009  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2010	2009
Operating Expenses:		
Other production expenses.....	\$ -	510
Administrative and general.....	169,639	214,031
Required payments to the City of New Smyrna Beach.....	<u>6,072</u>	<u>7,881</u>
Total operating expenses.....	<u>\$ 175,711</u>	<u>222,422</u>

**SCHEDULE OF OPERATING EXPENSES-  
COMMUNICATIONS SYSTEM**

**Schedule 10**

For the Fiscal Years Ended September 30, 2010 and 2009  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2010	2009
Operating Expenses:		
Administrative and general.....	\$ -	172,578
Depreciation.....	<u>-</u>	<u>118,386</u>
Total operating expenses.....	<u>\$ -</u>	<u>290,964</u>

**SCHEDULE OF INVESTMENT EARNINGS****Schedule 11**

For the Fiscal Years Ended September 30, 2010 and 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2010	2009
<b>Investment Earnings By Source:</b>		
Sinking funds.....	\$ 8,037	21,292
Renewal and replacement funds.....	19,606	35,084
Customers' deposits.....	2,707	13,334
CR3 nuclear decommissioning funds.....	4,803	26,076
Other.....	<u>7,228</u>	<u>20,686</u>
Total investment earnings.....	<u>\$ 42,381</u>	<u>116,472</u>
<b>Investment Earnings By System:</b>		
Electric system.....	\$ 26,706	80,180
Water system.....	8,782	18,320
Reclamation system.....	<u>6,893</u>	<u>17,972</u>
Total investment earnings.....	<u>\$ 42,381</u>	<u>116,472</u>

Schedule 12

**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
REVENUE CERTIFICATES PAYABLE**  
For the Fiscal Year Ended September 30, 2010  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

Payment Date	Utilities System Refunding Revenue Certificates Series 2002			Utilities System Refunding Revenue Certificates Series 2004A			Utilities System Revenue Certificates Series 2007			Utilities System Revenue Certificates Series 2009			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
10/01/2010	\$ 3,510,000	\$ 488,927	\$ 3,998,927	\$ 115,000	\$ 3,402	\$ 118,402	\$ -	\$ 196,500	\$ 196,500	\$ 900,000	\$ 400,950	\$ 1,300,950	\$ 4,525,000	\$ 1,089,779	\$ 5,614,779
04/01/2011	-	425,746	425,746	120,000	1,737	121,737	-	196,500	196,500	-	383,130	383,130	120,000	1,007,113	1,127,113
10/01/2011	3,970,000	425,746	4,395,746	-	-	-	-	196,500	196,500	950,000	383,130	1,333,130	4,920,000	1,005,376	5,925,376
04/01/2012	-	326,496	326,496	-	-	-	-	196,500	196,500	-	364,320	364,320	-	887,316	887,316
10/01/2012	4,300,000	326,496	4,626,496	-	-	-	-	196,500	196,500	1,000,000	364,320	1,364,320	5,300,000	887,316	6,187,316
04/01/2013	-	218,996	218,996	-	-	-	-	196,500	196,500	-	344,520	344,520	-	760,016	760,016
10/01/2013	4,515,000	218,996	4,733,996	-	-	-	-	196,500	196,500	1,000,000	344,520	1,344,520	5,515,000	760,016	6,275,016
04/01/2014	-	106,121	106,121	-	-	-	-	196,500	196,500	-	324,720	324,720	-	627,341	627,341
10/01/2014	1,305,000	106,121	1,411,121	-	-	-	-	196,500	196,500	1,200,000	324,720	1,524,720	2,505,000	627,341	3,132,341
04/01/2015	-	79,369	79,369	-	-	-	-	196,500	196,500	-	300,960	300,960	-	576,829	576,829
10/01/2015	1,355,000	79,369	1,434,369	-	-	-	590,000	196,500	786,500	1,795,000	300,960	2,095,960	3,740,000	576,829	4,316,829
04/01/2016	-	50,575	50,575	-	-	-	-	184,907	184,907	-	265,419	265,419	-	500,901	500,901
10/01/2016	1,155,000	50,575	1,205,575	-	-	-	615,000	184,907	799,907	2,300,000	265,419	2,565,419	4,070,000	500,901	4,570,901
04/01/2017	-	26,031	26,031	-	-	-	-	172,822	172,822	-	219,879	219,879	-	418,732	418,732
10/01/2017	1,190,000	26,031	1,216,031	-	-	-	640,000	172,822	812,822	2,400,000	219,879	2,619,879	4,230,000	418,732	4,648,732
04/01/2018	-	-	-	-	-	-	-	160,246	160,246	-	172,359	172,359	-	332,605	332,605
10/01/2018	-	-	-	-	-	-	665,000	160,246	825,246	3,480,000	172,359	3,652,359	4,145,000	332,605	4,477,605
04/01/2019	-	-	-	-	-	-	-	147,178	147,178	-	103,455	103,455	-	250,633	250,633
10/01/2019	-	-	-	-	-	-	695,000	147,178	842,178	3,325,000	103,455	3,428,455	4,020,000	250,633	4,270,633
04/01/2020	-	-	-	-	-	-	-	133,522	133,522	-	37,620	37,620	-	171,142	171,142
10/01/2020	-	-	-	-	-	-	725,000	133,522	858,522	1,900,000	37,620	1,937,620	2,625,000	171,142	2,796,142
04/01/2021	-	-	-	-	-	-	-	119,275	119,275	-	-	-	-	119,275	119,275
10/01/2021	-	-	-	-	-	-	760,000	119,275	879,275	-	-	-	760,000	119,275	879,275
04/01/2022	-	-	-	-	-	-	-	104,341	104,341	-	-	-	-	104,341	104,341
10/01/2022	-	-	-	-	-	-	790,000	104,341	894,341	-	-	-	790,000	104,341	894,341
04/01/2023	-	-	-	-	-	-	-	88,818	88,818	-	-	-	-	88,818	88,818
10/01/2023	-	-	-	-	-	-	825,000	88,818	913,818	-	-	-	825,000	88,818	913,818
04/01/2024	-	-	-	-	-	-	-	72,607	72,607	-	-	-	-	72,607	72,607
10/01/2024	-	-	-	-	-	-	865,000	72,607	937,607	-	-	-	865,000	72,607	937,607
04/01/2025	-	-	-	-	-	-	-	55,609	55,609	-	-	-	-	55,609	55,609
10/01/2025	-	-	-	-	-	-	900,000	55,609	955,609	-	-	-	900,000	55,609	955,609
04/01/2026	-	-	-	-	-	-	-	37,925	37,925	-	-	-	-	37,925	37,925
10/01/2026	-	-	-	-	-	-	945,000	37,925	982,925	-	-	-	945,000	37,925	982,925
04/01/2027	-	-	-	-	-	-	-	19,355	19,355	-	-	-	-	19,355	19,355
10/01/2027	-	-	-	-	-	-	985,000	19,355	1,004,355	-	-	-	985,000	19,355	1,004,355
<b>Totals</b>	<b>\$ 21,300,000</b>	<b>\$ 2,955,595</b>	<b>\$ 24,255,595</b>	<b>\$ 235,000</b>	<b>\$ 5,139</b>	<b>\$ 240,139</b>	<b>\$ 10,000,000</b>	<b>\$ 4,754,710</b>	<b>\$ 14,754,710</b>	<b>\$ 20,250,000</b>	<b>\$ 5,433,714</b>	<b>\$ 25,683,714</b>	<b>\$ 51,785,000</b>	<b>\$ 13,149,158</b>	<b>\$ 64,934,158</b>

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

For the Fiscal Year Ended September 30, 2010  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

Payment Date	Reclamation Plant 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			Principal Amount	Interest	Total Requirements
	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements			
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	308,779	4,971	313,750	64,239	1,021	65,260	256,361	3,987	260,348	629,379	9,979	639,358
	<u>\$ 4,869,102</u>	<u>\$ 778,384</u>	<u>\$ 5,647,486</u>	<u>\$ 1,014,590</u>	<u>\$ 160,090</u>	<u>\$ 1,174,680</u>	<u>\$ 4,060,297</u>	<u>\$ 626,001</u>	<u>\$ 4,686,298</u>	<u>\$ 9,943,989</u>	<u>\$ 1,564,475</u>	<u>\$ 11,508,464</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> ..... <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>	96-107
<b>Revenue Capacity</b> ..... <i>These tables contain information to help the reader assess the Commission’s most significant revenue sources, consumptive user fees.</i>	108-123
<b>Debt Capacity</b> ..... <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>	125-127
<b>Demographic and Economic Information</b> ..... <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>	129-131
<b>Operating Information</b> ..... <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>	132-135

