

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, 2011 AND 2010

UTILITIES COMMISSIONERS

Walter Allen III, Chairman

William Hall, Vice-Chairman

Jeanne Diesen, Secretary-Treasurer

Oscar Zeller, Assistant Secretary-Treasurer

William E. Biedenbach, Commissioner

GENERAL MANAGER/CHIEF EXECUTIVE OFFICER

William Ray Mitchum

DIRECTOR OF FINANCE/CHIEF FINANCIAL OFFICER

Brian S. Bilinski

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September 30, 2011 and 2010
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
New Smyrna Beach, Florida

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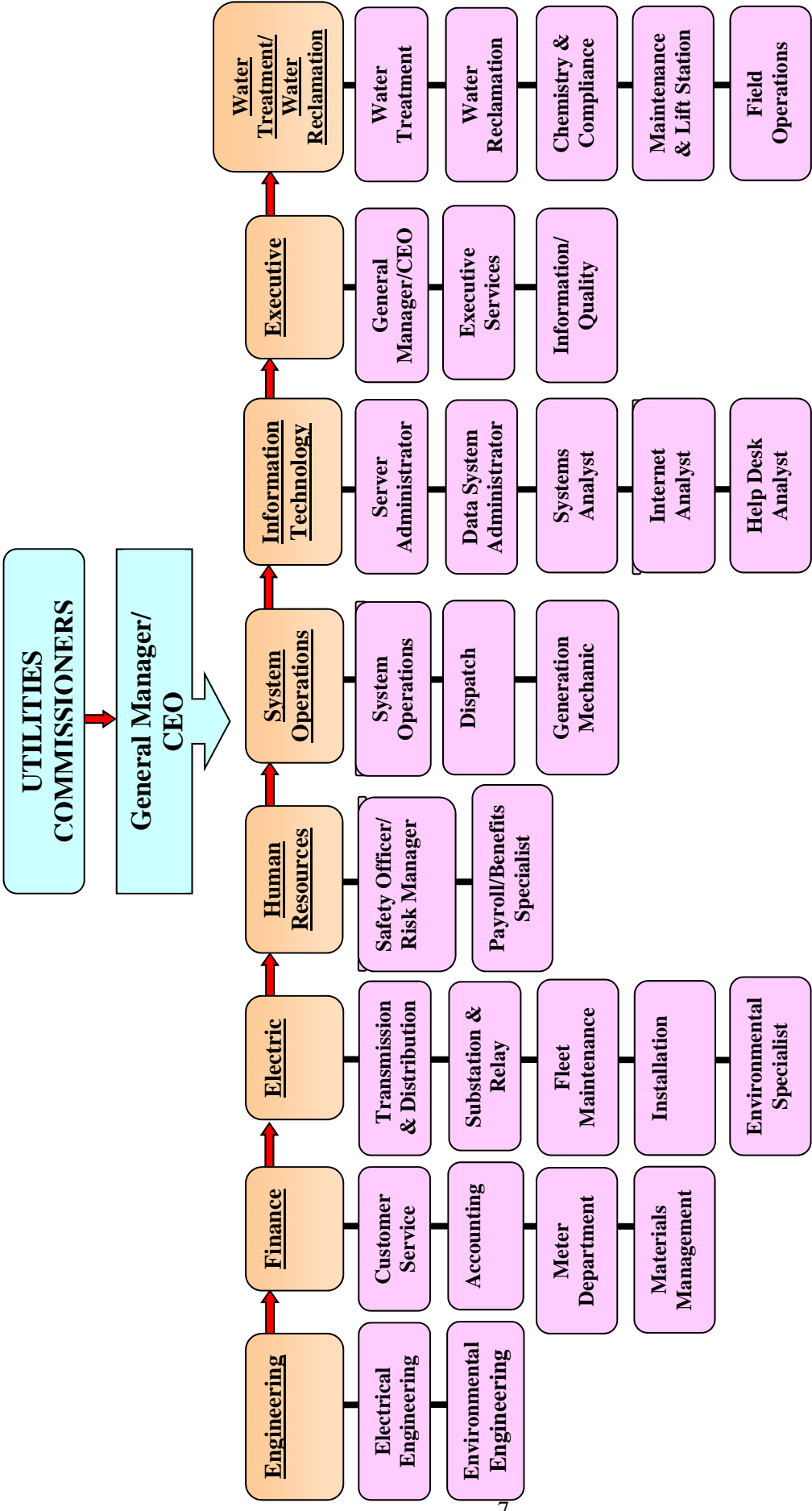
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ORGANIZATION CHART

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Utilities Commission, City of New Smyrna Beach



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CERTIFICATE OF ACHIEVEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 2010

*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, 2010.*

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, 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

**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, 2010

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



Linda C. Dandison

President

Jeffrey R. Emer

Executive Director

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LETTER OF TRANSMITTAL

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

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



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

December 28, 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, 2011 and 2010, 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 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
December 28, 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.

While the failing banking industry has appeared to stabilize, there continues to be a major impact on revenues as interest income decreased an additional 24% (a reduction of \$10,000) from the prior year. FY2011 revenue projections were extremely conservative to ensure expense alignment which included continuing cost containments. For FY 2011 actual revenues were \$1.0 million below projections.

The growth of the Utilities Commission's service area remained slow 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 experienced an increase in commercial growth/activity, with the new Shoppes at Coronado development on SR 44 west of I 95. 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 reduced by 17% during the year to \$31.41, which was again a conservative estimate based on the volatile energy market. At the end of FY2011 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 FY2012.

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 FY2011, the Utilities Commission staff created and obtained approval by the Commission of five-year and ten-year Capital Improvements Plans (Plan) through 2016 and 2021. 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 accompanied by detailed consequences of eliminating, delaying, additional benefits and possible alternatives in order to be considered for funding.

For FY2011, the Utilities Commission budgeted \$4.8 million for capital improvements, of which \$2.7 is mandatory as per Resolution 28-78 for bond compliance. \$3.4 million (of which \$294,000 was funded from infrastructure fees collected from new developments as to not impact existing rate payers) was approved and

To the Chairman and Members
of the Utilities Commission
December 28, 2011

expended for capital maintenance and improvements to continue to provide superior utility connectivity to the New Smyrna Beach service territory.

For the Plan approved May 2011 for fiscal years 2012 to 2021, 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 New Feeder North Beach - this will allow for transfer of North Beach loads from Field St. Substation to Airport Substation, freeing up capacity at Filed St. for developing loads on the west side of the service area.
- Water System Upgrade Under-sized Water Mains – this project will allow upgrade to 6-inch lines including looping where necessary to ensure water quality.
- Upgrade Glencoe Water Treatment Plant Filters – while this project will be partially funded with infrastructure monies, this project will replace the existing filters at the water treatment plant with new higher capacity units, which will increase the capacity of the plant by 25%.
- 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 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 website included as part of the approved FY2012 Budget document.

To the Chairman and Members
of the Utilities Commission
December 28, 2011

MAJOR ACCOMPLISHMENTS

During FY 2011, 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.
- Received two community awards for the *Snap to it and Get Waterwise* water conservation promotion
- Moving forward with service pack updates to Cogsdale and Great Plains 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 using in-house resources, and consultants when necessary.
- Received safety achievement award from the Florida Municipal Electric Association.
- Completed the 5th year of hurricane preparedness and the 3rd year of storm hardening of the UC's transmission and distribution system with over 40% of the system completed.
- Received two awards from the Florida Water & Pollution Control Operators Assoc. for wastewater area safety.
- Stabilized energy usage in the Water Resources department due to continuing conservation initiatives 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 200 "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. Over a two year period \$6.6 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 rotation 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.
 3. Continue to monitor regulatory and compliance issues.

To the Chairman and Members
of the Utilities Commission
December 28, 2011

- Water system low pressure transmission main.
 1. The project was completed in January 2011.
 2. The project provides for a direct pipeline to the treatment plant to enable effective and efficient pumping.
 3. This complex project was 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 2011.

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, 2011, the Utilities Commission served 25,327 electric customers, 23,838 water customers, 20,183 reclamation (wastewater & reuse) customers, and 401 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 37.

To the Chairman and Members
of the Utilities Commission
December 28, 2011

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, 2011, 2010, and 2009 totaled \$31,931, \$42,381, and \$116,472, respectively. The Utilities Commission's cash and investments, including accrued interest and dividends receivable, on hand at September 30, 2011, 2010, and 2009 totaled \$34.0, \$31.7, and \$28.5 million, respectively. During the December 2011 regular Commission meeting, the Utilities Commission approved the restoring of the operating cash overdraft position as of the end of FY 2011 from the unrestricted renewal and replacement fund, to eliminate the reporting of an operating cash overdraft in the financial statements.

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|-------------------------|-----------------------|-----------------------|
| Current assets: | | | |
| Operating cash and cash equivalents | \$ 576,561 | 592,344 | 51,529 |
| Operating (overdraft)..... | <u>0</u> | <u>(2,331,619)</u> | <u>(4,651,277)</u> |
| | <u>576,561</u> | <u>(1,739,275)</u> | <u>(4,599,748)</u> |
| Restricted assets: | | | |
| Revenue certificate covenant funds | 8,703,009 | 7,631,485 | 6,541,404 |
| R&R service capacity fee funds | 7,613,332 | 7,123,652 | 10,959,916 |
| Developer infrastructure escrow..... | 1,386,154 | 1,428,141 | 1,445,587 |
| CR-3 decommissioning fund..... | <u>3,995,199</u> | <u>3,875,935</u> | <u>3,755,639</u> |
| | <u>21,697,694</u> | <u>20,059,213</u> | <u>22,702,546</u> |
| Internally designated assets: | | | |
| Renewal and replacement (discretionary) | 9,305,063 | 11,205,809 | 8,294,295 |
| Customer deposits | <u>2,385,435</u> | <u>2,189,580</u> | <u>2,071,816</u> |
| | <u>11,690,498</u> | <u>13,395,389</u> | <u>10,366,111</u> |
| Total cash and investments..... | <u>\$33,964,753</u> | <u>31,715,327</u> | <u>28,468,909</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
December 28, 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, 2011, is as follows:

| | <u>Average Yield</u> |
|-----------------|--------------------------|
| October | 0.15% |
| November | 0.15% |
| December..... | 0.14% |
| January..... | 0.13% |
| February..... | 0.12% |
| March..... | 0.11% |
| April | 0.08% |
| May..... | 0.06% |
| June..... | 0.07% |
| July | 0.04% |
| August | 0.06% |
| September | 0.06% |

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 finance personnel 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 includes fiscal years 2008 to 2010 and was provided to the Utilities Commission during May 2011. The final report is available on our website.

To the Chairman and Members
of the Utilities Commission
December 28, 2011

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, 2010. We are quite proud of the fact that we have been awarded with this Certificate for the thirty-first (31st) consecutive year. For the third 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



Brian S. Bilinski
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 balance sheets of Utilities Commission, City of New Smyrna Beach, Florida, a component unit of the City of New Smyrna Beach, Florida, as of September 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the fiscal years then ended. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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, 2011 and 2010, and the changes in its financial position and 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 December 28, 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
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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The introductory section, supplemental schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules 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.

December 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2011. 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 electrical energy consumption decreased in 2011 at 378.6 million kWh sales compared to 404.3 million kWh sales in 2010, or a 6.4% decrease, due to fluctuations in weather, energy conservation and efficiency of new products. Sales revenue generated by the Electric System decreased from \$45.4 million in 2010 to \$44.3 million in 2011.
- The volume of treated potable water sold in 2011 increased by 4.2%. The volume of wastewater treated in 2011 decreased by 12.0%. The volume of reclaimed water treated in 2011 decreased by 16.4%. The increase in water sold was 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 increased by 13.3% due to an increase in irrigation rates implemented October 2010, while Reclamation (wastewater and reuse) System revenues remained stable compared to the prior year.
- The Utilities Commission's assets exceeded its liabilities (*net assets*) at the end of September 30, 2011 by \$120.3 million. Of this amount, approximately \$12.3 million was unrestricted and available for us to meet the Commission's ongoing obligations to its customers and creditors. Of the remaining \$108.0 million, approximately \$93.2 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 \$9.3 million. Of this amount, approximately \$5.7 million came from developer donated assets or the valuation of easements, reported as capital contributions. Net assets totaled \$120.3 million in 2011 compared to approximately \$111.0 million at the end of 2010.
- During 2011, the Utilities Commission's operating revenue remained constant at \$59.9 million. The Utilities Commission's operating expenses decreased by \$2.8 million to \$53.9 million, which was 4.9% less than last year's \$56.7 million. The \$2.8 million decrease in operating expenses can be attributed primarily to decreased costs of fuel and purchased power, as well as decreased production expenses achieved through the ongoing efforts of employees.
- The Commission's long-term debt decreased to \$50 million in 2011, which is a decrease of \$6 (principal and interest) million from last year's \$56 million. The decrease is attributed to the continued aggressive debt service repayment schedule.
- At September 30, 2011 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 16.7% effective January 1, 2011 to \$31.41 from \$37.70, 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 19, 2011 to further reduce the fuel adjustment rate by approximately 7%, to \$29.28 effective January 1, 2012, 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 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>2011</u> | <u>2010</u> | <u>2009</u> |
|---|-------------------|----------------|----------------|
| Assets: | | | |
| Utility plant, net..... | \$ 149,202 | 148,009 | 147,757 |
| Restricted and internally designated assets..... | 33,388 | 33,455 | 33,069 |
| Current assets..... | 10,559 | 10,845 | 13,720 |
| Other assets..... | 477 | 268 | 385 |
| | <u>193,626</u> | <u>192,577</u> | <u>194,931</u> |
| Liabilities and Net Assets: | | | |
| Long-term debt, net..... | 50,065 | 55,954 | 60,478 |
| Current liabilities..... | 17,730 | 20,241 | 19,305 |
| Other liabilities and deferred credits..... | 5,555 | 5,375 | 4,887 |
| Total liabilities | <u>73,350</u> | <u>81,570</u> | <u>84,670</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt..... | 93,215 | 86,635 | 81,813 |
| Restricted net assets..... | 14,773 | 13,161 | 16,687 |
| Unrestricted net assets..... | 12,288 | 11,211 | 11,761 |
| Total net assets | <u>\$ 120,276</u> | <u>111,007</u> | <u>110,261</u> |

The Utilities Commission's net assets increased \$9.3 million to \$120.3 million in 2011, which is up from \$111.0 million in 2010 and \$110.3 million in 2009. The most significant change in net asset position in 2011 was from an increase of \$6.6 million in capital assets, net of related debt. In 2010, the most significant change in net assets also came from an increase of \$4.8 million in capital assets.

**Condensed Statement of Revenues, Expenses
and Changes in Net Assets**

Fiscal Years Ended September 30,
(\$000's)

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|-------------------|----------------|----------------|
| Revenues: | | | |
| Charges for services: | | | |
| Electric system..... | \$ 44,310 | 45,397 | 42,607 |
| Water system..... | 7,883 | 6,957 | 6,805 |
| Reclamation system..... | 7,612 | 7,399 | 7,394 |
| Internet system..... | 73 | 102 | 131 |
| Total charges for services..... | <u>59,878</u> | <u>59,855</u> | <u>56,937</u> |
| Interest earnings..... | 32 | 42 | 116 |
| Other revenues..... | 539 | 619 | 546 |
| Total revenues..... | <u>60,449</u> | <u>60,516</u> | <u>57,599</u> |
| Expenses: | | | |
| Division operating expenses: | | | |
| Electric system..... | 40,714 | 43,415 | 39,434 |
| Water system..... | 6,581 | 6,285 | 6,368 |
| Reclamation system..... | 6,539 | 6,795 | 6,656 |
| Internet system..... | 111 | 176 | 222 |
| Communications system..... | - | - | 291 |
| Total division operating expenses..... | <u>53,945</u> | <u>56,671</u> | <u>52,971</u> |
| Interest and debt expense..... | 2,428 | 2,389 | 2,404 |
| Other expenses..... | 459 | 1,329 | 473 |
| Total expenses..... | <u>56,832</u> | <u>60,389</u> | <u>55,848</u> |
| Income before contributions..... | 3,617 | 127 | 1,751 |
| Contributions..... | 5,652 | 619 | 622 |
| Increase (decrease) in net assets..... | 9,269 | 746 | 2,373 |
| Net assets, beginning of year (previously reported).... | | | 105,559 |
| Change in accounting principle..... | | | 2,329 |
| Net assets, beginning of year (restated)..... | 111,007 | 110,261 | 107,888 |
| Net assets, end of year..... | <u>\$ 120,276</u> | <u>111,007</u> | <u>110,261</u> |

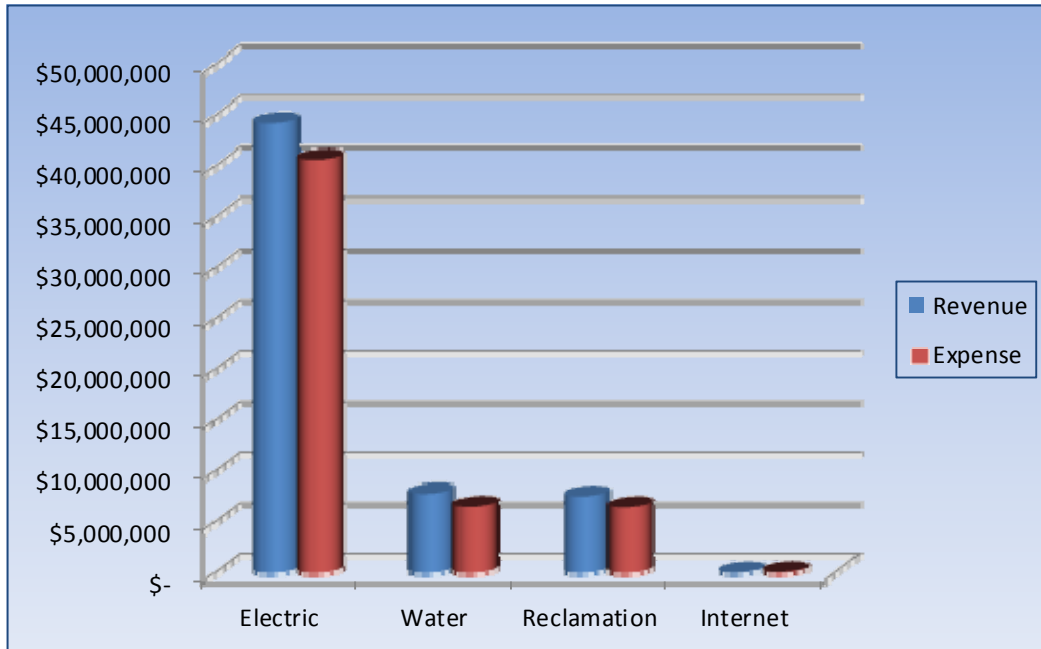
While the balance sheets show a snapshot of the Commission's financial position at the beginning and ending of the fiscal years, the above statements of revenues, expenses, and changes in net assets provide answers as to the nature and source of these changes. A comparison of the operating revenues to 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 558 internet accounts and ended the fiscal year with 401 internet accounts, a reduction of 28.1%. Although a detailed presentation and public hearing was held in June 2009 and the Commission voted to continue this 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 decrease in interest income, a 23.8% decrease from fiscal year 2010. For Fiscal Year 2011, other nonoperating expenses decreased by 289.5% as compared to Fiscal Year 2010; \$.5 million and \$1.3

million, respectively. This decrease is attributed to asset disposals and asset retirements made in 2010. In 2010, a major portion of the disposal 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.

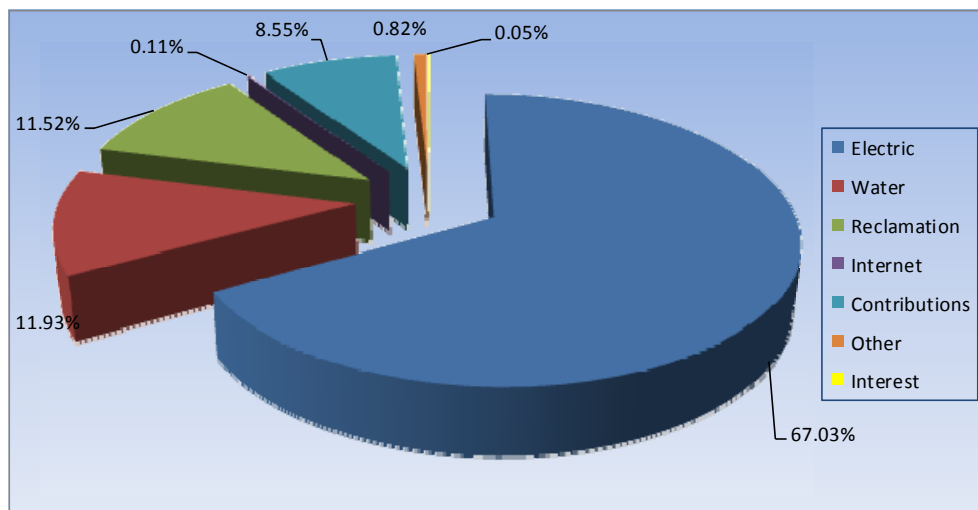
The following is a summary of the operating revenue and expense for each of the Commission’s operating divisions:

Operating Revenue and Expenses – By Division Year Ended September 30, 2011



The following is a summary of the composition of 2011 utility system revenues by source:

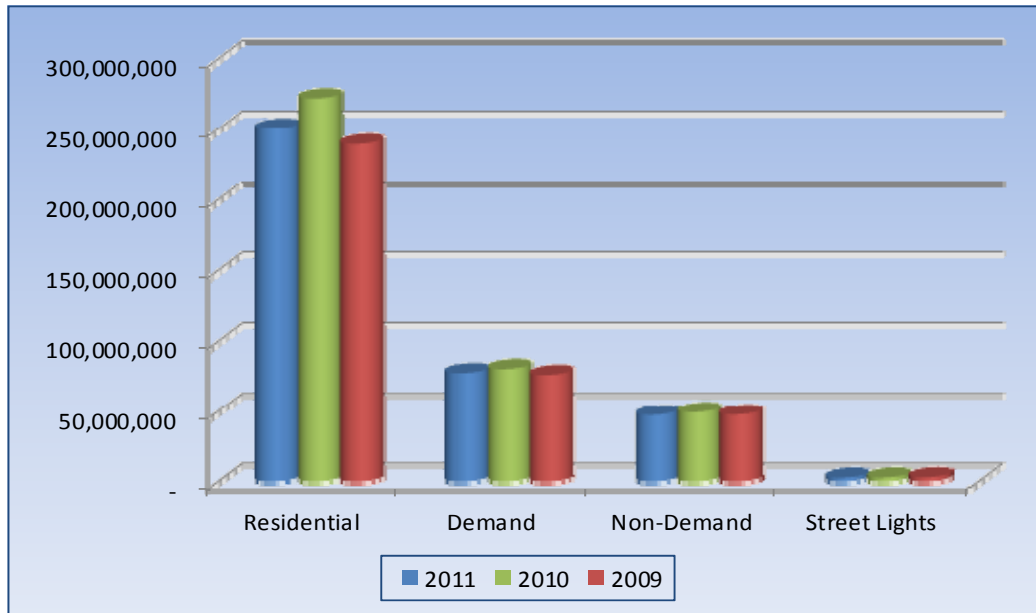
Operating Revenues – By Source Year Ended September 30, 2011



During FY2011, the overall demand for electricity decreased. Total electric kWh sales decreased from 404.3 million kWh sales in 2010 to 378.6 million kWh sales in 2011. In the prior year, the demand for electricity had increased from 366.8 million kWh sales in 2009 to 404.3 million kWh in 2010. Fuel and purchased power costs for FY 2011 decreased by \$1.4 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, 2011, 2010 and 2009



| Year | Residential | Demand | Non-Demand | Street Lights |
|------|-------------|------------|------------|---------------|
| 2011 | 250,712,915 | 77,117,413 | 47,727,748 | 3,001,415 |
| 2010 | 271,753,912 | 79,877,550 | 49,638,293 | 3,061,078 |
| 2009 | 239,751,285 | 75,746,538 | 48,008,678 | 3,266,936 |

kWh Sold by Service Type

In conjunction with the declining costs to produce electric system revenues, management opted to further reduce the fuel and purchased power cost adjustment billing factor fixed to \$31.41 per 1,000 kWh’s effective January 1, 2011 with another planned reduction in FY2012.

The volume of potable water sold during 2011 increased 4.2% to 1,644 MG compared to 1,578 MG in 2010 and compared to 1,512 MG in 2009. The reclamation (wastewater and reuse) system experienced a 1.0% increase in 2011 volume to 877 MG compared to 869 MG in the volume of wastewater treated in 2010 and as compared to 846 MG treated in 2009. The volume of reclaimed water sold during 2011 decreased 1.1% to 638 MG, compared to 645 MG sold in 2010, and as compared to 502 MG sold in 2009.

For FY 2011 the customer accounts billed for electric, water and wastewater have remained stable, each service with approximately 1% growth compared to 2010. Internet has and continues to experience a significant loss in customer base averaging approximately 13 less customers per month. The trend appears to be continuing for FY 2012. Reuse water customers have continued to increase, mostly due to meter installations and more accurate reporting on this valuable resource. For FY 2011 reuse water experienced a 7.0% increase in billed customers.

The following is a summary of the individual utility system customers at September 30, 2011:

| Utility Operations | 2011 Customers | 2010 Customers | 2009 Customers |
|------------------------------------|-------------------|-------------------|-------------------|
| Electric (FY 2011 meters)..... | 25,327 | 24,984 | 24,731 |
| Water (FY 2011 meters) | 23,838 | 23,733 | 23,835 |
| Wastewater (FY 2011 meters) | 19,186 | 19,091 | 18,908 |
| Reuse water (FY 2011 meters) | 997 | 932 | 864 |
| Internet..... | 401 | 558 | 816 |

Capital Assets

At the end of 2011, the Utilities Commission's investment in capital assets amounted to \$149.2 million, which is stated net of \$107.8 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 five (5) fiscal years extensive work and progress has been made to more accurately reflect the assets of the Utilities Commission. Annually, a physical inventory of assets is conducted. Assets no longer in use are disposed of through proper procedure in a timely manner.

For FY2011 with the implementation of GASB 51, approximately \$4.3 million of easements have been added to the UC's Land and Land Rights categories. This is an on-going project to locate historical information on easements acquired in prior years.

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|-------------------|------------------|-----------------|
| Utility Plant: | | | |
| Land and land rights..... | \$ 17,394 | 13,069 | 5,601 |
| Structures and improvements..... | 36,975 | 34,882 | 34,547 |
| Production and treatment plant..... | 49,245 | 48,474 | 47,667 |
| Transmission, distribution and collection and treatment plant..... | 139,315 | 134,283 | 133,637 |
| Other general plant and equipment..... | <u>11,607</u> | <u>11,580</u> | <u>12,522</u> |
| | 254,536 | 242,288 | 233,974 |
| Accumulated depreciation..... | <u>(107,758)</u> | <u>(103,406)</u> | <u>(98,060)</u> |
| | 146,778 | 138,882 | 135,914 |
| Construction in progress..... | 1,268 | 8,202 | 3,660 |
| Plant held for future use..... | - | - | 7,467 |
| Nuclear fuel, net of amortization..... | <u>1,156</u> | <u>925</u> | <u>716</u> |
| Utility plant, net..... | <u>\$ 149,202</u> | <u>148,009</u> | <u>147,757</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, as is summarized in the following three-year tabulation:

| Debt Service Coverage Ratios | | | |
|---|-----------------|---------------|---------------|
| Fiscal Years Ended September 30, | | | |
| (\$000's) | | | |
| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
| Operating revenues..... | \$ 59,878 | \$ 59,855 | 56,937 |
| Interest and other income..... | 571 | 661 | 662 |
| Capacity and other fees..... | <u>1,385</u> | <u>545</u> | <u>574</u> |
| Revenues per certificate resolution..... | 61,834 | 61,061 | 58,173 |
| Cost of Operation and Maintenance, net of depreciation and required payments to City of New Smyrna Beach..... | <u>43,980</u> | <u>46,335</u> | <u>42,989</u> |
| Net revenues per certificate resolution..... | <u>17,854</u> | <u>14,726</u> | <u>15,184</u> |
| Annual debt service requirement..... | <u>\$ 8,021</u> | <u>7,403</u> | <u>8,238</u> |
| Debt service coverage ratio (times)..... | <u>2.23</u> | <u>1.99</u> | <u>1.84</u> |

As of September 30, 2011, the Utilities Commission had outstanding principal of \$47.0 million for revenue certificates payable. The decrease of \$4.6 million from fiscal year 2010 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. If and when needed 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 11 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 (SRF) in the aggregate amount of \$9.0 million 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.

Due to the favorable interest rate climate, the Utilities Commission will be refinancing the SRF loan with 2011 Revenue Certificates to be issued in December, 2011 in the amount of \$9.025 million.

At the end of the fiscal year, the Utilities Commission had \$50 million in long-term debt outstanding, which decreased by \$6 million over the prior year's \$56 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.

Additional information regarding the Commission's long-term debt obligations can be found in Note 8 in the notes to the financial statements.

Cash Flows

At its December 19, 2011, regular meeting, the Utilities Commission approved restoring the deficit cash position from the unrestricted renewal and replacement fund to eliminate the reporting of an operating overdraft in its financial statements. The Statement of Cash Flows, shown in the Financial Statements section, demonstrates that the net cash provided by operating activities and investing activities provides the net cash necessary to cover our capital financing. The realized progress is mainly attributable to the continuation and adherence to the Utilities Commission's strategic plan and initiatives.

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 10.8%, which is favorable to the 12.4% rate experienced one year earlier. These estimates are consistent with the state's current 10% unemployment rate.
- Nationwide the unemployment rate is stated at 9.1% evidencing the additional financial constraints placed on residents of Volusia County with an unemployment rate that is 19% higher than the nationally stated rate.
- The 2012 budget included no general wage increase. UC's management has endeavored to maintain current staffing levels as attrition would support declining expenses.
- Revenue projections for fiscal year 2012 are forecasted based on a combined modified regression model and expected consumptions. A rate study is currently underway (the last study

was completed in 2006) in order to address the revenue shortfall in the reclamation system. Though no rate increase was budgeted for 2012, the expected recommendation is that an increase in service rates will be required.

- Based on the most recent engineering studies the existing infrastructure is aging with the anticipation of continued increases in routine operating and maintenance expenses.