**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

	2010	2009	2008	2007
Invested in capital assets, net of related debt.....	\$ 86,635,550	\$ 81,813,265	\$ 84,302,560	\$ 80,129,034
Restricted.....	18,465,287	21,888,490	9,871,241	9,571,768
Unrestricted.....	<u>5,906,627</u>	<u>6,559,384</u>	<u>11,384,652</u>	<u>9,792,637</u>
Total net assets.....	<u>\$ 111,007,464</u>	<u>\$ 110,261,139</u>	<u>\$ 105,558,453</u>	<u>\$ 99,493,439</u>

**Table 1**

Fiscal Year					
2006	2005	2004	2003	2002	2001
\$ 59,628,096	\$ 56,511,156	\$ 48,625,159	\$ 43,970,077	\$ 39,241,910	\$ 35,711,172
12,421,844	7,995,607	11,230,042	11,493,240	10,276,583	12,048,478
<u>11,282,197</u>	<u>8,413,020</u>	<u>8,369,197</u>	<u>11,404,708</u>	<u>9,695,283</u>	<u>8,144,046</u>
<u>\$ 83,332,137</u>	<u>\$ 72,919,783</u>	<u>\$ 68,224,398</u>	<u>\$ 66,868,025</u>	<u>\$ 59,213,776</u>	<u>\$ 55,903,696</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

	2010	2009	2008	2007
<b>Operating Revenue:</b>				
Sales.....	\$ 58,733,895	\$ 56,146,191	\$ 62,297,291	\$ 58,882,023
Other revenue.....	<u>1,121,064</u>	<u>791,103</u>	<u>624,909</u>	<u>594,119</u>
Total operating revenue.....	<u>59,854,959</u>	<u>56,937,294</u>	<u>62,922,200</u>	<u>59,476,142</u>
<b>Operating Expenses:</b>				
Purchased power and fuel expenses.....	24,622,098	22,173,197	28,018,777	24,043,491
Other production expenses.....	7,158,937	5,802,643	6,433,609	6,278,690
Transmission, distribution, and sewage collection and treatment.....	6,259,037	6,431,192	6,499,601	5,766,272
Customer accounting.....	1,293,146	1,238,348	1,086,447	1,057,779
Administrative and general.....	7,001,554	7,343,481	7,025,702	6,795,197
Required payments to the City.....	3,833,943	3,601,594	3,612,294	3,670,560
Depreciation.....	<u>6,502,283</u>	<u>6,380,923</u>	<u>6,324,910</u>	<u>6,065,225</u>
Total operating expenses.....	<u>56,670,998</u>	<u>52,971,378</u>	<u>59,001,340</u>	<u>53,677,214</u>
Operating income.....	<u>3,183,961</u>	<u>3,965,916</u>	<u>3,920,860</u>	<u>5,798,928</u>
<b>Nonoperating Revenue (Expense):</b>				
Interest earnings.....	42,381	116,472	627,068	958,771
Other income.....	618,690	545,410	544,186	792,294
Interest and debt expense.....	(2,388,731)	(2,404,288)	(2,635,048)	(3,119,606)
Other expenses.....	(691,734)	(132,752)	(124,182)	(191,580)
Gain (loss) on disposal of assets.....	<u>(636,835)</u>	<u>(339,545)</u>	<u>(115,037)</u>	<u>(115,502)</u>
Total nonoperating revenue (expense).....	<u>(3,056,229)</u>	<u>(2,214,703)</u>	<u>(1,703,013)</u>	<u>(1,675,623)</u>
Income (loss) before contributions and transfers.....	<u>127,732</u>	<u>1,751,213</u>	<u>2,217,847</u>	<u>4,123,305</u>
Capital contributions.....	618,593	622,137	3,847,167	12,037,997
Residual transfer to the City.....	-	-	-	-
Total contributions and transfers.....	<u>618,593</u>	<u>622,137</u>	<u>3,847,167</u>	<u>12,037,997</u>
Change in net assets.....	<u>\$ 746,325</u>	<u>\$ 2,373,350</u>	<u>\$ 6,065,014</u>	<u>\$ 16,161,302</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					
2006	2005	2004	2003	2002	2001
\$ 63,246,281	\$ 58,243,276	\$ 53,918,028	\$ 45,758,867	\$ 39,966,040	\$ 42,177,716
<u>704,082</u>	<u>724,127</u>	<u>695,454</u>	<u>588,199</u>	<u>646,185</u>	<u>537,671</u>
<u>63,950,363</u>	<u>58,967,403</u>	<u>54,613,482</u>	<u>46,347,066</u>	<u>40,612,225</u>	<u>42,715,387</u>
24,854,589	18,615,982	16,082,797	16,569,259	13,652,608	16,385,996
10,042,297	13,946,939	10,745,373	6,431,093	6,038,839	5,844,715
5,187,372	4,788,033	4,686,910	3,751,847	3,782,641	3,348,147
2,202,317	2,536,210	6,764,647	996,421	821,128	745,380
7,947,091	8,713,250	6,643,995	4,302,892	3,385,868	3,519,275
3,665,315	3,328,647	3,262,587	2,706,427	2,509,729	2,625,008
<u>5,790,996</u>	<u>5,451,571</u>	<u>5,149,600</u>	<u>5,049,264</u>	<u>4,899,416</u>	<u>4,581,217</u>
<u>59,689,977</u>	<u>57,380,632</u>	<u>53,335,909</u>	<u>39,807,203</u>	<u>35,090,229</u>	<u>37,049,738</u>
<u>4,260,386</u>	<u>1,586,771</u>	<u>1,277,573</u>	<u>6,539,863</u>	<u>5,521,996</u>	<u>5,665,649</u>
1,024,376	690,497	281,003	358,454	461,153	905,244
901,493	1,081,808	1,125,069	336,526	433,355	440,007
(3,075,803)	(3,097,313)	(3,101,348)	(3,355,193)	(3,952,841)	(3,976,825)
(210,748)	(102,333)	(227,937)	(690,017)	(56,064)	(15,466)
(9,814)	1,107,426	310,665	(9,541)	(58,114)	(99,267)
<u>(1,370,496)</u>	<u>(319,915)</u>	<u>(1,612,548)</u>	<u>(3,359,771)</u>	<u>(3,172,511)</u>	<u>(2,746,307)</u>
<u>2,889,890</u>	<u>1,266,856</u>	<u>(334,975)</u>	<u>3,180,092</u>	<u>2,349,485</u>	<u>2,919,342</u>
7,522,464	3,428,529	1,854,598	4,474,157	960,595	1,185,634
-	(163,250)	-	-	-	-
<u>7,522,464</u>	<u>3,265,279</u>	<u>1,854,598</u>	<u>4,474,157</u>	<u>960,595</u>	<u>1,185,634</u>
<u>\$ 10,412,354</u>	<u>\$ 4,532,135</u>	<u>\$ 1,519,623</u>	<u>\$ 7,654,249</u>	<u>\$ 3,310,080</u>	<u>\$ 4,104,976</u>

**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

	2010	2009	2008	2007
Electric:				
Sales.....	\$ 44,766,297	\$ 42,145,939	\$ 48,241,274	\$ 44,552,582
Other revenue.....	<u>630,568</u>	<u>461,646</u>	<u>404,472</u>	<u>307,069</u>
Total electric operating revenue.....	<u>45,396,865</u>	<u>42,607,585</u>	<u>48,645,746</u>	<u>44,859,651</u>
Water:				
Sales.....	6,471,827	6,478,906	6,459,294	6,659,160
Other revenue.....	<u>485,132</u>	<u>325,771</u>	<u>213,470</u>	<u>227,057</u>
Total water operating revenue.....	<u>6,956,959</u>	<u>6,804,677</u>	<u>6,672,764</u>	<u>6,886,217</u>
Reclamation:				
Sales.....	7,393,886	7,390,058	7,409,412	7,394,534
Other revenue.....	<u>5,364</u>	<u>3,686</u>	<u>6,967</u>	<u>59,993</u>
Total reclamation operating revenue.....	<u>7,399,250</u>	<u>7,393,744</u>	<u>7,416,379</u>	<u>7,454,527</u>
Internet:				
Sales.....	101,885	131,288	187,311	275,747
Other revenue.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total internet operating revenue.....	<u>101,885</u>	<u>131,288</u>	<u>187,311</u>	<u>275,747</u>
Communications:				
Sales.....	-	-	-	-
Other revenue.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total communications operating revenue.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues.....	<u>\$ 59,854,959</u>	<u>\$ 56,937,294</u>	<u>\$ 62,922,200</u>	<u>\$ 59,476,142</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					
2006	2005	2004	2003	2002	2001
\$ 43,926,115	\$ 35,811,162	\$ 32,893,546	\$ 32,743,047	\$ 29,668,517	\$ 32,839,422
<u>359,679</u>	<u>291,429</u>	<u>274,800</u>	<u>244,605</u>	<u>328,487</u>	<u>275,258</u>
<u>44,285,794</u>	<u>36,102,591</u>	<u>33,168,346</u>	<u>32,987,652</u>	<u>29,997,004</u>	<u>33,114,680</u>
6,126,093	5,493,378	5,022,495	4,927,877	4,768,459	4,551,228
<u>219,761</u>	<u>234,461</u>	<u>212,057</u>	<u>195,143</u>	<u>214,767</u>	<u>185,769</u>
<u>6,345,854</u>	<u>5,727,839</u>	<u>5,234,552</u>	<u>5,123,020</u>	<u>4,983,226</u>	<u>4,736,997</u>
7,092,911	6,294,451	5,937,940	5,543,949	5,529,064	4,787,066
<u>75,574</u>	<u>85,191</u>	<u>87,340</u>	<u>110,588</u>	<u>102,931</u>	<u>76,644</u>
<u>7,168,485</u>	<u>6,379,642</u>	<u>6,025,280</u>	<u>5,654,537</u>	<u>5,631,995</u>	<u>4,863,710</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>
6,101,162	10,644,285	10,064,047	2,543,994	-	-
<u>49,068</u>	<u>113,046</u>	<u>121,257</u>	<u>37,863</u>	-	-
<u>6,150,230</u>	<u>10,757,331</u>	<u>10,185,304</u>	<u>2,581,857</u>	-	-
<u>\$ 63,950,363</u>	<u>\$ 58,967,403</u>	<u>\$ 54,613,482</u>	<u>\$ 46,347,066</u>	<u>\$ 40,612,225</u>	<u>\$ 42,715,387</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

	2010	2009	2008	2007
<b>Electric:</b>				
Purchased power and fuel expenses.....	\$ 24,622,098	\$ 22,173,197	\$ 28,018,777	\$ 24,043,491
Other production expenses.....	5,253,527	4,011,224	4,682,655	4,443,815
Transmission and distribution.....	2,683,586	2,754,949	2,884,549	2,435,207
Customer accounting.....	971,561	928,620	812,724	573,135
Administrative and general.....	3,730,949	3,722,321	3,488,280	3,462,470
Required payments to City of New Smyrna Beach..	2,972,859	2,758,740	2,763,854	2,802,272
Depreciation.....	<u>3,180,253</u>	<u>3,085,391</u>	<u>3,015,390</u>	<u>2,955,529</u>
Total electric operating expenses.....	<u>43,414,833</u>	<u>39,434,442</u>	<u>45,666,229</u>	<u>40,715,919</u>
<b>Water:</b>				
Other production expenses.....	1,905,410	1,790,909	1,750,594	1,834,875
Transmission and distribution.....	842,049	940,894	1,006,435	894,258
Customer accounting.....	191,807	284,267	238,670	253,160
Administrative and general.....	1,554,436	1,701,850	1,660,313	1,583,853
Required payments to City of New Smyrna Beach..	408,120	395,233	395,640	406,428
Depreciation.....	<u>1,383,535</u>	<u>1,254,566</u>	<u>1,216,233</u>	<u>1,159,578</u>
Total water operating expenses.....	<u>6,285,357</u>	<u>6,367,719</u>	<u>6,267,885</u>	<u>6,132,152</u>
<b>Reclamation:</b>				
Transmission and distribution.....	2,733,402	2,735,349	2,608,617	2,436,807
Customer accounting.....	129,778	25,461	35,053	231,484
Administrative and general.....	1,546,530	1,532,701	1,513,518	1,436,064
Required payments to City of New Smyrna Beach..	446,892	439,740	441,572	445,750
Depreciation.....	<u>1,938,495</u>	<u>1,922,580</u>	<u>1,872,464</u>	<u>1,729,295</u>
Total reclamation operating expenses.....	<u>6,795,097</u>	<u>6,655,831</u>	<u>6,471,224</u>	<u>6,279,400</u>
<b>Internet:</b>				
Other production expenses.....	-	510	360	-
Administrative and general.....	169,639	214,031	363,591	312,810
Required payments to City of New Smyrna Beach..	<u>6,072</u>	<u>7,881</u>	<u>11,228</u>	<u>16,110</u>
Total internet operating expenses.....	<u>175,711</u>	<u>222,422</u>	<u>375,179</u>	<u>328,920</u>



**Table 4**

Fiscal Year					
2006	2005	2004	2003	2002	2001
\$ 24,854,589	\$ 18,615,982	\$ 16,082,797	\$ 16,569,259	\$ 13,652,608	\$ 16,385,996
4,432,793	4,489,665	4,164,312	4,035,211	4,907,957	4,810,363
2,242,885	2,026,026	2,160,952	1,486,640	1,423,256	1,287,820
384,102	382,405	403,381	387,282	445,467	407,539
2,798,686	2,521,562	2,587,728	2,140,755	1,714,629	1,901,354
2,490,845	2,087,723	2,006,630	1,920,119	1,891,212	2,047,697
<u>3,017,152</u>	<u>2,896,653</u>	<u>2,779,602</u>	<u>2,773,920</u>	<u>2,741,739</u>	<u>2,479,970</u>
<u>40,221,052</u>	<u>33,020,016</u>	<u>30,185,402</u>	<u>29,313,186</u>	<u>26,776,868</u>	<u>29,320,739</u>
1,587,444	1,359,754	1,281,799	1,118,865	1,130,882	1,034,352
667,497	635,541	522,887	451,335	495,611	454,633
196,207	142,171	165,246	171,455	197,827	177,757
1,412,816	1,222,904	1,173,213	1,052,938	864,307	809,936
388,093	350,742	324,781	319,812	301,359	298,783
<u>1,073,632</u>	<u>978,583</u>	<u>930,241</u>	<u>885,034</u>	<u>832,380</u>	<u>792,520</u>
<u>5,325,689</u>	<u>4,689,695</u>	<u>4,398,167</u>	<u>3,999,439</u>	<u>3,822,366</u>	<u>3,567,981</u>
2,276,990	2,126,466	2,003,071	1,813,872	1,863,774	1,605,694
176,113	147,662	151,001	155,287	177,834	160,084
1,200,226	1,153,560	1,056,851	922,121	806,932	807,985
404,297	358,096	341,550	320,858	317,158	278,528
<u>1,589,799</u>	<u>1,465,922</u>	<u>1,439,757</u>	<u>1,390,310</u>	<u>1,325,297</u>	<u>1,308,727</u>
<u>5,647,425</u>	<u>5,251,706</u>	<u>4,992,230</u>	<u>4,602,448</u>	<u>4,490,995</u>	<u>4,161,018</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

(Continued)

**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

	2010	2009	2008	2007
(Continued)				
Communications:				
Other production expenses.....	-	-	-	-
Customer accounting.....	-	-	-	-
Administrative and general.....	-	172,578	-	-
Required payments to City of New Smyrna Beach..	-	-	-	-
Depreciation.....	-	118,386	220,823	220,823
Total communications operating expenses.....	-	290,964	220,823	220,823
Totals-Combined Systems:				
Purchased power and fuel expenses.....	\$ 24,622,098	\$ 22,173,197	\$ 28,018,777	\$ 24,043,491
Other production expenses.....	7,158,937	5,802,643	6,433,609	6,278,690
Transmission and distribution.....	6,259,037	6,431,192	6,499,601	5,766,272
Customer accounting.....	1,293,146	1,238,348	1,086,447	1,057,779
Administrative and general.....	7,001,554	7,343,481	7,025,702	6,795,197
Required payments to City of New Smyrna Beach..	3,833,943	3,601,594	3,612,294	3,670,560
Depreciation and decommissioning.....	6,502,283	6,380,923	6,324,910	6,065,225
Total operating expenses.....	<u>\$ 56,670,998</u>	<u>\$ 52,971,378</u>	<u>\$ 59,001,340</u>	<u>\$ 53,677,214</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					
2006	2005	2004	2003	2002	2001
4,022,060	8,097,520	5,299,262	1,277,017	-	-
1,445,895	1,863,972	6,045,019	282,397	-	-
2,535,363	3,815,224	1,826,203	187,078	-	-
382,080	532,086	589,626	145,638	-	-
<u>110,413</u>	<u>110,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>8,495,811</u>	<u>14,419,215</u>	<u>13,760,110</u>	<u>1,892,130</u>	<u>-</u>	<u>-</u>
\$ 24,854,589	\$ 18,615,982	\$ 16,082,797	\$ 16,569,259	\$ 13,652,608	\$ 16,385,996
10,042,297	13,946,939	10,745,373	6,431,093	6,038,839	5,844,715
5,187,372	4,788,033	4,686,910	3,751,847	3,782,641	3,348,147
2,202,317	2,536,210	6,764,647	996,421	821,128	745,380
7,947,091	8,713,250	6,643,995	4,302,892	3,385,868	3,519,275
3,665,315	3,328,647	3,262,587	2,706,427	2,509,729	2,625,008
<u>5,790,996</u>	<u>5,451,571</u>	<u>5,149,600</u>	<u>5,049,264</u>	<u>4,899,416</u>	<u>4,581,217</u>
<u>\$ 59,689,977</u>	<u>\$ 57,380,632</u>	<u>\$ 53,335,909</u>	<u>\$ 39,807,203</u>	<u>\$ 35,090,229</u>	<u>\$ 37,049,738</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