Other factors influencing the Commission’s 2012 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 2012 budget follows:

FY 2012 Operating Budget
With Comparison to FY 2011 Actual (Non-GAAP Budgetary Basis)*
(\$000's)

| | <u>2012</u> <u>Budget</u> | <u>2011</u> <u>Actual*</u> | <u>Dollar</u> <u>Change</u> |
|---|------------------------------|-------------------------------|--------------------------------|
| Revenues: | | | |
| Revenue and Receipts: | | | |
| Electric system..... | \$ 46,060 | 44,693 | 1,367 |
| Water system..... | 7,837 | 7,975 | (138) |
| Reclamation system..... | 7,896 | 7,629 | 267 |
| Internet system..... | 74 | 73 | 1 |
| Capital contributions..... | <u>3,725</u> | <u>5,652</u> | <u>(1,927)</u> |
| | <u>65,592</u> | <u>66,022</u> | <u>(430)</u> |
| Operating Expenses: | | | |
| Operation and maintenance..... | 45,854 | 43,996 | 1,858 |
| Required payments to City..... | <u>3,679</u> | <u>3,564</u> | <u>115</u> |
| | <u>49,533</u> | <u>47,560</u> | <u>1,973</u> |
| Net revenue and receipts..... | 16,059 | 18,462 | (2,403) |
| Proceeds from long-term debt..... | - | - | - |
| Debt service (principal and interest)*..... | (8,811) | (8,994) | 183 |
| Operating transfers (net)..... | <u>(7,248)</u> | <u>(8,384)</u> | <u>1,136</u> |
| Budgeted net cash receipts..... | <u>-</u> | <u>1,084</u> | <u>(1,084)</u> |

Requests for Information

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

BASIC FINANCIAL STATEMENTS

BALANCE SHEETS

September 30, 2011 and 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

| | 2011 | 2010 |
|---|-----------------------|----------------------|
| Assets: | | |
| Current Assets: | | |
| Cash and cash equivalents..... | \$ 576,561 | 592,344 |
| Accounts and notes receivable, net of allowance for doubtful accounts (\$8,924 - 2011 and \$136,204 - 2010)..... | 7,191,664 | 7,625,668 |
| Inventories: | | |
| Fuel..... | 238,700 | 179,162 |
| Materials and supplies..... | 2,169,351 | 2,264,349 |
| Prepaid expenses and other assets..... | <u>383,047</u> | <u>183,554</u> |
| Total current assets..... | <u>10,559,323</u> | <u>10,845,077</u> |
| Noncurrent Assets: | | |
| Restricted and Internally Designated Assets: | | |
| Restricted assets..... | 21,697,694 | 20,059,213 |
| Internally designated assets..... | <u>11,690,498</u> | <u>13,395,389</u> |
| Total restricted and internally designated assets..... | <u>33,388,192</u> | <u>33,454,602</u> |
| Noncurrent Assets: | | |
| Unamortized debt expense..... | 184,918 | 220,791 |
| Unamortized regulatory and nonregulatory studies expense..... | <u>291,663</u> | <u>47,391</u> |
| Total noncurrent assets..... | <u>476,581</u> | <u>268,182</u> |
| Capital Assets: | | |
| Electric utility plant in service..... | 106,569,100 | 106,222,366 |
| Water utility plant in service..... | 60,821,359 | 53,403,456 |
| Reclamation utility plant in service..... | 71,539,799 | 71,380,543 |
| General utility plant in service..... | <u>15,605,878</u> | <u>11,281,551</u> |
| | 254,536,136 | 242,287,916 |
| Less: accumulated depreciation..... | <u>(107,758,005)</u> | <u>(103,405,425)</u> |
| | 146,778,131 | 138,882,491 |
| Construction work in progress..... | 1,268,060 | 8,201,952 |
| Nuclear fuel, net of amortization..... | <u>1,155,840</u> | <u>925,102</u> |
| Total utility plant, net..... | <u>149,202,031</u> | <u>148,009,545</u> |
| Total noncurrent assets..... | <u>183,066,804</u> | <u>181,732,329</u> |
| Total assets..... | <u>\$ 193,626,127</u> | <u>192,577,406</u> |

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

| | 2011 | 2010 |
|---|-----------------------|--------------------|
| Liabilities and Net Assets: | | |
| Current Liabilities Payable From Restricted Assets: | | |
| Accrued interest payable..... | \$ 1,036,458 | 1,125,991 |
| Revenue certificates payable - current..... | 4,920,000 | 4,645,000 |
| Notes payable - current..... | 1,002,065 | 971,031 |
| Accounts payable..... | 507,154 | 271,435 |
| Customers' deposits..... | <u>3,855,843</u> | <u>3,799,730</u> |
| Total current liabilities payable from restricted assets..... | <u>11,321,520</u> | <u>10,813,187</u> |
| Current Liabilities: | | |
| Bank overdraft-unrestricted cash and cash equivalents..... | - | 2,331,619 |
| Accounts payable..... | 2,424,049 | 2,822,150 |
| Accrued liabilities..... | 2,853,039 | 3,001,768 |
| Due to other governments..... | <u>1,130,798</u> | <u>1,272,043</u> |
| Total current liabilities payable from current assets..... | <u>6,407,886</u> | <u>9,427,580</u> |
| Total current liabilities..... | <u>17,729,406</u> | <u>20,240,767</u> |
| Other Noncurrent Liabilities and Deferred Credits: | | |
| Asset retirement obligation..... | 4,971,164 | 4,828,717 |
| Other post-employment benefit obligations..... | 155,002 | 108,808 |
| Deferred compensated absences..... | <u>429,162</u> | <u>437,186</u> |
| Total other noncurrent liabilities and deferred credits..... | <u>5,555,328</u> | <u>5,374,711</u> |
| Long-Term Debt: | | |
| Revenue certificates payable (net)..... | 42,094,402 | 46,981,508 |
| Notes payable (net)..... | <u>7,970,891</u> | <u>8,972,956</u> |
| Total long-term debt..... | <u>50,065,293</u> | <u>55,954,464</u> |
| Total noncurrent liabilities..... | <u>55,620,621</u> | <u>61,329,175</u> |
| Total liabilities..... | <u>73,350,027</u> | <u>81,569,942</u> |
| Net Assets: | | |
| Invested in utility plant, net of related debt..... | 93,214,673 | 86,635,550 |
| Restricted..... | 14,773,049 | 13,161,211 |
| Unrestricted..... | <u>12,288,378</u> | <u>11,210,703</u> |
| Total net assets..... | <u>120,276,100</u> | <u>111,007,464</u> |
| Total liabilities and net assets..... | <u>\$ 193,626,127</u> | <u>192,577,406</u> |

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

For the Fiscal Years Ended September 30, 2011 and 2010
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
New Smyrna Beach, Florida

| | 2011 | 2010 |
|--|-----------------------|--------------------|
| Operating Revenue: | | |
| Sales..... | \$ 58,903,860 | 58,733,895 |
| Other revenue..... | <u>974,665</u> | <u>1,121,064</u> |
| Total operating revenue..... | <u>59,878,525</u> | <u>59,854,959</u> |
| Operating Expenses: | | |
| Purchased power and fuel expenses..... | 23,247,562 | 24,622,098 |
| Other production expenses..... | 6,803,928 | 7,158,937 |
| Transmission, distribution, and sewage collection and treatment..... | 6,082,365 | 6,259,037 |
| Customer accounting..... | 1,190,247 | 1,293,146 |
| Administrative and general..... | 6,655,477 | 7,001,554 |
| Required payments to the City of New Smyrna Beach..... | 3,564,277 | 3,833,943 |
| Depreciation..... | <u>6,401,336</u> | <u>6,502,283</u> |
| Total operating expenses..... | <u>53,945,192</u> | <u>56,670,998</u> |
| Operating income..... | <u>5,933,333</u> | <u>3,183,961</u> |
| Nonoperating Revenue (Expense): | | |
| Interest earnings..... | 31,931 | 42,381 |
| Other income..... | 538,738 | 618,690 |
| Interest and debt expense..... | (2,428,060) | (2,388,731) |
| Other expenses..... | (287,020) | (691,734) |
| Gain (loss) on disposal of assets..... | <u>(172,076)</u> | <u>(636,835)</u> |
| Total nonoperating (expense)..... | <u>(2,316,487)</u> | <u>(3,056,229)</u> |
| Income (loss) before contributions..... | 3,616,846 | 127,732 |
| Capital contributions..... | <u>5,651,790</u> | <u>618,593</u> |
| Change in net assets..... | 9,268,636 | 746,325 |
| Net assets, beginning of year (as restated)..... | <u>111,007,464</u> | <u>110,261,139</u> |
| Net assets, end of year..... | <u>\$ 120,276,100</u> | <u>111,007,464</u> |

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

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended September 30, 2011 and 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

| | 2011 | 2010 |
|--|-----------------------|---------------------|
| Cash Flows From Operating Activities: | | |
| Cash received from customers..... | \$ 59,393,977 | 62,153,867 |
| Cash paid to suppliers..... | (36,260,777) | (37,744,892) |
| Cash paid to employees..... | (8,424,107) | (9,335,187) |
| Cash paid to City of New Smyrna Beach..... | (3,705,522) | (3,853,196) |
| Other cash receipts..... | <u>1,319,210</u> | <u>4,613,637</u> |
| Net cash provided by operating activities..... | <u>12,322,781</u> | <u>15,834,229</u> |
| Cash Flows From Capital and Related Financing Activities: | | |
| Debt reduction outlays..... | (5,616,031) | (4,450,958) |
| Proceeds from sale of capital assets..... | 42,687 | - |
| Capital contributions..... | 1,238,606 | 545,445 |
| Acquisition and construction of capital assets..... | (3,395,402) | (7,015,877) |
| Interest paid..... | <u>(2,375,146)</u> | <u>(1,708,802)</u> |
| Net cash used in capital and related financing activities..... | <u>(10,105,286)</u> | <u>(12,630,192)</u> |
| Cash Flows From Investing Activities: | | |
| Interest received..... | <u>31,931</u> | <u>42,381</u> |
| Net cash provided by investing activities..... | <u>31,931</u> | <u>42,381</u> |
| Net increase in cash and cash equivalents..... | 2,249,426 | 3,246,418 |
| Cash and cash equivalents, beginning of year..... | <u>31,715,327</u> | <u>28,468,909</u> |
| Cash and cash equivalents, end of year..... | <u>\$ 33,964,753</u> | <u>31,715,327</u> |
| Reconciliation to Balance Sheet: | | |
| Cash and cash equivalents..... | \$ 576,561 | 592,344 |
| Bank overdraft - unrestricted cash and cash equivalents..... | - | (2,331,619) |
| Restricted cash and cash equivalents..... | <u>33,388,192</u> | <u>33,454,602</u> |
| Total cash and cash equivalents..... | <u>\$ 33,964,753</u> | <u>31,715,327</u> |
| Non-cash Capital and Related Financing Activities: | | |
| Capital contributions..... | \$ 4,413,184 | 73,148 |
| Acquisition and construction of capital assets..... | <u>\$ (4,413,184)</u> | <u>(73,148)</u> |
| Revised estimate of anticipated CR3 nuclear decommissioning..... | <u>\$ -</u> | <u>302,500</u> |
| Increase in asset retirement obligation..... | <u>\$ (141,245)</u> | <u>(302,500)</u> |

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

STATEMENTS OF CASH FLOWS - (Continued)

For the Fiscal Years Ended September 30, 2011 and 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

| | 2011 | 2010 |
|---|----------------------|-------------------|
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income..... | \$ 5,933,333 | 3,183,961 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation, amortization and nuclear fuel amortization..... | 6,470,104 | 6,628,658 |
| Provision for losses on receivables..... | 144,928 | 287,718 |
| Provision for other post-employment benefits receivables..... | 46,194 | 67,305 |
| Decrease (increase) in operating assets: | | |
| Accounts and notes receivable..... | 408,002 | 596,997 |
| Unbilled accounts receivable..... | (118,926) | 2,374,064 |
| Inventories..... | 35,460 | 231,070 |
| Prepaid expenses..... | (443,765) | (5,308) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable..... | (162,382) | 74,688 |
| Due to other governments..... | (141,245) | (19,253) |
| Customer deposits..... | 56,113 | 264,801 |
| Accrued liabilities..... | (148,729) | 2,243,169 |
| Deferred liabilities..... | (8,024) | (20,597) |
| Other income..... | 538,738 | 618,690 |
| Other expense..... | (287,020) | (691,734) |
| Net cash provided by operating activities..... | <u>\$ 12,322,781</u> | <u>15,834,229</u> |

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

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NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

September 30, 2011 and 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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, 2011 and 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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, 2011 and 2010. 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.*

The Utilities Commission's bond resolutions specify the flow of funds from revenues and specify the requirements for the use of certain restricted and unrestricted assets.

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.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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 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.

Restricted and Internally Designated Assets: Funds classified as restricted assets represent cash, cash equivalents and investments, which were designated by law, bond requirements or regulatory statutes. Funds classified as internally designated assets also represent cash, cash equivalents and investments for which the Utilities Commission has a customer obligation or the governing board has taken action to designate.

Revenue Recognition and Receivables: Accounts receivable have been reported net of an allowance for uncollectible accounts based upon management's analysis of historical trends, which includes an aggressive examination and measurement of all customer accounts for collectability on a monthly basis. Utility operating revenues are recognized as earned 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. Bad debt expenses totaling \$144,928 and \$288,018 were recognized as customer accounting expenses for the years ended September 30, 2011 and 2010, respectively. Amounts charged to customers for fuel are based on estimated costs, which are adjusted for any differences between the actual and estimated costs once actual fuel costs are known. If the amount recovered through billings exceeds actual fuel costs, the Utilities Commission records deferred fuel as a

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

liability. If the amount recovered through billings is less than the actual fuel costs, the Utilities Commission records deferred fuel as an asset, for amounts to be collected through future rates. As of September 30, 2011 and 2010, deferred fuel recovery costs were a liability of \$2,274,170 and \$2,331,328, respectively.

Inventories: Inventories are stated at cost using the weighted average unit cost method for fuel and materials and supplies. Obsolete and unusable items are reduced to estimated salvage values. The cost of fuel used for electric generation is charged to expense as consumed. 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 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 |

NOTES TO THE FINANCIAL STATEMENTS – (Continued)
 September 30, 2011 and 2010
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 New Smyrna Beach, Florida

| | <u>Years</u> |
|--|--------------|
| 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 |
| Water Reuse System: | |
| Structures and improvements | 50 |
| Transmission and distribution plant..... | 50 |
| Common Plant: | |
| Structures and improvements | 35 |
| Other general plant | 5-15 |

Depreciation expense also contains a provision for decommissioning costs related to the jointly-owned nuclear power plant. 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.

An allowance for net interest on borrowed funds used during construction of \$98,250 and \$393,000 in 2011 and 2010, respectively, is included in construction work-in-progress and as a reduction of interest expense.

Intangible Assets: In accordance with the implementation of GASB Statement No. 51, “*Accounting and Financial Reporting for Intangible Assets*”, all intangible assets excluding those exempt from this standard including goodwill, are classified as capital assets under the heading of Utility plant, net. Intangible assets considered to have indefinite useful lives, such as utility easements, are recognized, measured and capitalized on a prospective basis, since the retroactive reporting of these assets is not required.

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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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 and Accrued Wages: 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.

Pollution Remediation Obligations: The Utilities Commission records applicable pollution remediation obligations in accordance with the provisions of GASB Statement No. 49, *Pollution Remediation Obligations*. The section provides clarification as to what is included in the liability, how it is recognized and the measurement of such liabilities. The effect of this implementation is included on the statements of revenues, expenses, and changes in net assets in operating expenses and on the balance sheet in noncurrent liabilities. As of September 30, 2011 and 2010, pollution remediation obligations totaling \$-0- and \$35,300, respectively, were included as liabilities at year end.