	2009	2009	2008	2007
Nonoperating Revenue (Expenses):				
Interest earnings.....	\$ 42,381	\$ 116,472	\$ 627,068	\$ 958,771
Other income.....	618,690	545,410	544,186	792,294
Interest and debt expense.....	(2,388,731)	(2,404,288)	(2,635,048)	(3,119,606)
Other expenses.....	(691,734)	(132,752)	(124,182)	(191,580)
Gain (loss) on disposal of assets.....	<u>(636,835)</u>	<u>(339,545)</u>	<u>(115,037)</u>	<u>(115,502)</u>
Total nonoperating revenue (expense).....	<u>\$ (3,056,229)</u>	<u>\$ (2,214,703)</u>	<u>\$ (1,703,013)</u>	<u>\$ (1,675,623)</u>

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

**Table 5**

Fiscal Year					
2006	2005	2004	2003	2002	2001
\$ 1,024,376	\$ 690,497	\$ 281,003	\$ 358,454	\$ 461,153	\$ 905,244
901,493	1,081,808	1,125,069	336,526	433,355	440,007
(3,075,803)	(3,097,313)	(3,101,348)	(3,355,193)	(3,952,841)	(3,976,825)
(210,748)	(102,333)	(227,937)	(690,017)	(56,064)	(15,466)
<u>(9,814)</u>	<u>1,107,426</u>	<u>310,665</u>	<u>(9,541)</u>	<u>(58,114)</u>	<u>(99,267)</u>
<u>\$ (1,370,496)</u>	<u>\$ (319,915)</u>	<u>\$ (1,612,548)</u>	<u>\$ (3,359,771)</u>	<u>\$ (3,172,511)</u>	<u>\$ (2,746,307)</u>

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

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2010	2009	2008	2007
<b>Electric System:</b>				
Net energy load requirements (kWh).....	416,389,378	388,669,320	392,050,932	400,815,801
Total Consumption/Sales (kWh).....	404,330,636	366,773,438	370,659,029	378,243,711
<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	\$ 0.076454
<b>Water System:</b>				
Gallons of water pumped from water plant (KGs)....	1,772,579	1,676,964	1,696,270	1,798,869
Gallons of water consumed (KGs).....	1,578,231	1,511,699	1,549,232	1,652,273
<b>Total Direct Rate-Water:<sup>(2)</sup></b>				
Base facility charge.....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
Gallonge charge per 1,000 gallons.....	\$ 1.62	\$ 1.62	\$ 1.62	\$ 1.62
<b>Reclamation System:</b>				
<b>Wastewater:</b>				
Gallons of wastewater treated (KGs).....	1,329,990	1,497,340	1,242,790	1,140,230
Gallons of wastewater sold (KGs).....	868,619	845,583	864,822	897,975
<b>Total Direct Rate-Wastewater:<sup>(3)</sup></b>				
Base facility charge.....	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62
Gallonge charge per 1,000 gallons.....	\$ 3.63	\$ 3.63	\$ 3.63	\$ 3.63
<b>Reuse Water:</b>				
Gallons of reuse water pumped from reclamation treatment plant (KGs).....	1,370,690	1,445,280	978,500	1,046,630
Gallons of reuse water sold (KGs).....	644,918	502,273	373,691	476,767
<b>Total Direct Rate-Reuse water:<sup>(4)</sup></b>				
Minimum monthly charge.....	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Gallonge charge per 1,000 gallons.....	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00

Notes: Water, reclamation and reuse 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 gallonge 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 reclamation system is for residential single family 5/8" meter size. See Table 9 for rate schedule applicable to reclamation customers.

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

**Table 6**

Fiscal Year					
2006	2005	2004	2003	2002	2001
402,421,129	396,805,566	385,510,397	386,385,433	367,175,437	361,158,839
383,185,319	371,219,399	361,426,028	370,242,195	342,753,470	344,819,905
\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75
\$ 0.076454	\$ 0.071730	\$ 0.071730	\$ 0.071730	\$ 0.071730	\$ 0.071730
1,735,327	1,616,605	1,660,316	1,743,832	1,718,618	1,658,415
1,673,828	1,489,905	1,538,925	1,471,435	1,402,576	1,498,145
\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
\$ 1.62	\$ 1.90	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75
1,203,830	1,262,520	1,369,390	1,339,026	1,422,280	1,307,300
934,437	873,874	873,105	871,680	862,022	891,140
\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62
\$ 3.63	\$ 2.83	\$ 2.53	\$ 2.53	\$ 2.53	\$ 2.18
872,810	816,750	770,080	800,083	1,108,070	968,060
360,942	282,769	262,818	349,117	264,685	761,966
\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
\$ 2.00	\$ 2.00	\$ 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	2010	2009	2008	2007
<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	\$ 0.076454
<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	\$ 0.074504
<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	\$ 6.75
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.065040	\$ 0.065040	\$ 0.065040	\$ 0.065040
<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	\$ 6.50
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.060040	\$ 0.060040	\$ 0.060040	\$ 0.060040
<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	\$ 0.065040
<b>Fuel and Purchased Power Cost Adjustment<sup>(5)</sup></b>				
Clause Monthly Billing Factor (per 1,000 kWh) ....	\$ 37.70	\$ 41.70	\$ 41.70	\$ 41.70

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		2006		2005		2004		2003		2002		2001	
\$	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
\$	0.076454	\$	0.071730	\$	0.071730	\$	0.071730	\$	0.071730	\$	0.071730	\$	0.071730
\$	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
\$	0.074504	\$	0.073330	\$	0.073330	\$	0.073330	\$	0.073330	\$	0.073330	\$	0.073330
\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50
\$	6.75	\$	5.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50
\$	0.065040	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460
\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50
\$	6.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50
\$	0.060040	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460
\$	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
\$	0.065040	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460
\$	31.20	\$	17.18	\$	17.18	\$	12.89	\$	8.82	\$	28.47		

<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	2010	2009	2008	2007
<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	\$ 29.13
1 1/2".....	\$ 58.25	\$ 58.25	\$ 58.25	\$ 58.25
2".....	\$ 93.20	\$ 93.20	\$ 93.20	\$ 93.20
3".....	\$ 174.75	\$ 174.75	\$ 174.75	\$ 174.75
4".....	\$ 291.25	\$ 291.25	\$ 291.25	\$ 291.25
6".....	\$ 582.50	\$ 582.50	\$ 582.50	\$ 582.50
8".....	\$ 932.00	\$ 932.00	\$ 932.00	\$ 932.00
10".....	\$ 1,339.75	\$ 1,339.75	\$ 1,339.75	\$ 1,339.75
Gallage charge per 1,000 Gallons: <sup>(1)</sup>				
Block 1 .....	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93
Block 2.....	\$ 1.24	\$ 1.24	\$ 1.24	\$ 1.24
Block 3.....	\$ 1.96	\$ 1.96	\$ 1.96	\$ 1.96
Block 4.....	\$ 2.33	\$ 2.33	\$ 2.33	\$ 2.33
<b>Multi-Family:</b>				
Base facility charge:				
Each Unit.....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
Master Meter.....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
Gallage charge per 1,000 Gallons:				
Each Unit.....	\$ -	\$ -	\$ -	\$ -
Master Meter.....	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10
<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	\$ 29.13
1 1/2".....	\$ 58.25	\$ 58.25	\$ 58.25	\$ 58.25
2".....	\$ 93.20	\$ 93.20	\$ 93.20	\$ 93.20
3".....	\$ 174.75	\$ 174.75	\$ 174.75	\$ 174.75
4".....	\$ 291.25	\$ 291.25	\$ 291.25	\$ 291.25
6".....	\$ 582.50	\$ 582.50	\$ 582.50	\$ 582.50
8".....	\$ 932.00	\$ 932.00	\$ 932.00	\$ 932.00
10".....	\$ 1,339.75	\$ 1,339.75	\$ 1,339.75	\$ 1,339.75
Gallage charge per 1,000 Gallons: <sup>(2)</sup>				
Block 1 .....	\$ 1.54	\$ 1.54	\$ 1.54	\$ 1.54
Block 2.....	\$ 2.05	\$ 2.05	\$ 2.05	\$ 2.05
Block 3.....	\$ -	\$ -	\$ -	\$ -

**Table 8**

Fiscal Year					
2006	2005	2004	2003	2002	2001
\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
\$ 29.13	\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30
\$ 58.25	\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65
\$ 93.20	\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90
\$ 174.75	\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90
\$ 291.25	\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65
\$ 582.50	\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40
\$ 932.00	\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90
\$ 1,339.75	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 0.93	\$ 1.10	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
\$ 1.24	\$ 1.20	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10
\$ 1.96	\$ 2.40	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20
\$ 2.33	\$ 2.90	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70
\$ 11.65	\$ 9.75	\$ 9.75	\$ 9.75	\$ 9.75	\$ 9.75
\$ 11.65	\$ 1.90	\$ 1.90	\$ 1.90	\$ 1.90	\$ 1.90
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1.10	\$ 1.15	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05
\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
\$ 29.13	\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30
\$ 58.25	\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65
\$ 93.20	\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90
\$ 174.75	\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90
\$ 291.25	\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65
\$ 582.50	\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40
\$ 932.00	\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90
\$ 1,339.75	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1.54	\$ 1.15	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05
\$ 2.05	\$ 1.35	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25
\$ -	\$ 1.85	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.70

(Continued)

**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	2010	2009	2008	2007
<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	\$ 29.13
1 1/2".....	\$ 58.25	\$ 58.25	\$ 58.25	\$ 58.25
2".....	\$ 93.20	\$ 93.20	\$ 93.20	\$ 93.20
3".....	\$ 174.75	\$ 174.75	\$ 174.75	\$ 174.75
4".....	\$ 291.25	\$ 291.25	\$ 291.25	\$ 291.25
6".....	\$ 582.50	\$ 582.50	\$ 582.50	\$ 582.50
8".....	\$ 932.00	\$ 932.00	\$ 932.00	\$ 932.00
10".....	\$ 1,339.75	\$ 1,339.75	\$ 1,339.75	\$ 1,339.75
Gallage charge per 1,000 Gallons: <sup>(1)</sup>				
Block 1 .....	\$ 1.37	\$ 1.37	\$ 1.37	\$ 1.37
Block 2.....	\$ 1.83	\$ 1.83	\$ 1.83	\$ 1.83
Block 3.....	\$ 2.88	\$ 2.88	\$ 2.88	\$ 2.88
Block 4.....	\$ 3.43	\$ 3.43	\$ 3.43	\$ 3.43

Notes:

<sup>(1)</sup>The monthly rate blocks for residential and irrigation water usage at September 30, 2010 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, 2010, 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		2006		2005		2004		2003		2002		2001	
\$	11.65	\$	11.65	\$	11.65	\$	11.65	\$	11.65	\$	11.65	\$	11.65
\$	29.13	\$	26.30	\$	26.30	\$	26.30	\$	26.30	\$	26.30	\$	26.30
\$	58.25	\$	50.65	\$	50.65	\$	50.65	\$	50.65	\$	50.65	\$	50.65
\$	93.20	\$	79.90	\$	79.90	\$	79.90	\$	79.90	\$	79.90	\$	79.90
\$	174.75	\$	157.90	\$	157.90	\$	157.90	\$	157.90	\$	157.90	\$	157.90
\$	291.25	\$	245.65	\$	245.65	\$	245.65	\$	245.65	\$	245.65	\$	245.65
\$	582.50	\$	489.40	\$	489.40	\$	489.40	\$	489.40	\$	489.40	\$	489.40
\$	932.00	\$	781.90	\$	781.90	\$	781.90	\$	781.90	\$	781.90	\$	781.90
\$	1,339.75	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	1.37	\$	1.10	\$	1.00	\$	1.00	\$	1.00	\$	1.00	\$	1.00
\$	1.83	\$	1.20	\$	1.10	\$	1.10	\$	1.10	\$	1.10	\$	1.10
\$	2.88	\$	2.40	\$	2.20	\$	2.20	\$	2.20	\$	2.20	\$	2.20
\$	3.43	\$	2.90	\$	-	\$	-	\$	-	\$	-	\$	-

**UTILITY RATE SCHEDULE - RECLAMATION SERVICES,  
LAST TEN FISCAL YEARS**

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Total Direct Monthly Rate:	2010	2009	2008	2007
<b>Wastewater Rate Schedule:</b>				
<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	\$ 41.55
1 1/2".....	\$ 83.10	\$ 83.10	\$ 83.10	\$ 83.10
2".....	\$ 132.96	\$ 132.96	\$ 132.96	\$ 132.96
3".....	\$ 249.30	\$ 249.30	\$ 249.30	\$ 249.30
4".....	\$ 415.50	\$ 415.50	\$ 415.50	\$ 415.50
6".....	\$ 831.00	\$ 831.00	\$ 831.00	\$ 831.00
8".....	\$ 1,329.60	\$ 1,329.60	\$ 1,329.60	\$ 1,329.60
10".....	\$ 1,911.30	\$ 1,911.30	\$ 1,911.30	\$ 1,911.30
Gallonge charge per 1,000 Gallons: <sup>(1)</sup>				
All meter sizes.....	\$ 3.63	\$ 3.63	\$ 3.63	\$ 3.63
Block 1.....	\$ -	\$ -	\$ -	\$ -
Block 2.....	\$ -	\$ -	\$ -	\$ -
<b>Multi-Family:</b>				
Base facility charge:				
Each Unit.....	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62
Master Meter.....	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62
Gallonge charge per 1,000 Gallons:				
Each Unit.....	\$ -	\$ -	\$ -	\$ -
Master Meter.....	\$ 2.90	\$ 2.90	\$ 2.90	\$ 2.90
<b>Reuse Water Rate Schedule:</b>				
<b>Primary Tier Rate:</b>				
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
Gallonge 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".....	\$ 0.30	\$ 0.15	\$ 0.15	\$ 0.15
3".....	\$ 0.30	\$ 0.15	\$ 0.15	\$ 0.15
4".....	\$ 0.30	\$ 0.15	\$ 0.15	\$ 0.15
6".....	\$ 0.30	\$ 0.15	\$ 0.15	\$ 0.15

**Table 9**

Fiscal Year		2006		2005		2004		2003		2002		2001	
\$	16.62	\$	16.62	\$	16.62	\$	16.62	\$	16.62	\$	16.62	\$	16.62
\$	41.55	\$	39.35	\$	39.35	\$	39.35	\$	39.35	\$	39.35	\$	39.35
\$	83.10	\$	77.10	\$	77.10	\$	77.10	\$	77.10	\$	77.10	\$	77.10
\$	132.96	\$	122.46	\$	122.46	\$	122.46	\$	122.46	\$	122.46	\$	122.46
\$	249.30	\$	243.42	\$	243.42	\$	243.42	\$	243.42	\$	243.42	\$	243.42
\$	415.50	\$	379.50	\$	379.50	\$	379.50	\$	379.50	\$	379.50	\$	379.50
\$	831.00	\$	757.50	\$	757.50	\$	757.50	\$	757.50	\$	757.50	\$	757.50
\$	1,329.60	\$	1,211.10	\$	1,211.10	\$	1,211.10	\$	1,211.10	\$	1,211.10	\$	1,211.10
\$	1,911.30	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	3.63	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	-	\$	2.55	\$	2.30	\$	2.30	\$	2.30	\$	2.30	\$	2.00
\$	-	\$	3.10	\$	2.75	\$	2.75	\$	2.75	\$	2.75	\$	2.35
\$	16.62	\$	15.12	\$	15.12	\$	15.12	\$	15.12	\$	15.12	\$	15.12
\$	16.62	\$	1.50	\$	1.50	\$	1.50	\$	1.50	\$	1.50	\$	1.50
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	2.90	\$	2.60	\$	1.55	\$	1.55	\$	1.55	\$	1.55	\$	1.55
\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00
\$	25.00	\$	25.00	\$	25.00	\$	25.00	\$	25.00	\$	25.00	\$	25.00
\$	50.00	\$	50.00	\$	50.00	\$	50.00	\$	50.00	\$	50.00	\$	50.00
\$	75.00	\$	75.00	\$	75.00	\$	-	\$	-	\$	-	\$	-
\$	75.00	\$	75.00	\$	75.00	\$	-	\$	-	\$	-	\$	-
\$	75.00	\$	75.00	\$	75.00	\$	-	\$	-	\$	-	\$	-
\$	75.00	\$	75.00	\$	75.00	\$	-	\$	-	\$	-	\$	-
\$	2.00	\$	2.00	\$	2.00	\$	-	\$	-	\$	-	\$	-
\$	2.00	\$	2.00	\$	2.00	\$	-	\$	-	\$	-	\$	-
\$	2.00	\$	2.00	\$	2.00	\$	-	\$	-	\$	-	\$	-
\$	0.15	\$	0.15	\$	0.15	\$	0.15	\$	0.15	\$	0.15	\$	0.15
\$	0.15	\$	0.15	\$	0.15	\$	0.15	\$	0.15	\$	0.15	\$	0.15
\$	0.15	\$	0.15	\$	0.15	\$	0.15	\$	0.15	\$	0.15	\$	0.15
\$	0.15	\$	0.15	\$	0.15	\$	0.15	\$	0.15	\$	0.15	\$	0.15