Capital Contributions: Capital contributions represent contributions of cash and capital assets from the City, developers, customers, and other third parties. Capital contributions are recorded in the statement of revenues, expenses, and changes in net assets at fair value at the time of receipt. Depreciation is recorded on contributed capital assets on a straight-line basis.

Net Assets: The Utilities Commission presents its financial statements in accordance with the GASB pronouncements which establish standards for external financial reporting for all state and local governmental entities that includes a statement of net assets or balance sheet, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt, restricted, and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets and increased/reduced by costs to be recovered from future revenues or revenues to be used for future costs.
- Restricted – consists of assets that have constraints placed upon their use through external constraints imposed either by creditors (such as through debt covenants) or through laws, regulations, or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

- Unrestricted – consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

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.

Rates, Revenues and Fuel Expense: The Utilities Commission acts as the regulatory authority for the establishment of all electric, water, sewer, and internet service utility rates. Electric rates are set in accordance with established rate structures established by the Florida Public Service Commission (FPSC), as they have the jurisdiction to regulate the electric rate structures of municipal utilities in Florida. A rate structure is defined as the rate relationship between customer class and among customers within rate classes and is distinguishable from the total amount of revenue requirements a utility may receive from rates.

The Utilities Commission periodically performs rate adequacy studies to determine the electric base and fuel revenue requirements. Based on these studies, other current cost-of-service studies, and regulations of the FPSC regarding electric rate structures, changes may be proposed to established electric rate schedules. Prior to the implementation of any rate change, the Utilities Commission notifies its customers, convenes public workshops, presents the rates to the governing board for approval and files the proposed tariffs with the FPSC. Water and sewer rate requirements are studied and prepared in a similar manner excluding filing a notification with the FPSC.

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.

New Accounting Standards: In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Types*, which establishes accounting and financial reporting standards for all governments that report governmental funds. As a unit of the City reporting as an enterprise fund, this standard is not applicable to the Utilities Commission.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method address issues related to the use of the alternative measurement method. This standard is not applicable to the Utilities Commission.

In December 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The objective of this Statement is to provide accounting and financial reporting guidance for

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB No. 58 is effective for periods beginning after June 15, 2009. The Utilities Commission is in sound financial condition; therefore this statement did not apply since it has not petitioned for bankruptcy protection.

In June 2010, GASB issued Statement No. 59, Financial Statements Omnibus, which provides clarification regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. This statement is effective for financial periods beginning after June 15, 2010. As of September 30, 2011, this standard is not applicable to the Utilities Commission.

In November 2010, GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, which addresses issues related to service concession arrangements (SCAs). This statement is effective for financial periods beginning after December 2011 and does not have material impact on the Utilities Commission's financial statements because it does not currently participate in SCAs.

In December 2010, GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement is intended to enhance usefulness of GASB codification by incorporating guidance which previously could only be found in FASB or American Institute of Certified Public Accountants (AICPA) pronouncements. The statement is effective for period beginning after December 15, 2011. This statement incorporates existing generally accepted accounting guidance into GASB authoritative literature and is not expected to have a material impact on the Utilities Commission's financial position.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. This statement is effective for financial statements for periods beginning after December 15, 2011 and is not expected to have a material impact on the Utilities Commission's financial position.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions -- an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The statement is effective for financial statements for periods beginning after June 15, 2011 and is not expected to have a material impact on the Utilities Commission's financial position.

Reclassification: Certain amounts for 2010 have been reclassified to conform to the 2011 financial statement presentation.

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NOTE 2 – CASH DEPOSITS AND INVESTMENTS

As of September 30, 2011, the Commission had the following deposits and investments:

| Deposits | Carrying Amount | Bank Balance |
|--|----------------------|----------------------|
| Insured (FDIC) and collateralized..... | \$ 25,885,294 | \$ 25,896,238 |
| Uninsured and uncollateralized..... | -- | -- |
| Cash funds..... | <u>9,950</u> | <u>--</u> |
| Total deposits..... | <u>\$ 25,895,244</u> | <u>\$ 25,896,238</u> |

| Investments | Carrying Value | Fair Value | Maturities | Credit Rating |
|--------------------------------|---------------------|------------------|-------------------|---------------|
| Mutual Funds (CUSIP 097100515) | | | | |
| BOA-Columbia Money Market | | | | |
| Reserves Capital CL..... | <u>\$ 8,069,509</u> | <u>8,069,509</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. 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,

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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- 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, 2011, 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 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, 2011, the carrying amount of the Utilities Commission’s deposits, including money market funds held with financial institutions, was \$25,895,244 and the September 30, 2011 bank balances totaled \$25,896,238 of which \$250,000 was covered by federal depository insurance, and \$25,646,238 was secured in accordance with the statutory provisions of the Act. Included in the carrying amount of Utilities Commission deposits is \$9,950 in petty cash and change funds.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

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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, 2011 the Commission has custodial credit risk exposure of \$8,069,509 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, 2011 and 2010 are as follows:

| | September 30, | |
|--|----------------------|--------------------|
| | 2011 | 2010 |
| Cash | \$ 25,895,244 | 23,653,898 |
| Cash Equivalents: | | |
| Mutual funds..... | <u>8,069,509</u> | <u>8,061,429</u> |
| Total cash and cash equivalents | <u>\$ 33,964,753</u> | <u>31,715,327</u> |
| Unrestricted: | | |
| Cash and cash equivalents | \$ 576,561 | 592,344 |
| Bank overdraft | <u>-</u> | <u>(2,331,619)</u> |
| Total unrestricted cash and cash equivalents | <u>576,561</u> | <u>(1,739,275)</u> |
| Restricted Assets: | | |
| Revenue certificate covenant funds: | | |
| Debt service and related funds: | | |
| Principal and interest funds | 8,163,170 | 7,091,646 |
| Debt service reserve funds | <u>539,839</u> | <u>539,839</u> |
| Total revenue certificate covenant funds restricted..... | 8,703,009 | 7,631,485 |
| CR3 nuclear generation facility decommissioning funds..... | 3,995,199 | 3,875,935 |
| Renewal and replacement service capacity fee funds..... | 7,613,332 | 7,123,652 |
| Developer infrastructure escrow..... | <u>1,386,154</u> | <u>1,428,141</u> |
| Total restricted assets | <u>21,697,694</u> | <u>20,059,213</u> |

NOTES TO THE FINANCIAL STATEMENTS – (Continued)
September 30, 2011 and 2010
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
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| | September 30, | |
|--|----------------------|-------------------|
| | 2011 | 2010 |
| Internally Designated Assets: | | |
| Revenue certificate covenant funds: | | |
| Renewal and replacement funds (discretionary)..... | \$ 9,305,063 | 11,205,809 |
| Customer deposits | <u>2,385,435</u> | <u>2,189,580</u> |
| Total internally designated assets..... | <u>11,690,498</u> | <u>13,395,389</u> |
| Total cash and cash equivalents | <u>\$ 33,964,753</u> | <u>31,715,327</u> |

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consist of trade accounts receivable from customers for utility system revenue and other revenue sources and are anticipated to be collected within an operating cycle. As of year-end, the following accounts receivable, which are reported net of provisions for uncollectible accounts, are reported as current assets:

| | September 30, | |
|--|---------------------|------------------|
| | 2011 | 2010 |
| Billed customer receivables..... | \$ 3,727,496 | 4,317,547 |
| Other local government receivables | 31,000 | 30,900 |
| Pole rentals receivables | 179,432 | 178,726 |
| Unbilled customer receivables..... | 3,092,537 | 2,973,611 |
| Other miscellaneous accounts and notes receivables | <u>170,123</u> | <u>261,088</u> |
| | 7,200,588 | 7,761,872 |
| Reserve for uncollectible accounts | <u>(8,924)</u> | <u>(136,204)</u> |
| Total accounts receivable, net | <u>\$ 7,191,664</u> | <u>7,625,668</u> |

NOTES TO THE FINANCIAL STATEMENTS – (Continued)
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NOTE 5 – UTILITY PLANT

A summary of utility plant at September 30, 2011 and 2010 is as follows:

| | Electric | Water | Reclamation | Common | Total September 30, 2011 |
|---|----------------------|---------------------|---------------------|--------------------|--------------------------------|
| Land and land rights..... | \$ 9,147,471 | 503,377 | 364,167 | 7,379,464 | 17,394,479 |
| Structures and improvements..... | 8,938,480 | 8,833,676 | 15,329,914 | 3,872,759 | 36,974,829 |
| Production and treatment plant..... | 26,702,565 | 8,319,203 | 14,222,834 | - | 49,244,602 |
| Transmission, distribution and collection and treatment plant..... | 58,365,552 | 41,679,280 | 39,269,980 | - | 139,314,812 |
| Other general plant and equipment..... | <u>3,415,032</u> | <u>1,485,823</u> | <u>2,352,904</u> | <u>4,353,655</u> | <u>11,607,414</u> |
| | 106,569,100 | 60,821,359 | 71,539,799 | 15,605,878 | 254,536,136 |
| Accumulated depreciation..... | <u>(57,986,809)</u> | <u>(20,221,136)</u> | <u>(24,765,301)</u> | <u>(4,784,759)</u> | <u>(107,758,005)</u> |
| | 48,582,291 | 40,600,223 | 46,774,498 | 10,821,119 | 146,778,131 |
| Construction in progress..... | 321,024 | 323,105 | 438,535 | 185,396 | 1,268,060 |
| Nuclear fuel, net of amortization..... | <u>1,155,840</u> | - | - | - | <u>1,155,840</u> |
| Utility plant, net..... | <u>\$ 50,059,155</u> | <u>40,923,328</u> | <u>47,213,033</u> | <u>11,006,515</u> | <u>149,202,031</u> |

| | 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> |

Depreciation expense totaled \$6,401,336 and \$6,502,283 for 2011 and 2010, respectively. There was \$98,250 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, 2011 and 2010, respectively.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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A summary of capital assets activity for the year ended September 30, 2011 is as follows:

| | September 30, 2010 | Acquisitions | Disposals | September 30, 2011 |
|---|-----------------------|--------------------|---------------------|-----------------------|
| Capital assets not being depreciated: | | | | |
| Land and land rights..... | \$ 13,068,508 | 4,325,971 | - | 17,394,479 |
| Construction work in progress..... | 8,201,952 | 2,985,561 | (9,919,453) | 1,268,060 |
| Plant held for future use..... | - | - | - | - |
| Nuclear fuel, net of amortization..... | <u>925,103</u> | <u>230,737</u> | - | <u>1,155,840</u> |
| Total capital assets not being depreciated..... | <u>22,195,563</u> | <u>7,542,269</u> | <u>(9,919,453)</u> | <u>19,818,379</u> |
| Capital assets being depreciated: | | | | |
| Structures and improvements..... | 34,882,107 | 2,387,323 | (294,601) | 36,974,829 |
| Production and treatment plant..... | 48,474,441 | 1,535,640 | (765,479) | 49,244,602 |
| Transmission, distribution and collection and treatment plant..... | 134,283,341 | 5,938,742 | (907,271) | 139,314,812 |
| Other general plant and equipment..... | <u>11,579,518</u> | <u>324,064</u> | <u>(296,168)</u> | <u>11,607,414</u> |
| Total capital assets being depreciated..... | <u>229,219,407</u> | <u>10,185,769</u> | <u>(2,263,519)</u> | <u>237,141,657</u> |
| Less accumulated depreciation for: | | | | |
| Structures and improvements..... | (13,877,341) | (805,454) | 242,311 | (14,440,484) |
| Production and treatment plant..... | (23,601,278) | (1,459,336) | 759,536 | (24,301,078) |
| Transmission, distribution and collection and treatment plant..... | (56,881,514) | (3,459,471) | 762,676 | (59,578,309) |
| Other general plant and equipment..... | <u>(9,045,292)</u> | <u>(677,076)</u> | <u>284,234</u> | <u>(9,438,134)</u> |
| Total accumulated depreciation..... | <u>(103,405,425)</u> | <u>(6,401,337)</u> | <u>2,048,757</u> | <u>(107,758,005)</u> |
| Total capital assets being depreciated..... | <u>125,813,982</u> | <u>3,784,432</u> | <u>(214,762)</u> | <u>129,383,652</u> |
| Total capital assets, net..... | <u>\$ 148,009,545</u> | <u>11,326,701</u> | <u>(10,134,215)</u> | <u>149,202,031</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.

Based on the revised 2008 cost factors, the Utilities Commission’s capitalized net asset retirement costs were \$949,115 and \$988,194, net of accumulated depreciation of \$3,103,276 and \$3,064,197, as of September 30, 2011 and 2010, respectively. Depreciation of the net asset retirement costs is calculated using the straight-line method over the remaining license period (25 years). Annual depreciation expense related to the asset retirement costs is \$39,079 and \$39,080 for 2011 and 2010, respectively, which is included in total depreciation expense.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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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 \$4,971,164 and \$4,828,717, as of September 30, 2011 and 2010, respectively. The accretion period for this obligation is consistent with the plant’s license period. Accretion expense was \$142,447 and \$138,365 for 2011 and 2010, 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 (\$3,995,199 at September 30, 2011) 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 estimated future 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, 2011 and 2010:

| | September 30, | |
|---|----------------------|--------------------|
| | 2011 | 2010 |
| Invested in utility plant, net of related debt: | | |
| Net utility plant..... | \$149,202,031 | 148,009,545 |
| Less: Revenue certificates payable (net), excluding unspent proceeds of \$196,500 in 2011 and 2010 | (47,014,401) | (51,430,008) |
| Notes payable (net) | <u>(8,972,956)</u> | <u>(9,943,987)</u> |
| | <u>93,214,673</u> | <u>86,635,550</u> |
| Restricted: | | |
| Debt service sinking and reserve funds | 7,666,551 | 6,308,994 |
| Renewal and replacement service capacity fee funds | <u>7,106,498</u> | <u>6,852,217</u> |
| | <u>14,773,049</u> | <u>13,161,211</u> |
| Unrestricted net assets | <u>12,288,378</u> | <u>11,210,703</u> |
| Total net assets | <u>\$120,276,100</u> | <u>111,007,464</u> |

Pursuant to Resolution No. 28-78, Section 16 D (8), as amended, the Commission established a Renewal and Replacement Fund that requires mandatory monthly contributions of not less than 8% of the gross revenues derived from sale of services from the combined utility system for the second preceding year, 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.

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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 (discretionary) 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 Service Capacity Fee Fund is separately distinguished from the Renewal and Replacement Fund (discretionary), 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.

The CR3 Nuclear Generation Facility Decommissioning Fund has been separately established to invest funds set aside by the Utilities Commission to finance the future decommissioning and dismantling costs associated with the CR3 nuclear plant. At September 30, 2011, the present value of the CR3 asset retirement obligation (ARO) exceeded the amount which is required to be set aside for this future commitment. As a result, no net asset restriction exists for this fund at year end since the restricted funds held in escrow are offset by the corresponding ARO liability.

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. As these fees are appropriately recognized and reported as customer deposits, all restricted funds held in escrow are offset by the corresponding customer deposit liability resulting in no net asset restriction for this fund.