(Continued)

**UTILITY RATE SCHEDULE - RECLAMATION SERVICES,  
LAST TEN FISCAL YEARS**

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Total Direct Monthly Rate:	2010	2009	2008	2007
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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 reclamation 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 reuse 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					
2006	2005	2004	2003	2002	2001
\$ 16.29	\$ 16.29	\$ 16.29	\$ 16.29	\$ 16.29	\$ 16.29

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

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

	2010	2009	2008	2007
Electric.....	24,984	24,731	24,702	24,776
Water.....	23,733	23,835	27,565	23,388
Wastewater.....	19,091	18,908	23,716	18,775
Reuse water.....	932	864	825	732
Internet.....	558	928	1,336	1,521

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					
2006	2005	2004	2003	2002	2001
24,174	23,489	22,922	22,126	21,702	21,330
22,765	21,905	20,980	20,122	19,348	18,569
18,243	17,601	17,062	16,485	15,832	15,423
570	501	462	417	401	346
n/a	n/a	n/a	n/a	n/a	n/a

**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, 2010

<b>Electric Customers</b>	<b>Kilowatt Hour Sales</b>			<b>Revenues Billed</b>	
	kWh (000's)	Percent of Total	Rank	Amount	Percent of Total
Water Resources.....	10,396	2.83%	1	\$ 1,275,496	2.82%
Bert Fish Medical Center.....	8,575	2.34%	2	958,664	2.12%
Volusia School District #532568.....	3,564	0.97%	3	459,621	1.02%
Publix Food - Store #2019100.....	3,389	0.92%	4	380,922	0.84%
Winn Dixie - Store #2304.....	2,628	0.72%	5	295,561	0.65%
Publix Food - Store #2033500.....	2,555	0.70%	6	288,027	0.64%
Reddy Ice Corp.....	2,456	0.67%	7	284,503	0.63%
Home Depot.....	2,412	0.66%	8	235,259	0.52%
Wal-Mart - Store #01-1079.....	1,913	0.52%	9	212,662	0.47%
Volusia School District.....	1,818	0.50%	10	235,259	0.52%
Food Lion.....	-			-	
Totals.....	<u>39,706</u>	10.83%		<u>\$ 4,625,974</u>	10.24%

<b>Water &amp; Reclamation Customers</b>	<b>Consumption</b>			<b>Revenues Billed</b>	
	Gallons (000's)	Percent of Total	Rank	Amount	Percent of Total
Reddy Ice Corp.....	15,102	1.00%	1	\$ 50,415	0.78%
Bert Fish Medical Center (52230).....	8,195	0.54%	2	16,202	0.25%
Bert Fish Medical Center (52231).....	7,345	0.49%	3	23,809	0.37%
Islander Beach Lodge.....	6,823	0.45%	4	15,026	0.23%
Errol by the Sea Condo Assoc.....	6,449	0.43%	5	16,666	0.26%
Sea Woods Home Owners Assoc (515878).....	6,163	0.41%	6	19,755	0.31%
Ebb Tide Condo Assoc.....	5,933	0.39%	7	9,920	0.15%
Castle Reef Association.....	5,619	0.37%	8	17,889	0.28%
Volusia School District.....	5,218	0.35%	9	9,765	0.15%
Ocmulgee Fields.....	5,187	0.34%	10	10,142	0.16%
Federal Housing Authority.....	-			-	
Pelican Assoc.....	-			-	
Rinker Materials.....	-			-	
Totals.....	<u>72,034</u>	4.77%		<u>\$ 189,589</u>	2.95%

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

**Table 11**

Fiscal Year Ended September 30, 2001

Kilowatt Hour Sales			Revenues Billed		
(kWh) (000's)	Percent of Total	Rank	Amount	Percent of Total	
4,173	1.21%	2	\$ 368,526	1.09%	
7,553	2.19%	1	655,730	1.94%	
2,505	0.73%	7	229,518	0.68%	
2,867	0.83%	5	250,179	0.74%	
2,928	0.85%	4	255,503	0.76%	
2,808	0.81%	6	245,942	0.73%	
3,033	0.88%	3	275,552	0.82%	
2,331	0.70%	8	202,971	0.60%	
2,257	0.65%	9	219,306	0.65%	
<u>2,157</u>	0.63%	10	<u>187,812</u>	0.56%	
<u>32,612</u>	9.48%		<u>\$ 2,891,039</u>	8.57%	

Consumption			Revenues Billed		
Gallons (000's)	Percent of Total	Rank	Amount	Percent of Total	
12,942	0.86%	5	\$ 30,161	0.63%	
16,993	1.13%	3	31,250	0.66%	
10,804	0.72%	6	16,004	0.34%	
13,791	0.92%	4	23,413	0.49%	
19,170	1.28%	2	43,365	0.91%	
9,320	0.62%	10	13,022	0.27%	
27,161	1.81%	1	60,037	1.26%	
10,231	0.68%	7	31,954	0.67%	
9,936	0.66%	8	15,444	0.32%	
<u>9,585</u>	0.64%	9	<u>20,224</u>	0.43%	
<u>139,933</u>	9.32%		<u>\$ 284,874</u>	5.98%	

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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>
2001	\$ 50,804,487	\$ 23,706,468	\$ 17,435,927	\$ 91,946,882	4,559	18.78%
2002	45,754,090	23,052,000	16,704,331	85,510,421	4,152	16.75%
2003	44,766,225	22,278,000	15,949,355	82,993,580	3,890	15.34%
2004	43,265,547	20,869,000	15,170,251	79,304,798	3,601	13.23%
2005	40,749,837	19,572,000	14,366,249	74,688,086	3,341	11.82%
2006	37,603,838	18,471,000	13,536,552	69,611,390	3,044	10.25%
2007	34,320,704	17,529,000	12,680,339	64,530,043	2,810	9.25%
2008	40,881,677	16,535,000	11,796,761	69,213,438	2,844	8.86%
2009	55,058,927	-	10,884,945	65,943,872	2,714	8.46%
2010	51,626,508	-	9,943,987	61,570,495	2,640	8.30%

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.

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

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

	2010	2009	2008	2007
<b>Revenues as defined by Certificate Resolution:<sup>(1)</sup></b>				
Operating revenues.....	\$ 59,854,959	\$ 56,937,294	\$ 62,922,200	\$ 59,476,142
Interest and other income.....	661,071	661,882	1,171,254	1,751,065
Capital contributions (excluding donated property)	545,445	573,365	1,014,468	1,881,126
	<u>61,061,475</u>	<u>58,172,541</u>	<u>65,107,922</u>	<u>63,108,333</u>
<b>Expenses as defined by Certificate Resolution:<sup>(2)</sup></b>				
Operating expenses.....	56,670,998	52,971,378	59,001,340	53,677,214
Less:				
Depreciation expense.....	(6,502,283)	(6,380,923)	(6,324,910)	(6,065,225)
Required payments to City.....	<u>(3,833,943)</u>	<u>(3,601,594)</u>	<u>(3,612,294)</u>	<u>(3,670,560)</u>
	<u>46,334,772</u>	<u>42,988,861</u>	<u>49,064,136</u>	<u>43,941,429</u>
Net revenues available for debt service.....	<u>14,726,703</u>	<u>15,183,680</u>	<u>16,043,786</u>	<u>19,166,904</u>
<b>Annual Debt Service Requirements:<sup>(3)</sup></b>				
Principal.....	4,880,956	5,762,816	5,685,020	5,388,214
Interest.....	<u>2,521,878</u>	<u>2,475,242</u>	<u>2,457,884</u>	<u>2,645,894</u>
	<u>7,402,834</u>	<u>8,238,058</u>	<u>8,142,904</u>	<u>8,034,108</u>
Coverage ratio (times).....	<u>1.99</u>	<u>1.84</u>	<u>1.97</u>	<u>2.39</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 (includes pro-rata amounts due for refunded obligations).

<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 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					
2006	2005	2004	2003	2002	2001
\$ 63,950,363	\$ 58,967,403	\$ 54,613,482	\$ 46,347,066	\$ 40,612,225	\$ 42,715,387
1,925,869	1,772,305	1,406,072	694,980	894,508	1,345,251
<u>1,577,701</u>	<u>3,428,529</u>	<u>1,854,598</u>	<u>4,474,157</u>	<u>960,595</u>	<u>1,185,634</u>
<u>67,453,933</u>	<u>64,168,237</u>	<u>57,874,152</u>	<u>51,516,203</u>	<u>42,467,328</u>	<u>45,246,272</u>
59,689,977	57,380,632	53,335,909	39,807,203	35,090,229	37,049,738
(5,558,449)	(5,272,971)	(5,009,752)	(4,904,128)	(4,737,946)	(4,360,451)
<u>(3,665,315)</u>	<u>(3,328,647)</u>	<u>(3,262,587)</u>	<u>(2,706,427)</u>	<u>(2,509,729)</u>	<u>(2,625,008)</u>
<u>50,466,213</u>	<u>48,779,014</u>	<u>45,063,570</u>	<u>32,196,648</u>	<u>27,842,554</u>	<u>30,064,279</u>
<u>16,987,720</u>	<u>15,389,223</u>	<u>12,810,582</u>	<u>19,319,555</u>	<u>14,624,774</u>	<u>15,181,993</u>
5,415,697	4,988,773	5,018,426	5,211,498	3,715,412	3,448,286
<u>2,727,810</u>	<u>2,405,067</u>	<u>2,407,605</u>	<u>2,592,401</u>	<u>3,292,614</u>	<u>3,921,252</u>
<u>8,143,507</u>	<u>7,393,840</u>	<u>7,426,031</u>	<u>7,803,899</u>	<u>7,008,026</u>	<u>7,369,538</u>
<u>2.09</u>	<u>2.08</u>	<u>1.73</u>	<u>2.48</u>	<u>2.09</u>	<u>2.06</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>
2001	20,169	\$ 10,949,705,000	\$ 24,270	\$ 34,740	n/a	4.00%
2002	20,595	11,356,533,000	24,783	35,010	n/a	5.20%
2003	21,334	11,812,530,000	25,359	36,100	46,600	5.10%
2004	22,025	12,963,749,000	27,206	37,247	n/a	4.60%
2005	22,356	13,730,032,000	28,268	38,457	n/a	3.40%
2006	22,870	14,695,256,000	29,686	40,857	n/a	3.10%
2007	22,963	15,179,102,000	30,374	42,268	n/a	4.30%
2008	24,335	15,963,663,000	32,098	45,831	52,300	7.20%
2009	24,295	n/a	n/a	n/a	n/a	11.70%
2010	23,631	n/a	n/a	n/a	n/a	12.40%

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 presented is 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, 2010		
	Total Employees	Rank	Percent to Total City Employment
Bert Fish Medical Center.....	800	1	5.28%
Publix Supermarkets.....	303	2	2.00%
City of New Smyrna Beach.....	265	3	1.75%
Volusia County School District.....	220	4	1.45%
Wal-Mart Stores.....	207	5	1.37%
Oceanview Nursing Home.....	173	6	1.14%
Utilities Commission, NSB.....	156	7	1.03%
America's Best Caregivers, Inc.....	150	8	0.99%
Winn-Dixie Supermarkets.....	143	9	0.94%
Home Depot.....	<u>121</u>	10	0.80%
Total.....	<u>2,538</u>		16.75%
Estimated Labor Force in New Smyrna Beach.....			<u>15,152</u>

Source: InfoUSA Employer Database 2010, ed. 1

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





**Table 16**

Equivalent Employees at September 30,

2006	2005	2004	2003	2002	2001
5.0	5.0	5.0	5.0	5.0	5.0
6.0	2.0	4.0	2.0	2.0	2.0
7.0	6.0	5.0	6.0	7.0	6.0
20.8	17.5	17.3	16.3	17.3	17.0
-	-	-	-	-	-
4.0	4.0	4.0	4.0	3.8	3.8
6.0	4.0	-	-	-	-
4.0	4.0	5.0	4.0	5.0	3.0
3.0	2.0	2.0	2.0	2.0	2.0
3.0	3.0	3.0	3.0	3.0	3.0
4.0	2.0	2.0	2.0	2.0	2.0
13.0	13.0	11.0	12.0	12.0	13.0
3.0	3.0	3.0	3.0	3.0	3.0
24.0	24.0	22.0	22.0	22.0	22.0
-	-	-	-	4.0	4.0
3.0	3.0	3.0	3.0	2.0	2.0
13.0	12.0	12.0	12.0	13.0	13.0
17.0	16.0	15.0	15.0	9.0	9.0
4.0	4.0	4.0	4.0	5.0	5.0
16.0	16.0	17.0	17.0	14.0	14.0
-	-	-	-	1.0	1.0
-	-	-	-	-	-
33.0	41.0	16.5	11.5	-	-
7.0	6.0	-	-	-	-
<u>22.8</u>	<u>21.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>218.5</u>	<u>208.5</u>	<u>150.8</u>	<u>143.8</u>	<u>132.0</u>	<u>129.8</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

	2010	2009	2008	2007
<b>Electric:</b>				
Net energy for load (million kWh).....	416.389	388.669	392.051	400.816
Retail energy sales (million kWh).....	404.330	366.773	370.659	378.244
Distribution loss factor (%).....	2.90%	5.64%	5.46%	5.63%
Annual peak energy demand (kW).....	99,000	99,000	89,000	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).....	7.14	6.45	6.68	6.51
Average daily treated flow (MGD).....	4.85	4.60	4.64	4.93
Minimum daily treated flow (MGD).....	3.14	2.54	3.17	3.60
Raw water pumped and treated (MG).....	1,740.96	1,660.54	1,689.58	1,805.00
CUP Allowance <sup>(1)</sup> .....	7.63	7.13	6.62	6.04
Storage capacity (MGD) <sup>(2)</sup> .....	5.87	5.87	5.07	5.07
Water mains (miles) <sup>(3)</sup> .....	180.51	180.51	180.51	180.51
Pumping stations <sup>(2)</sup> .....	4	4	3	3
<b>Reclamation (Wastewater and Reuse):</b>				
Maximum daily flow (MGD).....	5.11	12.03	9.59	5.57
Average daily treated flow (MGD).....	3.65	4.10	3.40	3.12
Minimum daily treated flow (MGD).....	2.36	1.15	1.66	1.95
Wastewater collected and treated (MG).....	1,329.99	1,497.34	1,242.79	1,140.23
Reclaimed water treated and pumped (MG).....	1,370.69	1,445.28	978.50	1,032.29
Collection system (miles) <sup>(3)</sup> .....	99.02	99.02	99.02	99.02
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).....	15.00	15.00	14.00	14.00
Amount treated annually (MGY).....	1,330	1,497	1,243	1,140
Percent of capacity utilized (MG).....	52.00%	59.00%	49.00%	45.00%
Percent of unused capacity (MG).....	48.00%	41.00%	51.00%	55.00%

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/reclamation 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					
2006	2005	2004	2003	2002	2001
402.421	396.806	385.510	386.385	367.175	361.159
383.185	371.219	361.426	370.242	342.753	344.820
4.78%	6.45%	6.25%	4.18%	6.65%	4.52%
94,000	91,000	89,000	100,200	87,900	91,100
12,540	12,540	12,540	12,540	12,540	12,540
53,059	53,059	53,059	53,059	53,059	53,059
5,145	5,145	5,145	5,145	5,145	5,145
6.93	6.07	7.12	7.20	6.62	5.96
4.80	4.42	4.53	4.78	4.73	4.54
3.11	3.08	2.17	3.40	2.16	2.11
1,735.33	1,616.61	1,660.32	1,743.83	1,718.62	1,658.42
5.58	5.17	5.63	5.53	5.44	4.80
5.07	5.07	5.07	5.07	5.07	5.07
179.83	177.37	175.55	173.52	166.51	164.04
3	3	3	3	3	3
7.26	4.80	9.65	6.45	9.77	9.29
3.30	3.73	3.93	3.83	3.92	3.81
2.43	2.06	2.44	2.30	2.40	1.97
1,203.83	1,262.52	1,369.39	1,339.03	1,422.28	1,307.30
870.89	830.48	684.94	793.17	1,050.08	955.17
99.02	98.92	98.82	98.66	98.55	98.35
1	1	1	1	2	2
7.00	7.00	7.00	6.00	6.25	6.25
14.00	14.00	14.00	12.00	12.50	12.50
1,204	1,274	1,369	1,357	1,429	1,304
47.10%	49.90%	53.60%	62.00%	62.60%	57.20%
52.90%	50.10%	46.40%	38.00%	37.40%	42.80%

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***SUPPLEMENTAL AUDIT REPORTS***

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

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

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

We have audited the 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 year ended September 30, 2010, and have issued our report thereon dated January 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 the 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 the Utilities Commission, City of New Smyrna Beach, Florida's internal control over financial reporting.