NOTE 8 – LONG-TERM DEBT

A summary of long-term debt outstanding at September 30, 2011 and 2010 is as follows:

| | September 30, | |
|--|-------------------|-------------------|
| | 2011 | 2010 |
| Utilities System Refunding Revenue Certificates, Series 2002 2.75% to 5.00% due serially to 2017..... | \$ 17,790,000 | 21,300,000 |
| Utilities System Refunding Revenue Certificates, Series 2004A 2.895% due serially to 2011 | - | 235,000 |
| 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>19,350,000</u> | <u>20,250,000</u> |
| Total utilities revenue certificates outstanding..... | <u>47,140,000</u> | <u>51,785,000</u> |

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

| | September 30, | |
|---|----------------------|--------------------|
| | 2011 | 2010 |
| Less current maturities: | | |
| Series 2002 Certificates..... | \$ (3,970,000) | (3,510,000) |
| Series 2004A Certificates..... | - | (235,000) |
| Series 2009 Certificates..... | <u>(950,000)</u> | <u>(900,000)</u> |
| | <u>(4,920,000)</u> | <u>(4,645,000)</u> |
| Long-term certificate debt..... | 42,220,000 | 47,140,000 |
| Plus: unamortized debt premium..... | 80,046 | 99,002 |
| Less: deferred amount on advance refunding..... | <u>(205,644)</u> | <u>(257,494)</u> |
| Net long-term certificate debt..... | <u>42,094,402</u> | <u>46,981,508</u> |
| Note Payable: | | |
| State Revolving Fund Loan | | |
| Construction loans consisting of \$4,394,597, bearing interest at 3.22% per annum, \$915,553, bearing interest at 3.18% per annum, and \$3,662,808 bearing interest at 3.11% per annum; payable in equal semi-annual payments of \$639,359, and maturing in August, 2019..... | 8,972,956 | 9,943,987 |
| Less current maturities..... | <u>(1,002,065)</u> | <u>(971,031)</u> |
| Long-term portion of note payable..... | <u>7,970,891</u> | <u>8,972,956</u> |
| Total long-term debt, net..... | <u>\$ 50,065,293</u> | <u>55,954,464</u> |

A summary of borrowings and debt service activity for the year ended September 30, 2011 is as follows:

| | Beginning of Year | Borrowings | Maturities / Redemptions | End of Year |
|-------------------------------------|----------------------|------------|-----------------------------|-------------------|
| Utilities revenue certificates..... | \$ 51,785,000 | - | (4,645,000) | 47,140,000 |
| Notes payable..... | <u>9,943,987</u> | - | <u>(971,031)</u> | <u>8,972,956</u> |
| Total outstanding debt..... | <u>\$ 61,728,987</u> | <u>-</u> | <u>(5,616,031)</u> | <u>56,112,956</u> |

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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 |
| 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..... | 3,606,250 | 1,381,639 | 2,505,000 | 1,204,170 | 1,101,250 | 177,469 |
| 2016..... | 4,876,448 | 1,220,001 | 3,740,000 | 1,077,730 | 1,136,448 | 142,271 |
| | <u>27,320,997</u> | <u>8,260,877</u> | <u>21,980,000</u> | <u>7,208,281</u> | <u>5,340,997</u> | <u>1,052,596</u> |
| 2017-2021..... | 22,721,960 | 3,170,592 | 19,090,000 | 2,966,400 | 3,631,960 | 204,192 |
| 2022-2026..... | 4,140,000 | 799,950 | 4,140,000 | 799,950 | - | - |
| 2027-2028..... | <u>1,930,000</u> | <u>76,635</u> | <u>1,930,000</u> | <u>76,635</u> | - | - |
| Total..... | <u>\$ 56,112,957</u> | <u>12,308,054</u> | <u>47,140,000</u> | <u>11,051,266</u> | <u>8,972,957</u> | <u>1,256,788</u> |

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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, 2011, 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 seven 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 May 2015. 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 \$21,014 and \$13,529 for the years ended September 30, 2011 and 2010, respectively.

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

| Fiscal Year Ending | Rents |
|--------------------------|------------------|
| 2012..... | \$ 26,503 |
| 2013..... | 19,361 |
| 2014..... | 11,249 |
| 2015..... | <u>6,088</u> |
| Total..... | <u>\$ 63,201</u> |

NOTE 11 – COMPENSATED ABSENCES

Compensated absences due and payable within one-year are reported in the caption accrued liabilities amounted to \$429,162 and \$437,186 as of September 30, 2011 and 2010, 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, 2011 are as follows:

| | Beginning of Year | Additions | Deletions | End of Year |
|---------------------------------------|----------------------|----------------|------------------|----------------|
| Due and payable within one year | \$ 437,186 | 658,098 | (666,122) | 429,162 |
| Deferred portion | <u>437,186</u> | <u>0</u> | <u>(8,024)</u> | <u>429,162</u> |
| Total compensated absences..... | <u>\$ 874,372</u> | <u>658,098</u> | <u>(674,146)</u> | <u>858,324</u> |

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

NOTE 12 – TRANSACTIONS WITH CITY OF NEW SMYRNA BEACH

Required 6% Payment: 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, 2011 and 2010 totaled \$3,564,275 and \$3,833,943, respectively. The balances payable to the City at September 30, 2011 and 2010, totaled \$341,953 and \$363,216, respectively.

As Agent for Solid Waste Utilities: The Utilities Commission 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 utilities services managed by the City. Under the arrangement, the Utilities Commission simultaneously bills and collects the City's solid waste 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, 2011 and 2010 totaled \$403,140 and \$405,528, respectively.

As Agent for Stormwater Utilities: Prior to October 1, 2010, the Utilities Commission also acted solely as an agent of the City of New Smyrna Beach with respect to the City's billings to citizens and customers for stormwater utilities services managed by the City. Under the arrangement, the Utilities Commission billed and collected the City's stormwater utilities revenues with its monthly customer service billings. All customer collections on these accounts were subsequently remitted to the City on a monthly basis. Net amounts due the City at the years ended September 30, 2011 and 2010 totaled \$-0- and \$100,367, respectively.

Public Service Tax: Pursuant to Sections 74-106 and 74-107 of the Code of Ordinances of the City of New Smyrna Beach, a 9% public service tax is levied on the purchase of electricity by customers within the corporate boundaries of the City. Amounts collected and remitted to the City for the years ended September 30, 2011 and 2010 totaled \$1,710,658 and \$1,843,561, respectively. The balances payable to the City at September 30, 2011 and 2010, totaled \$177,173 and \$179,307, respectively.

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 Management Services, 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 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. The complete financial report of the FRS may be obtained from the "System Information" section of the "Publications" page of the Division of Retirement's website at <http://frs.MyFlorida.com> or by writing the

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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division at P. O. BOX 9000 Tallahassee, Florida, 32315-9000; or e-mailing Research and Education at rep@dms.MyFlorida.com or calling toll free at (877) 377-1737.

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 FRS funding 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. Unfunded actuarial liability as a result of future plan benefit changes, assumption changes, or methodology changes, is assumed to 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 percent basis, as a level dollar amount.

The Utilities Commission contributed 100% of the required contributions for each of the past three years. Employer contributions to the plan for the fiscal years ended September 30, 2011, 2010, and 2009 totaled \$273,946, \$327,136, and \$340,644, respectively. Effective July 1, 2011, covered employees are required to contribute 3% of qualifying wages to the plan. Employees' contributions to the plan for the fiscal years ended September 30, 2011, 2010, and 2009 totaled \$20,452, \$-0-, and \$-0-, respectively. 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, 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 June 30, 2011 | 10.77% | 12.25% |
| From July 1, 2011 to September 30, 2011..... | 4.91% | 4.42% |

B. Defined Contribution Pension Plan

The Utilities Commission contributes to the Utilities Commission of the City of New Smyrna Beach Employees Defined Contribution 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 \$411,288, \$410,951, and \$437,380, for the years ended September 30, 2011, 2010, and 2009, respectively. There were no employee contributions made during these years.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

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 the plan to the extent permitted by law. Employer contributions to the plan were \$-0-, \$48,823, and \$33,861 for the years ended September 30, 2011, 2010 and 2009, respectively. There were no employee contributions made during these years.

C. Other Post-Employment Benefits (OPEB) – Life and Health Insurance

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 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 30 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..... | 10/01/2010 | 10/01/2009 | 10/01/2008 |
|--|-------------------|-----------------|-----------------|
| Annual required contribution (ARC)..... | \$ 62,290 | 83,917 | 72,041 |
| Interest on the net OPEB obligation..... | 5,443 | 2,078 | 0 |
| Adjustment to annual required contribution.... | <u>(6,745)</u> | <u>(2,575)</u> | <u>0</u> |
| Annual OPEB cost (expense) | 60,988 | 83,420 | 72,041 |
| Estimated net contributions made..... | <u>(14,854)</u> | <u>(16,115)</u> | <u>(30,478)</u> |
| Increase in net OPEB obligation | 46,134 | 67,305 | 41,563 |
| Net OPEB obligation-beginning of year | <u>108,868</u> | <u>41,563</u> | <u>0</u> |
| Net OPEB obligation-end of year..... | <u>\$ 155,002</u> | <u>108,868</u> | <u>41,563</u> |

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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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 2011 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> |
|----------------------------------|---------------------------------|--|------------------------------------|
| 09/30/11 | \$60,988 | 24.4% | \$155,002 |
| 09/30/10 | \$83,420 | 19.3% | \$108,868 |
| 09/30/09 | \$72,041 | 42.3% | \$ 41,563 |

Funded Status and Funding Progress: As of October 1, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$522,697, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$522,697. The covered payroll (annual payroll of active employees covered under the plan) was \$7,957,622, and the ratio of the UAAL to the covered payroll was 6.6%.

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, 2010 actuarial valuation, the Entry Age Normal (level % of pay) 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, grading down to an ultimate rate of 5% in 2015. The payroll growth/inflation assumption is 0%. 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).

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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 \$678,015, \$699,808 and \$642,333 for the years ended September 30, 2011, 2010 and 2009, respectively.

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..... | \$ 44,309,679 | \$ 7,883,558 | \$ 7,612,380 | \$ 72,908 | \$ 59,878,525 |
| Depreciation..... | 3,041,064 | 1,517,036 | 1,843,236 | - | 6,401,336 |
| Required payments to City..... | 2,637,346 | 469,278 | 453,283 | 4,370 | 3,564,277 |
| Operating income (loss)..... | 3,595,482 | 1,303,186 | 1,073,032 | (38,367) | 5,933,333 |
| Income (loss) before contributions.... | 2,848,920 | 544,484 | 261,809 | (38,367) | 3,616,846 |
| Capital contributions..... | 1,677,388 | 2,167,651 | 1,806,751 | - | 5,651,790 |
| Change in net assets..... | 4,526,308 | 2,712,135 | 2,068,560 | (38,367) | 9,268,636 |
| Utility plant acquisitions..... | 4,255,601 | 1,843,753 | 1,709,232 | - | 7,808,586 |
| Utility plant retirements..... | (1,677,400) | (439,821) | (146,299) | - | (2,263,520) |
| Revenue certificates payable..... | 18,558,954 | 17,913,156 | 10,542,292 | - | 47,014,402 |
| Notes payable..... | - | - | 8,972,956 | - | 8,972,956 |
| Net assets..... | 48,285,575 | 36,117,628 | 36,327,843 | (454,946) | 120,276,100 |
| Total assets..... | 79,705,846 | 54,212,099 | 59,708,182 | - | 193,626,127 |

NOTE 16 – 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.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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NOTE 17 – COMMITMENTS

Generation Facility: 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.

Insurance Policies and Claims: 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.

NOTE 18 – POLLUTION REMEDIATION OBLIGATIONS

The Utilities Commission is subject to numerous federal, state, and local environmental regulations, some of which have resulted in environmental liabilities due to contaminated site assessment and remediation. The Utilities Commission adopted Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49), related to various environmental matters.

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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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(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.

On December 10, 2010, 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.

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

| | September 30, | |
|---|---------------|---------------|
| | 2011 | 2010 |
| Environmental remediation liability, beginning of year..... | \$ 35,300 | 0 |
| Expected additional future out lays, increasing liability estimates | 1,827 | 35,300 |
| Fiscal year outlays for environmental remediation | (35,127) | 0 |
| Reduction in liability estimates | (2,000) | 0 |
| Estimated recoveries from third parties or tax credits..... | <u>0</u> | <u>0</u> |
| Environmental remediation liability, end of year..... | <u>\$ 0</u> | <u>35,300</u> |

NOTE 19 – SUBSEQUENT EVENTS

On December 15, 2011, the Utilities Commission issued \$9,025,000 Utilities System Revenue Certificate, Series 2011. The net proceeds from this obligation were used to refund the remaining outstanding principal and interest on the State Revolving Fund Loan obligation. The remaining net proceeds were used for the costs of issuance.

In preparing these financial statements, the Utilities Commission has evaluated events and transactions for potential recognition or disclosure through December 28, 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, 2011 and 2010
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) |
|--------------------------|-------------------------------|---|---------------------------|--------------------|---------------------|--|
| 10/1/2010 | \$ - | \$ 522,697 | \$ 522,697 | 0.00% | \$ 7,957,622 | 6.6% |
| 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% |

Based on Actuarial Valuation Dated 10/01/2010

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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***

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, 2011

With Comparative Actual Amounts for the Fiscal Year Ended September 30, 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

| | Electric | Water |
|--|----------------------|-------------------|
| Operating Revenue: | | |
| Sales..... | \$ 43,734,487 | 7,492,475 |
| Other revenues..... | <u>575,192</u> | <u>391,083</u> |
| Total operating revenue..... | <u>44,309,679</u> | <u>7,883,558</u> |
| Operating Expenses: | | |
| Purchased power and fuel expenses..... | 23,247,562 | - |
| Other production expenses..... | 4,799,394 | 2,004,534 |
| Transmission, distribution, and sewage collection and treatment..... | 2,543,878 | 935,723 |
| Customer accounting..... | 892,896 | 177,830 |
| Administrative and general..... | 3,552,057 | 1,475,971 |
| Required payments to City of New Smyrna Beach..... | 2,637,346 | 469,278 |
| Depreciation..... | <u>3,041,064</u> | <u>1,517,036</u> |
| Total operating expenses..... | <u>40,714,197</u> | <u>6,580,372</u> |
| Operating income..... | <u>3,595,482</u> | <u>1,303,186</u> |
| Nonoperating Revenue (Expenses): | | |
| Interest earnings..... | 19,168 | 7,250 |
| Other income..... | 445,833 | 63,658 |
| Interest and debt expense..... | (977,911) | (665,690) |
| Other expenses..... | (151,679) | (95,039) |
| Gain (loss) on disposal of assets..... | <u>(81,973)</u> | <u>(68,881)</u> |
| Total nonoperating revenue (expenses)..... | <u>(746,562)</u> | <u>(758,702)</u> |
| Income (loss) before contributions..... | 2,848,920 | 544,484 |
| Capital contributions..... | <u>1,677,388</u> | <u>2,167,651</u> |
| Change in net assets..... | 4,526,308 | 2,712,135 |
| Net assets, beginning of year (as restated)..... | <u>43,759,267</u> | <u>33,405,493</u> |
| Net assets, end of year..... | <u>\$ 48,285,575</u> | <u>36,117,628</u> |

Schedule 1

| Reclamation | Internet | Totals | |
|-------------------|------------------|--------------------|--------------------|
| | | 2011 | 2010 |
| 7,603,990 | 72,908 | 58,903,860 | 58,733,895 |
| <u>8,390</u> | <u>-</u> | <u>974,665</u> | <u>1,121,064</u> |
| <u>7,612,380</u> | <u>72,908</u> | <u>59,878,525</u> | <u>59,854,959</u> |
| - | - | 23,247,562 | 24,622,098 |
| - | - | 6,803,928 | 7,158,937 |
| 2,602,764 | - | 6,082,365 | 6,259,037 |
| 119,521 | - | 1,190,247 | 1,293,146 |
| 1,520,544 | 106,905 | 6,655,477 | 7,001,554 |
| 453,283 | 4,370 | 3,564,277 | 3,833,943 |
| <u>1,843,236</u> | <u>-</u> | <u>6,401,336</u> | <u>6,502,283</u> |
| <u>6,539,348</u> | <u>111,275</u> | <u>53,945,192</u> | <u>56,670,998</u> |
| <u>1,073,032</u> | <u>(38,367)</u> | <u>5,933,333</u> | <u>3,183,961</u> |
| 5,513 | - | 31,931 | 42,381 |
| 29,247 | - | 538,738 | 618,690 |
| (784,459) | - | (2,428,060) | (2,388,731) |
| (40,302) | - | (287,020) | (691,734) |
| <u>(21,222)</u> | <u>-</u> | <u>(172,076)</u> | <u>(636,835)</u> |
| <u>(811,223)</u> | <u>-</u> | <u>(2,316,487)</u> | <u>(3,056,229)</u> |
| 261,809 | (38,367) | 3,616,846 | 127,732 |
| <u>1,806,751</u> | <u>-</u> | <u>5,651,790</u> | <u>618,593</u> |
| 2,068,560 | (38,367) | 9,268,636 | 746,325 |
| <u>34,259,283</u> | <u>(416,579)</u> | <u>111,007,464</u> | <u>110,261,139</u> |
| <u>36,327,843</u> | <u>(454,946)</u> | <u>120,276,100</u> | <u>111,007,464</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, 2011

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

| | Final Budget | Actual | Variance |
|--|--------------------|---------------------|------------------|
| Revenue and Receipts: | | | |
| Direct Sales: | | | |
| Electric sales..... | \$ 45,161,372 | 43,629,126 | (1,532,246) |
| Other revenues..... | 606,528 | 575,192 | (31,336) |
| Nonoperating revenue (expenses): | | | |
| Interest earnings..... | 99,989 | 19,168 | (80,821) |
| Other revenues (expenses)..... | 216,167 | 405,032 | 188,865 |
| Capital contributions..... | <u>125,000</u> | <u>1,677,388</u> | <u>1,552,388</u> |
| | <u>46,209,056</u> | <u>46,305,906</u> | <u>96,850</u> |
| Operating Expenses: | | | |
| Purchased power and fuel expenses..... | 23,655,651 | 23,247,562 | 408,089 |
| Power production..... | 5,480,216 | 4,799,394 | 680,822 |
| Transmission and distribution..... | 2,387,400 | 2,543,878 | (156,478) |
| Customer accounting..... | 1,002,283 | 892,896 | 109,387 |
| Administrative and general..... | 4,028,533 | 3,536,418 | 492,115 |
| Required payments to the City of New Smyrna Beach..... | <u>2,713,753</u> | <u>2,637,346</u> | <u>76,407</u> |
| | <u>39,267,836</u> | <u>37,657,494</u> | <u>1,610,342</u> |
| Net revenue and receipts..... | <u>6,941,220</u> | <u>8,648,412</u> | <u>1,707,192</u> |
| Operating Transfers In (Out): | | | |
| Sinking Fund - 2002 Certificates..... | (2,390,014) | (2,161,992) | 228,022 |
| Sinking Fund - 2004A Certificates..... | (57,691) | (112,214) | (54,523) |
| Sinking Fund - 2009 Certificates..... | (869,457) | (844,128) | 25,329 |
| Debt Reduction Fund - required contribution..... | (377,191) | (377,191) | - |
| CR3 Decommissioning Fund..... | (46,000) | (3,771) | 42,229 |
| Infrastructure Fund..... | (50,000) | (6,031) | 43,969 |
| Renewal and Replacement Funds..... | <u>(3,150,867)</u> | <u>(3,131,193)</u> | <u>19,674</u> |
| | <u>(6,941,220)</u> | <u>(6,636,520)</u> | <u>304,700</u> |
| Budgeted net cash receipts..... | <u>\$ -</u> | <u>2,011,892</u> | <u>2,011,892</u> |
| Reconciliation of Net Cash Receipts to Net Income (GAAP): | | | |
| Principal portion of required Sinking Fund transfers..... | | 2,307,214 | |
| Net transfers to Renewal and Replacement Fund..... | | 3,131,193 | |
| Net transfers to Debt Reduction Fund..... | | 377,191 | |
| Net transfers to CR3 Decommissioning Fund..... | | 3,771 | |
| Net transfers to Infrastructure Fund..... | | 6,031 | |
| Gain (loss) on disposal of property and equipment..... | | (81,973) | |
| Depreciation..... | | (3,041,064) | |
| Amortization of personal leave time..... | | (15,639) | |
| Amortization of regulatory expense..... | | (110,878) | |
| Unbilled utility revenues..... | | 105,361 | |
| Accretion of asset retirement obligation..... | | (142,447) | |
| Amortization of debt expense and loss on refunding..... | | <u>(24,344)</u> | |
| Change in net assets..... | | <u>\$ 4,526,308</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, 2011

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

| | Final Budget | Actual | Variance |
|--|--------------------|---------------------|--------------------|
| Revenue and Receipts: | | | |
| Direct Sales: | | | |
| Water sales..... | \$ 7,115,713 | 7,497,907 | 382,194 |
| Other revenues..... | 266,615 | 391,083 | 124,468 |
| Nonoperating revenue (expenses): | | | |
| Interest earnings..... | 18,960 | 7,250 | (11,710) |
| Other revenues (expenses)..... | 78,482 | (25,670) | (104,152) |
| Capital contributions..... | <u>1,250,036</u> | <u>2,167,651</u> | <u>917,615</u> |
| | <u>8,729,806</u> | <u>10,038,221</u> | <u>1,308,415</u> |
| Operating Expenses: | | | |
| Water production..... | 2,565,185 | 2,004,534 | 560,651 |
| Transmission and distribution..... | 239,500 | 935,723 | (696,223) |
| Customer accounting..... | 203,823 | 177,830 | 25,993 |
| Administrative and general..... | 1,777,219 | 1,487,704 | 289,515 |
| Required payments to the City of New Smyrna Beach..... | <u>440,184</u> | <u>469,278</u> | <u>(29,094)</u> |
| | <u>5,225,911</u> | <u>5,075,069</u> | <u>150,842</u> |
| Net revenue and receipts..... | <u>3,503,895</u> | <u>4,963,152</u> | <u>1,459,257</u> |
| Operating Transfers In (Out): | | | |
| Sinking Fund - 2002 Certificates..... | (1,331,214) | (1,204,208) | 127,006 |
| Sinking Fund - 2004A Certificates..... | (39,479) | (76,790) | (37,311) |
| Sinking Fund - 2007 Certificates..... | (393,000) | (393,000) | - |
| Sinking Fund - 2009 Certificates..... | (269,281) | (261,436) | 7,845 |
| Debt Reduction Fund - required contribution..... | (210,091) | (210,091) | - |
| Renewal and Replacement Funds..... | (1,210,830) | (2,564,594) | (1,353,764) |
| Infrastructure Fund..... | <u>(50,000)</u> | <u>(285,508)</u> | <u>(235,508)</u> |
| | <u>(3,503,895)</u> | <u>(4,995,627)</u> | <u>(1,491,732)</u> |
| Budgeted net cash receipts..... | <u>\$ -</u> | <u>(32,475)</u> | <u>(32,475)</u> |
| Reconciliation of Net Cash Receipts to Net Income (GAAP): | | | |
| Principal portion of required Sinking Fund transfers..... | | 1,186,531 | |
| Net transfers to Renewal and Replacement Fund..... | | 2,564,594 | |
| Net transfers to Infrastructure Fund..... | | 285,508 | |
| Net transfers to Debt Reduction Fund..... | | 210,091 | |
| Gain (loss) on disposal of property and equipment..... | | (68,881) | |
| Capitalized interest..... | | 98,250 | |
| Unbilled utility revenues..... | | (5,432) | |
| Depreciation..... | | (1,517,036) | |
| Amortization of personal leave time..... | | 11,733 | |
| Amortization of regulatory expense..... | | (5,711) | |
| Amortization of debt expense and loss on refunding..... | | <u>(15,037)</u> | |
| Change in net assets..... | | <u>\$ 2,712,135</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, 2011
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
New Smyrna Beach, Florida

| | Final Budget | Actual | Variance |
|--|--------------------|---------------------|--------------------|
| Revenue and Receipts: | | | |
| Direct Sales: | | | |
| Reclamation sales..... | \$ 7,616,709 | 7,584,993 | (31,716) |
| Other revenues..... | 3,417 | 8,390 | 4,973 |
| Nonoperating revenue (expenses): | | | |
| Interest earnings..... | - | 5,513 | 5,513 |
| Other revenues (expenses)..... | 67,205 | 2,182 | (65,023) |
| Capital contributions..... | <u>275,000</u> | <u>1,806,751</u> | <u>1,531,751</u> |
| | <u>7,962,331</u> | <u>9,407,829</u> | <u>1,445,498</u> |
| Operating Expenses: | | | |
| Collection and treatment system..... | 2,858,338 | 2,602,764 | 255,574 |
| Customer accounting..... | - | 119,521 | (119,521) |
| Administrative and general..... | 1,832,954 | 1,538,220 | 294,734 |
| Required payments to the City of New Smyrna Beach..... | <u>452,399</u> | <u>453,283</u> | <u>(884)</u> |
| | <u>5,143,691</u> | <u>4,713,788</u> | <u>429,903</u> |
| Net revenue and receipts..... | <u>2,818,640</u> | <u>4,694,041</u> | <u>1,875,401</u> |
| Operating Transfers In (Out): | | | |
| Bond/loan proceeds..... | 2,288,000 | - | (2,288,000) |
| Sinking Fund - 2002 Certificates..... | (1,100,265) | (995,293) | 104,972 |
| Sinking Fund - 2004A Certificates..... | (24,567) | (47,784) | (23,217) |
| Sinking Fund - 2009 Certificates..... | (577,521) | (560,696) | 16,825 |
| Debt Reduction Fund - required contribution..... | (173,643) | (173,643) | - |
| Sinking Fund - State Revolving Fund Loan..... | (1,278,718) | (1,273,586) | 5,132 |
| Renewal and Replacement Funds..... | (1,926,926) | (2,392,395) | (465,469) |
| Infrastructure Fund..... | <u>(25,000)</u> | <u>(2,504)</u> | <u>22,496</u> |
| | <u>(2,818,640)</u> | <u>(5,445,901)</u> | <u>(2,627,261)</u> |
| Budgeted net cash receipts..... | <u>\$ -</u> | <u>(751,860)</u> | <u>(751,860)</u> |
| Reconciliation of Net Cash Receipts to Net Income (GAAP): | | | |
| Principal portion of required Sinking Fund transfers..... | | 2,122,286 | |
| Net transfers to Renewal and Replacement Fund..... | | 2,392,395 | |
| Net transfers to Infrastructure Fund..... | | 2,504 | |
| Net transfers to Debt Reduction Fund..... | | 173,643 | |
| Gain (loss) on disposal of property and equipment..... | | (21,222) | |
| Unbilled utility revenues..... | | 18,997 | |
| Depreciation..... | | (1,843,236) | |
| Amortization of personal leave time..... | | 17,676 | |
| Amortization of regulatory expense..... | | (13,237) | |
| Amortization of debt expense and loss on refunding..... | | <u>(29,386)</u> | |
| Change in net assets..... | | <u>\$ 2,068,560</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, 2011

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

| | Final Budget | Actual | Variance |
|--|-----------------|--------------------|-----------------|
| Revenue and Receipts: | | | |
| Direct Sales: | | | |
| Internet sales..... | \$ 117,000 | 72,908 | (44,092) |
| Nonoperating revenue (expenses): | | | |
| Other revenues (expenses)..... | - | - | - |
| | <u>117,000</u> | <u>72,908</u> | <u>(44,092)</u> |
| Operating Expenses: | | | |
| Customer accounting..... | 190 | - | 190 |
| Administrative and general..... | 129,240 | 104,626 | 24,614 |
| Required payments to the City of New Smyrna Beach..... | <u>7,020</u> | <u>4,370</u> | <u>2,650</u> |
| | <u>136,450</u> | <u>108,996</u> | <u>27,454</u> |
| | - | | |
| Net revenue and receipts..... | (19,450) | (36,088) | (16,638) |
| Operating Transfers In (Out): | | | |
| Appropriated retained earnings..... | <u>19,450</u> | - | <u>(19,450)</u> |
| Budgeted net receipts..... | - | (36,088) | <u>(36,088)</u> |
| Reconciliation of Net Cash Receipts to Net Income (GAAP): | | | |
| Amortization of personal leave time..... | | <u>(2,279)</u> | |
| Change in net assets..... | | <u>\$ (38,367)</u> | |

**SCHEDULE OF OPERATING EXPENSES-
ELECTRIC SYSTEM**

Schedule 6

For the Fiscal Years Ended September 30, 2011 and 2010
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 New Smyrna Beach, Florida

| | 2011 | 2010 |
|---|----------------------|-------------------|
| Operating Expenses: | | |
| Purchased power and fuel: | | |
| Nuclear fuel | \$ 1,354,719 | 807,918 |
| Diesel fuel | 185,120 | 251,575 |
| Purchased power | <u>21,707,723</u> | <u>23,562,605</u> |
| | <u>23,247,562</u> | <u>24,622,098</u> |
| Power production: | | |
| Nuclear power generation | 3,715,105 | 4,161,110 |
| Diesel power generation | 300,781 | 298,354 |
| System control and load dispatching | <u>783,508</u> | <u>794,063</u> |
| | <u>4,799,394</u> | <u>5,253,527</u> |
| Transmission and distribution | 2,543,878 | 2,683,586 |
| Customer accounting | 892,896 | 971,561 |
| Administrative and general | 3,552,057 | 3,730,949 |
| Required payments to the City of New Smyrna Beach | 2,637,346 | 2,972,859 |
| Depreciation..... | <u>3,041,064</u> | <u>3,180,253</u> |
| Total operating expenses | <u>\$ 40,714,197</u> | <u>43,414,833</u> |

**SCHEDULE OF OPERATING EXPENSES-
WATER SYSTEM**

Schedule 7

For the Fiscal Years Ended September 30, 2011 and 2010
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 New Smyrna Beach, Florida

| | 2011 | 2010 |
|--|---------------------|------------------|
| Operating Expenses: | | |
| Water production: | | |
| Source of supply..... | \$ 490,822 | \$ 506,206 |
| Water treatment..... | <u>1,513,712</u> | <u>1,399,204</u> |
| | <u>2,004,534</u> | <u>1,905,410</u> |
| Transmission and distribution..... | 935,723 | 842,049 |
| Customer accounting..... | 177,830 | 191,807 |
| Administrative and general..... | 1,475,971 | 1,554,436 |
| Required payments to the City of New Smyrna Beach..... | 469,278 | 408,120 |
| Depreciation..... | <u>1,517,036</u> | <u>1,383,535</u> |
| Total operating expenses..... | <u>\$ 6,580,372</u> | <u>6,285,357</u> |