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

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

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Utilities Commission, City of New Smyrna Beach, Florida, in a separate letter dated January 14, 2011.

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.

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

January 14, 2011

# BM&C

**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 "Utilities Commission") as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated January 14, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated January 14, 2011, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address 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. In connection with our audit, we have included our findings and recommendations as reported in the attached Exhibit A under the heading *Exhibit A - Current Year Matters*.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, 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, 2010, 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, 2010. 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.
- 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.



To the Honorable Chairman and Commissioners  
Utilities Commission, City of New Smyrna Beach, Florida  
New Smyrna Beach, Florida  
Page 2 of 3

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

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

January 14, 2011

Year Ended September 30, 2010

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-01 Unrestricted Cash Overdraft**

In each of the last several years, the Utilities Commission reported negative overdrafts in the carrying amounts of its position in unrestricted cash and cash equivalents. Several unrelated factors originally contributed to the deficit in the unrestricted cash balance. These primarily included operating losses sustained by the now discontinued telecommunications division and charges from the failed Enquesta customer service module. Even though the telecommunications operations have ceased, the overdrafts created from internal borrowings have not been allocated on a pro-rata basis to the funds that were ultimately responsible for funding these losses.

While the negative amount of unrestricted (pooled) cash has continued to decrease for two consecutive years, the resultant overdraft represented from internal borrowings of internally restricted fund resources has not been completely eliminated. During 2010, the Commission did not incur any substantial telecommunications division expenses. However during this same period, due to current economic conditions, amounts billed and collected under the Commission's energy cost adjustment clause (ECAC) were substantially greater than the actual costs incurred for energy during 2010. As a result, significant additional cash (liquidity) was generated in advance of the recognition of the related fuel costs that were not earned by the Commission. In other words, this caused the creation of cash, and a temporarily funded liability for future fuel costs which are expected to be incurred and paid in future reporting periods.

It should be noted that the current period positive changes in the timing and collection of billed ECAC fuel adjustment charges have provided temporary liquidity in the form of cash advances from customers. However, under normal operating conditions, significant swings can occur in amounts due from (or to) utility customers as actual fuel costs fluctuate. As electric production fuel costs increase, the Commission's overall liquidity will be reduced to pay for these increases with funds already collected from its customers in prior periods. These increases, coupled with the global economic downturn, have continued to impede the Commission's ability to make headway in recovering the unrestricted cash deficit and continue to hamper its liquidity position.

**Recommendation:** We continue to emphasize that these and similar uncertainties caused by current economic conditions will contribute to hampering your ability to make significant progress in reversing this negative trend. Therefore, we recommend that you should consider making a long-term commitment to build back an adequate operating cash reserve. We also recommend that you should consider restoring your deficit cash position from other existing and unrestricted cash resources (to the extent possible on a pro-rata basis) to eliminate the reporting of an operating overdraft in future periods' financial statements.

**UC response:** *We will continue to move forward with cost saving efforts as we work through the UC's Strategic Plan. Management is reviewing the allocation of the cash deficit to eliminate the*

Year Ended September 30, 2010

UTILITES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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*reporting of an overdraft. During FY 2010 the UC approved the reduction of the Fuel and Purchased Power Cost Adjustment to \$37.70 (a 10% decrease) effective June 1, 2010. At the December 20, 2010 UC meeting it was approved, as recommended by management, to reduce the Fuel and Purchased Power Adjustment again to \$31.41 (an additional 20% reduction) effective with the first billings in January 2011.*

**PY-02 Internet Division-Operating Loss**

At its inception, the Utilities Commission began separately reporting the financial activity for internet services. During each of the past several years, including 2010, this operating division has continued to experience operating losses. We have also noted that gross revenues from providing internet services have continued to decline in each of the past five years and that actual earned revenues recognized have been substantially lesser than amounts anticipated (budgeted) for each annual period.

Pursuant to the provisions of Section 350.81, Florida Statutes, the Utilities Commission is required to conduct an annual review at a formal public meeting to consider the progress it is making toward reaching its previously established and written business plan goals and objectives for providing communication services. At the public meeting the Utilities Commission shall review the related revenues, operating expenses, and payment of interest on debt. If, after 4 years following the effective date of this act (June 2, 2005), revenues do not exceed operating expenses and payment of principal and interest on the debt for the Utilities Commission's provision of communications services, no later than 60 days following the end of the 4-year period the Utilities Commission shall hold a public hearing at which it 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 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.

On June 15, 2009, a formal noticed public hearing was conducted at which time the Utilities Commission approved the continuance of providing internet services to the community. During the process of reviewing the anticipated financial results, it was emphasized that the historical internet utility revenues were significantly lower than the related costs that were incurred to provide these services. In the presentation, it was also noted that the customer base had continued to decline. However, during this period, the overall unit service costs associated with providing internet services to this decreasing number of customers had continued to rise. Therefore, it was understood that this utility service would continue to require financing and/or subsidization in the form of financial support from the Utilities Commission's other utility operations to support the anticipated shortfall.

Recommendation: We continue to recommend that the Commission investigate the economic feasibility of continuing to provide internet services to its customers and to develop an allocation formula sufficient to recover a pro-rata portion of its operations from the other utilities systems.

Year Ended September 30, 2010

UTILITES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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*UC response:* On June 15, 2009 a public hearing was held as well as a presentation to the Commission on the financial and customer status of the Division. The Commission approved continuation of the Internet Division as a value added service to be provided to New Smyrna Beach residents and adopted Resolution 4-09. Possible options to transition this Division to a privately owned Internet Service Provider are being explored.

### **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-01 Fiduciary Account Statements**

The Utilities Commission 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 (ICMA) Retirement Corporation. Amounts contributed by the Utilities Commission immediately vest in trust accounts held by the ICMA for each participating employee. As a result, amounts accumulated and deposited in this fund are not recognized as assets in the Utilities Commission's accounting records and financial statements.

During the conduct of the audit, we noted that the Utilities Commission was unable to readily locate the related ICMA account statements which are used as an aid in the confirmation of the receipt of funds submitted by the UC. While we fully understand that continued maintenance of the balances in these employee accounts are not the responsibility of the Utilities Commission, we believe that these statements should be retrieved and maintained to provide management with appropriate assurance that (1) the monthly transfer of funds to the trust(s) can be confirmed, and (2) that the possibility of funds not being applied to individual accounts in the correct manner is diminished. In the event that these funds were not received by ICMA, it remains possible that the UC could be responsible for funding any shortfalls in the future due to lack of timely reconciliations.

**Recommendation:** Although these funds are not the property of the Utilities Commission, we recommend that you should retain all account information for these accounts since you are its primary fiduciary. We also recommend that you should routinely reconcile actual contributions to these accounts to the account statements and reports remitted by ICMA on a monthly, quarterly, and annual basis to ensure all contributions are received and applied in the correct manner and to reduce your risk of loss from any unintentional errors potentially made by the trustee.

*UC response:* A confirmation is received bi-weekly by the Payroll and Benefits Specialist. The quarterly statements referenced were subsequently provided to the auditors in a timely manner.

Year Ended September 30, 2010

UTILITES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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*There were no discrepancies found. The Finance Division has implemented a formal reconciliation process.*

**CY-02 Construction Commitments**

During our search for unrecorded liabilities and construction commitments, we noted instances in which invoices relating to amounts retained for contract retention allowances, which also represents physical goods received or services performed prior to the year-end date, were not recognized as payables in the proper period. Proper cutoffs are critical for the accuracy of the accrual basis of accounting.

Recommendation: We recommend that you should consider developing written instructions to be included as a part of the Commission's accounting policies and procedures manual which illustrates the concepts associated with employing proper cutoff procedures on ongoing construction projects and to identify the individuals responsible for accruing these payables at the accounting period end.

UC response: *Contract retention occurs with major construction projects. The UC's internally generated financial statements do include the accounts payable retentions as encumbered funds on page 10. Finance has implemented a formal review of construction project retentions for proper cutoff and recording purposes in the general ledger.*

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