**SCHEDULE OF OPERATING EXPENSES-
RECLAMATION SYSTEM**

Schedule 8

For the Fiscal Years Ended September 30, 2011 and 2010
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 New Smyrna Beach, Florida

| | 2011 | 2010 |
|--|---------------------|------------------|
| Operating Expenses: | | |
| Collection and treatment system: | | |
| Collection expenses..... | \$ 460,960 | 476,752 |
| Pumping expenses..... | 490,725 | 499,461 |
| Treatment and disposal..... | <u>1,651,079</u> | <u>1,757,188</u> |
| | <u>2,602,764</u> | <u>2,733,401</u> |
| Customer accounting..... | 119,521 | 129,778 |
| Administrative and general..... | 1,520,544 | 1,546,530 |
| Required payments to the City of New Smyrna Beach..... | 453,283 | 446,892 |
| Depreciation..... | <u>1,843,236</u> | <u>1,938,495</u> |
| Total operating expenses..... | <u>\$ 6,539,348</u> | <u>6,795,096</u> |

**SCHEDULE OF OPERATING EXPENSES-
INTERNET SYSTEM**

Schedule 9

For the Fiscal Years Ended September 30, 2011 and 2010
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
New Smyrna Beach, Florida

| | 2011 | 2010 |
|--|-------------------|----------------|
| Operating Expenses: | | |
| Other production expenses..... | \$ - | - |
| Administrative and general..... | 106,905 | 169,639 |
| Required payments to the City of New Smyrna Beach..... | <u>4,370</u> | <u>6,072</u> |
| Total operating expenses..... | <u>\$ 111,275</u> | <u>175,711</u> |

SCHEDULE OF INVESTMENT EARNINGS**Schedule 10**

For the Fiscal Years Ended September 30, 2011 and 2010

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

| | 2011 | 2010 |
|---|------------------|---------------|
| Investment Earnings By Source: | | |
| Sinking funds..... | \$ 6,155 | 8,037 |
| Renewal and replacement funds..... | 16,492 | 19,606 |
| Customers' deposits..... | 2,174 | 2,707 |
| CR3 nuclear decommissioning funds..... | 3,771 | 4,803 |
| Other..... | <u>3,339</u> | <u>7,228</u> |
| Total investment earnings..... | <u>\$ 31,931</u> | <u>42,381</u> |
| Investment Earnings By System: | | |
| Electric system..... | \$ 19,168 | 26,706 |
| Water system..... | 7,250 | 8,782 |
| Reclamation system..... | <u>5,513</u> | <u>6,893</u> |
| Total investment earnings..... | <u>\$ 31,931</u> | <u>42,381</u> |

Schedule 11

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
REVENUE CERTIFICATES PAYABLE
 For the Fiscal Year Ended September 30, 2011
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 New Smyrna Beach, Florida

| Payment Date | Utilities System Refunding Revenue Certificates Series 2002 | | | Utilities System 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 | |
| 10/01/2011 | \$ 3,970,000 | \$ 425,746 | \$ 4,395,746 | - | \$ - | \$ - | \$ - | \$ 196,500 | \$ 383,130 | \$ 589,630 | \$ 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 | - | 887,316 | 887,316 |
| 10/01/2012 | 4,300,000 | 326,496 | 4,626,496 | - | - | - | - | 196,500 | - | 196,500 | 1,000,000 | - | 1,364,320 | 5,300,000 | 887,316 | 6,187,316 |
| 04/01/2013 | - | 218,996 | 218,996 | - | - | - | - | 196,500 | - | 196,500 | - | - | 344,520 | - | 760,016 | 760,016 |
| 10/01/2013 | 4,515,000 | 218,996 | 4,733,996 | - | - | - | - | 196,500 | - | 196,500 | 1,000,000 | - | 1,344,520 | 5,515,000 | 760,016 | 6,275,016 |
| 04/01/2014 | - | 106,121 | 106,121 | - | - | - | - | 196,500 | - | 196,500 | - | - | 324,720 | - | 627,341 | 627,341 |
| 10/01/2014 | 1,305,000 | 106,121 | 1,411,121 | - | - | - | - | 196,500 | - | 196,500 | 1,200,000 | - | 1,524,720 | 2,505,000 | 627,341 | 3,132,341 |
| 04/01/2015 | - | 79,369 | 79,369 | - | - | - | - | 196,500 | - | 196,500 | - | - | 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 | - | 2,095,960 | 3,740,000 | 576,829 | 4,316,829 |
| 04/01/2016 | - | 50,575 | 50,575 | - | - | - | - | 184,907 | - | 184,907 | - | - | 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 | - | 2,565,419 | 4,070,000 | 500,901 | 4,570,901 |
| 04/01/2017 | - | 26,031 | 26,031 | - | - | - | - | 172,822 | - | 172,822 | - | - | 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 | - | 2,619,879 | 4,230,000 | 418,732 | 4,648,732 |
| 04/01/2018 | - | - | - | - | - | - | - | 160,246 | - | 160,246 | - | - | 172,359 | - | 332,605 | 332,605 |
| 10/01/2018 | - | - | - | - | - | - | 665,000 | 160,246 | - | 825,246 | 3,480,000 | - | 3,652,359 | 4,145,000 | 332,605 | 4,477,605 |
| 04/01/2019 | - | - | - | - | - | - | - | 147,178 | - | 147,178 | - | - | 103,455 | - | 250,633 | 250,633 |
| 10/01/2019 | - | - | - | - | - | - | 695,000 | 147,178 | - | 842,178 | 3,325,000 | - | 3,428,455 | 4,020,000 | 250,633 | 4,270,633 |
| 04/01/2020 | - | - | - | - | - | - | - | 133,522 | - | 133,522 | - | - | 37,620 | - | 171,142 | 171,142 |
| 10/01/2020 | - | - | - | - | - | - | 725,000 | 133,522 | - | 858,522 | 1,900,000 | - | 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 | - | 760,000 | 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 | - | 790,000 | 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 | - | 825,000 | 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 | - | 865,000 | 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 | - | 900,000 | 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 | - | 945,000 | 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 | - | 985,000 | 985,000 | 19,355 | 1,004,355 |
| Totals | \$ 17,790,000 | \$ 2,040,922 | \$ 19,830,922 | \$ - | \$ - | \$ - | \$ 10,000,000 | \$ 4,361,710 | \$ 4,649,634 | \$ 14,361,710 | \$ 19,350,000 | \$ 4,649,634 | \$ 23,999,634 | \$ 47,140,000 | \$ 11,052,266 | \$ 58,192,266 |

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

For the Fiscal Year Ended September 30, 2011
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 | | | |
| 02/15/2012 | \$ 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>\$ 4,394,599</u> | <u>\$ 625,389</u> | <u>\$ 5,019,988</u> | <u>\$ 915,553</u> | <u>\$ 128,607</u> | <u>\$ 1,044,160</u> | <u>\$ 3,662,806</u> | <u>\$ 502,792</u> | <u>\$ 4,165,598</u> | <u>\$ 8,972,958</u> | <u>\$ 1,256,788</u> | <u>\$ 10,229,746</u> |

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.

| <u>Contents</u> | <u>Pages</u> |
|--|---------------------|
| Financial Trends <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 |
| Revenue Capacity <i>These tables contain information to help the reader assess the Commission’s most significant revenue sources, consumptive user fees.</i> | 108-123 |
| Debt Capacity <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 |
| Demographic and Economic Information <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 |
| Operating Information <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

| | 2011 | 2010 | 2009 | 2008 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Invested in capital assets, net of related debt..... | \$ 93,214,673 | \$ 86,635,550 | \$ 81,813,265 | \$ 84,302,560 |
| Restricted..... | 14,773,049 | 13,161,211 | 16,687,264 | 9,871,241 |
| Unrestricted..... | <u>12,288,378</u> | <u>11,210,703</u> | <u>11,760,610</u> | <u>11,384,652</u> |
| Total net assets..... | <u>\$ 120,276,100</u> | <u>\$ 111,007,464</u> | <u>\$ 110,261,139</u> | <u>\$ 105,558,453</u> |

Table 1

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| \$ 80,129,034 | \$ 59,628,096 | \$ 56,511,156 | \$ 48,625,159 | \$ 43,970,077 | \$ 39,241,910 |
| 9,571,768 | 12,421,844 | 7,995,607 | 11,230,042 | 11,493,240 | 10,276,583 |
| <u>9,792,637</u> | <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>\$ 99,493,439</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> |

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

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

| | 2011 | 2010 | 2009 | 2008 |
|---|---------------------|--------------------|---------------------|---------------------|
| Operating Revenue: | | | | |
| Sales..... | \$ 58,903,860 | \$ 58,733,895 | \$ 56,146,191 | \$ 62,297,291 |
| Other revenue..... | <u>974,665</u> | <u>1,121,064</u> | <u>791,103</u> | <u>624,909</u> |
| Total operating revenue..... | <u>59,878,525</u> | <u>59,854,959</u> | <u>56,937,294</u> | <u>62,922,200</u> |
| Operating Expenses: | | | | |
| Purchased power and fuel expenses..... | 23,247,562 | 24,622,098 | 22,173,197 | 28,018,777 |
| Other production expenses..... | 6,803,928 | 7,158,937 | 5,802,643 | 6,433,609 |
| Transmission, distribution, and sewage collection and treatment..... | 6,082,365 | 6,259,037 | 6,431,192 | 6,499,601 |
| Customer accounting..... | 1,190,247 | 1,293,146 | 1,238,348 | 1,086,447 |
| Administrative and general..... | 6,655,477 | 7,001,554 | 7,343,481 | 7,025,702 |
| Required payments to the City..... | 3,564,277 | 3,833,943 | 3,601,594 | 3,612,294 |
| Depreciation..... | <u>6,401,336</u> | <u>6,502,283</u> | <u>6,380,923</u> | <u>6,324,910</u> |
| Total operating expenses..... | <u>53,945,192</u> | <u>56,670,998</u> | <u>52,971,378</u> | <u>59,001,340</u> |
| Operating income..... | <u>5,933,333</u> | <u>3,183,961</u> | <u>3,965,916</u> | <u>3,920,860</u> |
| Nonoperating Revenue (Expense): | | | | |
| Interest earnings..... | 31,931 | 42,381 | 116,472 | 627,068 |
| Other income..... | 538,738 | 618,690 | 545,410 | 544,186 |
| Interest and debt expense..... | (2,428,060) | (2,388,731) | (2,404,288) | (2,635,048) |
| Other expenses..... | (287,020) | (691,734) | (132,752) | (124,182) |
| Gain (loss) on disposal of assets..... | <u>(172,076)</u> | <u>(636,835)</u> | <u>(339,545)</u> | <u>(115,037)</u> |
| Total nonoperating revenue (expense)..... | <u>(2,316,487)</u> | <u>(3,056,229)</u> | <u>(2,214,703)</u> | <u>(1,703,013)</u> |
| Income (loss) before contributions and transfers..... | <u>3,616,846</u> | <u>127,732</u> | <u>1,751,213</u> | <u>2,217,847</u> |
| Capital contributions..... | 5,651,790 | 618,593 | 622,137 | 3,847,167 |
| Residual transfer to the City..... | - | - | - | - |
| Total contributions and transfers..... | <u>5,651,790</u> | <u>618,593</u> | <u>622,137</u> | <u>3,847,167</u> |
| Change in net assets..... | <u>\$ 9,268,636</u> | <u>\$ 746,325</u> | <u>\$ 2,373,350</u> | <u>\$ 6,065,014</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 | | | | | |
|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| \$ 58,882,023 | \$ 63,246,281 | \$ 58,243,276 | \$ 53,918,028 | \$ 45,758,867 | \$ 39,966,040 |
| <u>594,119</u> | <u>704,082</u> | <u>724,127</u> | <u>695,454</u> | <u>588,199</u> | <u>646,185</u> |
| <u>59,476,142</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> |
| 24,043,491 | 24,854,589 | 18,615,982 | 16,082,797 | 16,569,259 | 13,652,608 |
| 6,278,690 | 10,042,297 | 13,946,939 | 10,745,373 | 6,431,093 | 6,038,839 |
| 5,766,272 | 5,187,372 | 4,788,033 | 4,686,910 | 3,751,847 | 3,782,641 |
| 1,057,779 | 2,202,317 | 2,536,210 | 6,764,647 | 996,421 | 821,128 |
| 6,795,197 | 7,947,091 | 8,713,250 | 6,643,995 | 4,302,892 | 3,385,868 |
| 3,670,560 | 3,665,315 | 3,328,647 | 3,262,587 | 2,706,427 | 2,509,729 |
| <u>6,065,225</u> | <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>53,677,214</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>5,798,928</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> |
| 958,771 | 1,024,376 | 690,497 | 281,003 | 358,454 | 461,153 |
| 792,294 | 901,493 | 1,081,808 | 1,125,069 | 336,526 | 433,355 |
| (3,119,606) | (3,075,803) | (3,097,313) | (3,101,348) | (3,355,193) | (3,952,841) |
| (191,580) | (210,748) | (102,333) | (227,937) | (690,017) | (56,064) |
| <u>(115,502)</u> | <u>(9,814)</u> | <u>1,107,426</u> | <u>310,665</u> | <u>(9,541)</u> | <u>(58,114)</u> |
| <u>(1,675,623)</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>4,123,305</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> |
| 12,037,997 | 7,522,464 | 3,428,529 | 1,854,598 | 4,474,157 | 960,595 |
| - | - | (163,250) | - | - | - |
| <u>12,037,997</u> | <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>\$ 16,161,302</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> |

**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

| | 2011 | 2010 | 2009 | 2008 |
|---|----------------------|----------------------|----------------------|----------------------|
| Electric: | | | | |
| Sales..... | \$ 43,734,487 | \$ 44,766,297 | \$ 42,145,939 | \$ 48,241,274 |
| Other revenue..... | <u>575,192</u> | <u>630,568</u> | <u>461,646</u> | <u>404,472</u> |
| Total electric operating revenue..... | <u>44,309,679</u> | <u>45,396,865</u> | <u>42,607,585</u> | <u>48,645,746</u> |
| Water: | | | | |
| Sales..... | 7,492,475 | 6,471,827 | 6,478,906 | 6,459,294 |
| Other revenue..... | <u>391,083</u> | <u>485,132</u> | <u>325,771</u> | <u>213,470</u> |
| Total water operating revenue..... | <u>7,883,558</u> | <u>6,956,959</u> | <u>6,804,677</u> | <u>6,672,764</u> |
| Reclamation: | | | | |
| Sales..... | 7,603,990 | 7,393,886 | 7,390,058 | 7,409,412 |
| Other revenue..... | <u>8,390</u> | <u>5,364</u> | <u>3,686</u> | <u>6,967</u> |
| Total reclamation operating revenue..... | <u>7,612,380</u> | <u>7,399,250</u> | <u>7,393,744</u> | <u>7,416,379</u> |
| Internet: | | | | |
| Sales..... | 72,908 | 101,885 | 131,288 | 187,311 |
| Other revenue..... | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total internet operating revenue..... | <u>72,908</u> | <u>101,885</u> | <u>131,288</u> | <u>187,311</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>\$ 59,878,525</u> | <u>\$ 59,854,959</u> | <u>\$ 56,937,294</u> | <u>\$ 62,922,200</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 | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| \$ 44,552,582 | \$ 43,926,115 | \$ 35,811,162 | \$ 32,893,546 | \$ 32,743,047 | \$ 29,668,517 |
| <u>307,069</u> | <u>359,679</u> | <u>291,429</u> | <u>274,800</u> | <u>244,605</u> | <u>328,487</u> |
| <u>44,859,651</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> |
| 6,659,160 | 6,126,093 | 5,493,378 | 5,022,495 | 4,927,877 | 4,768,459 |
| <u>227,057</u> | <u>219,761</u> | <u>234,461</u> | <u>212,057</u> | <u>195,143</u> | <u>214,767</u> |
| <u>6,886,217</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> |
| 7,394,534 | 7,092,911 | 6,294,451 | 5,937,940 | 5,543,949 | 5,529,064 |
| <u>59,993</u> | <u>75,574</u> | <u>85,191</u> | <u>87,340</u> | <u>110,588</u> | <u>102,931</u> |
| <u>7,454,527</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> |
| 275,747 | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>275,747</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | 6,101,162 | 10,644,285 | 10,064,047 | 2,543,994 | - |
| <u>-</u> | <u>49,068</u> | <u>113,046</u> | <u>121,257</u> | <u>37,863</u> | <u>-</u> |
| <u>-</u> | <u>6,150,230</u> | <u>10,757,331</u> | <u>10,185,304</u> | <u>2,581,857</u> | <u>-</u> |
| <u>\$ 59,476,142</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> |

**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

| | 2011 | 2010 | 2009 | 2008 |
|---|-------------------|-------------------|-------------------|-------------------|
| Electric: | | | | |
| Purchased power and fuel expenses..... | \$ 23,247,562 | \$ 24,622,098 | \$ 22,173,197 | \$ 28,018,777 |
| Other production expenses..... | 4,799,394 | 5,253,527 | 4,011,224 | 4,682,655 |
| Transmission and distribution..... | 2,543,878 | 2,683,586 | 2,754,949 | 2,884,549 |
| Customer accounting..... | 892,896 | 971,561 | 928,620 | 812,724 |
| Administrative and general..... | 3,552,057 | 3,730,949 | 3,722,321 | 3,488,280 |
| Required payments to City of New Smyrna Beach.. | 2,637,346 | 2,972,859 | 2,758,740 | 2,763,854 |
| Depreciation..... | <u>3,041,064</u> | <u>3,180,253</u> | <u>3,085,391</u> | <u>3,015,390</u> |
| Total electric operating expenses..... | <u>40,714,197</u> | <u>43,414,833</u> | <u>39,434,442</u> | <u>45,666,229</u> |
| Water: | | | | |
| Other production expenses..... | 2,004,534 | 1,905,410 | 1,790,909 | 1,750,594 |
| Transmission and distribution..... | 935,723 | 842,049 | 940,894 | 1,006,435 |
| Customer accounting..... | 177,830 | 191,807 | 284,267 | 238,670 |
| Administrative and general..... | 1,475,971 | 1,554,436 | 1,701,850 | 1,660,313 |
| Required payments to City of New Smyrna Beach.. | 469,278 | 408,120 | 395,233 | 395,640 |
| Depreciation..... | <u>1,517,036</u> | <u>1,383,535</u> | <u>1,254,566</u> | <u>1,216,233</u> |
| Total water operating expenses..... | <u>6,580,372</u> | <u>6,285,357</u> | <u>6,367,719</u> | <u>6,267,885</u> |
| Reclamation: | | | | |
| Transmission and distribution..... | 2,602,764 | 2,733,402 | 2,735,349 | 2,608,617 |
| Customer accounting..... | 119,521 | 129,778 | 25,461 | 35,053 |
| Administrative and general..... | 1,520,544 | 1,546,530 | 1,532,701 | 1,513,518 |
| Required payments to City of New Smyrna Beach.. | 453,283 | 446,892 | 439,740 | 441,572 |
| Depreciation..... | <u>1,843,236</u> | <u>1,938,495</u> | <u>1,922,580</u> | <u>1,872,464</u> |
| Total reclamation operating expenses..... | <u>6,539,348</u> | <u>6,795,097</u> | <u>6,655,831</u> | <u>6,471,224</u> |
| Internet: | | | | |
| Other production expenses..... | - | - | 510 | 360 |
| Administrative and general..... | 106,905 | 169,639 | 214,031 | 363,591 |
| Required payments to City of New Smyrna Beach.. | <u>4,370</u> | <u>6,072</u> | <u>7,881</u> | <u>11,228</u> |
| Total internet operating expenses..... | <u>111,275</u> | <u>175,711</u> | <u>222,422</u> | <u>375,179</u> |

Table 4

| Fiscal Year | | | | | |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| \$ 24,043,491 | \$ 24,854,589 | \$ 18,615,982 | \$ 16,082,797 | \$ 16,569,259 | \$ 13,652,608 |
| 4,443,815 | 4,432,793 | 4,489,665 | 4,164,312 | 4,035,211 | 4,907,957 |
| 2,435,207 | 2,242,885 | 2,026,026 | 2,160,952 | 1,486,640 | 1,423,256 |
| 573,135 | 384,102 | 382,405 | 403,381 | 387,282 | 445,467 |
| 3,462,470 | 2,798,686 | 2,521,562 | 2,587,728 | 2,140,755 | 1,714,629 |
| 2,802,272 | 2,490,845 | 2,087,723 | 2,006,630 | 1,920,119 | 1,891,212 |
| <u>2,955,529</u> | <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>40,715,919</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> |
| 1,834,875 | 1,587,444 | 1,359,754 | 1,281,799 | 1,118,865 | 1,130,882 |
| 894,258 | 667,497 | 635,541 | 522,887 | 451,335 | 495,611 |
| 253,160 | 196,207 | 142,171 | 165,246 | 171,455 | 197,827 |
| 1,583,853 | 1,412,816 | 1,222,904 | 1,173,213 | 1,052,938 | 864,307 |
| 406,428 | 388,093 | 350,742 | 324,781 | 319,812 | 301,359 |
| <u>1,159,578</u> | <u>1,073,632</u> | <u>978,583</u> | <u>930,241</u> | <u>885,034</u> | <u>832,380</u> |
| <u>6,132,152</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> |
| 2,436,807 | 2,276,990 | 2,126,466 | 2,003,071 | 1,813,872 | 1,863,774 |
| 231,484 | 176,113 | 147,662 | 151,001 | 155,287 | 177,834 |
| 1,436,064 | 1,200,226 | 1,153,560 | 1,056,851 | 922,121 | 806,932 |
| 445,750 | 404,297 | 358,096 | 341,550 | 320,858 | 317,158 |
| <u>1,729,295</u> | <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>6,279,400</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> |
| - | - | - | - | - | - |
| 312,810 | - | - | - | - | - |
| <u>16,110</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>328,920</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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

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

| | 2011 | 2010 | 2009 | 2008 |
|---|----------------------|----------------------|----------------------|----------------------|
| (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 |
| Total communications operating expenses..... | - | - | 290,964 | 220,823 |
| Totals-Combined Systems: | | | | |
| Purchased power and fuel expenses..... | \$ 23,247,562 | \$ 24,622,098 | \$ 22,173,197 | \$ 28,018,777 |
| Other production expenses..... | 6,803,928 | 7,158,937 | 5,802,643 | 6,433,609 |
| Transmission and distribution..... | 6,082,365 | 6,259,037 | 6,431,192 | 6,499,601 |
| Customer accounting..... | 1,190,247 | 1,293,146 | 1,238,348 | 1,086,447 |
| Administrative and general..... | 6,655,477 | 7,001,554 | 7,343,481 | 7,025,702 |
| Required payments to City of New Smyrna Beach.. | 3,564,277 | 3,833,943 | 3,601,594 | 3,612,294 |
| Depreciation and decommissioning..... | 6,401,336 | 6,502,283 | 6,380,923 | 6,324,910 |
| Total operating expenses..... | <u>\$ 53,945,192</u> | <u>\$ 56,670,998</u> | <u>\$ 52,971,378</u> | <u>\$ 59,001,340</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 | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| - | 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>220,823</u> | <u>110,413</u> | <u>110,413</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>220,823</u> | <u>8,495,811</u> | <u>14,419,215</u> | <u>13,760,110</u> | <u>1,892,130</u> | <u>-</u> |
| | | | | | |
| \$ 24,043,491 | \$ 24,854,589 | \$ 18,615,982 | \$ 16,082,797 | \$ 16,569,259 | \$ 13,652,608 |
| 6,278,690 | 10,042,297 | 13,946,939 | 10,745,373 | 6,431,093 | 6,038,839 |
| 5,766,272 | 5,187,372 | 4,788,033 | 4,686,910 | 3,751,847 | 3,782,641 |
| 1,057,779 | 2,202,317 | 2,536,210 | 6,764,647 | 996,421 | 821,128 |
| 6,795,197 | 7,947,091 | 8,713,250 | 6,643,995 | 4,302,892 | 3,385,868 |
| 3,670,560 | 3,665,315 | 3,328,647 | 3,262,587 | 2,706,427 | 2,509,729 |
| <u>6,065,225</u> | <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>\$ 53,677,214</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> |

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

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

| | 2011 | 2010 | 2009 | 2008 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Nonoperating Revenue (Expenses): | | | | |
| Interest earnings..... | \$ 31,931 | \$ 42,381 | \$ 116,472 | \$ 627,068 |
| Other income..... | 538,738 | 618,690 | 545,410 | 544,186 |
| Interest and debt expense..... | (2,428,060) | (2,388,731) | (2,404,288) | (2,635,048) |
| Other expenses..... | (287,020) | (691,734) | (132,752) | (124,182) |
| Gain (loss) on disposal of assets..... | <u>(172,076)</u> | <u>(636,835)</u> | <u>(339,545)</u> | <u>(115,037)</u> |
| Total nonoperating revenue (expense)..... | <u>\$ (2,316,487)</u> | <u>\$ (3,056,229)</u> | <u>\$ (2,214,703)</u> | <u>\$ (1,703,013)</u> |

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

Table 5

| Fiscal Year | | | | | |
|-----------------------|-----------------------|---------------------|-----------------------|-----------------------|-----------------------|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| \$ 958,771 | \$ 1,024,376 | \$ 690,497 | \$ 281,003 | \$ 358,454 | \$ 461,153 |
| 792,294 | 901,493 | 1,081,808 | 1,125,069 | 336,526 | 433,355 |
| (3,119,606) | (3,075,803) | (3,097,313) | (3,101,348) | (3,355,193) | (3,952,841) |
| (191,580) | (210,748) | (102,333) | (227,937) | (690,017) | (56,064) |
| <u>(115,502)</u> | <u>(9,814)</u> | <u>1,107,426</u> | <u>310,665</u> | <u>(9,541)</u> | <u>(58,114)</u> |
| <u>\$ (1,675,623)</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> |

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

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

| | 2011 | 2010 | 2009 | 2008 |
|--|-------------|-------------|-------------|-------------|
| Electric System: | | | | |
| Net energy load requirements (kWh)..... | 398,774,839 | 416,389,378 | 388,669,320 | 392,050,932 |
| Total Consumption/Sales (kWh)..... | 378,559,491 | 404,330,636 | 366,773,438 | 370,659,029 |
| Total Direct Rate-Electric:⁽¹⁾ | | | | |
| Customer charge..... | \$ 6.75 | \$ 6.75 | \$ 6.75 | \$ 6.75 |
| Energy charge..... | \$ 0.076454 | \$ 0.076454 | \$ 0.076454 | \$ 0.076454 |
| Water System: | | | | |
| Gallons of water pumped from water plant (KGs).... | 1,789,030 | 1,772,579 | 1,676,964 | 1,696,270 |
| Gallons of water consumed (KGs)..... | 1,643,942 | 1,578,231 | 1,511,699 | 1,549,232 |
| Total Direct Rate-Water:⁽²⁾ | | | | |
| 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 |
| Reclamation System: | | | | |
| Wastewater: | | | | |
| Gallons of wastewater treated (KGs)..... | 1,170,050 | 1,329,990 | 1,497,340 | 1,242,790 |
| Gallons of wastewater sold (KGs)..... | 876,885 | 868,619 | 845,583 | 864,822 |
| Total Direct Rate-Wastewater:⁽³⁾ | | | | |
| 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 |
| Reuse Water: | | | | |
| Gallons of reuse water pumped from reclamation treatment plant (KGs)..... | 1,145,550 | 1,370,690 | 1,445,280 | 978,500 |
| Gallons of reuse water sold (KGs)..... | 637,841 | 644,918 | 502,273 | 373,691 |
| Total Direct Rate-Reuse water:⁽⁴⁾ | | | | |
| 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.

⁽¹⁾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.

⁽²⁾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.

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

⁽⁴⁾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 | | | | | |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| 400,815,801 | 402,421,129 | 396,805,566 | 385,510,397 | 386,385,433 | 367,175,437 |
| 378,243,711 | 383,185,319 | 371,219,399 | 361,426,028 | 370,242,195 | 342,753,470 |
| \$ 6.75 | \$ 6.75 | \$ 6.75 | \$ 6.75 | \$ 6.75 | \$ 6.75 |
| \$ 0.076454 | \$ 0.076454 | \$ 0.071730 | \$ 0.071730 | \$ 0.071730 | \$ 0.071730 |
| 1,798,869 | 1,735,327 | 1,616,605 | 1,660,316 | 1,743,832 | 1,718,618 |
| 1,652,273 | 1,673,828 | 1,489,905 | 1,538,925 | 1,471,435 | 1,402,576 |
| \$ 11.65 | \$ 11.65 | \$ 11.65 | \$ 11.65 | \$ 11.65 | \$ 11.65 |
| \$ 1.62 | \$ 1.62 | \$ 1.90 | \$ 1.75 | \$ 1.75 | \$ 1.75 |
| 1,140,230 | 1,203,830 | 1,262,520 | 1,369,390 | 1,339,026 | 1,422,280 |
| 897,975 | 934,437 | 873,874 | 873,105 | 871,680 | 862,022 |
| \$ 16.62 | \$ 16.62 | \$ 16.62 | \$ 16.62 | \$ 16.62 | \$ 16.62 |
| \$ 3.63 | \$ 3.63 | \$ 2.83 | \$ 2.53 | \$ 2.53 | \$ 2.53 |
| 1,046,630 | 872,810 | 816,750 | 770,080 | 800,083 | 1,108,070 |
| 476,767 | 360,942 | 282,769 | 262,818 | 349,117 | 264,685 |
| \$ 10.00 | \$ 10.00 | \$ 10.00 | \$ 10.00 | \$ 10.00 | \$ 10.00 |
| \$ 2.00 | \$ 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 | 2011 | 2010 | 2009 | 2008 |
|--|-------------|-------------|-------------|-------------|
| Residential: | | | | |
| 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 |
| General Service - Non-Demand:⁽¹⁾ | | | | |
| 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 |
| General Service - Demand:⁽²⁾ | | | | |
| 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 |
| General Service - Large Demand:⁽³⁾ | | | | |
| 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 |
| General Service - Demand Time of Use:⁽⁴⁾ | | | | |
| 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 |
| Fuel and Purchased Power Cost Adjustment⁽⁵⁾ | | | | |
| Clause Monthly Billing Factor (per 1,000 kWh) | \$ 31.41 | \$ 37.70 | \$ 41.70 | \$ 41.70 |

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

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

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

⁽⁴⁾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 | | | | | |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| \$ 5.65 | \$ 5.65 | \$ 5.65 | \$ 5.65 | \$ 5.65 | \$ 5.65 |
| \$ 7.85 | \$ 7.85 | \$ 7.85 | \$ 7.85 | \$ 7.85 | \$ 7.85 |
| \$ 0.076454 | \$ 0.076454 | \$ 0.071730 | \$ 0.071730 | \$ 0.071730 | \$ 0.071730 |
| \$ 6.05 | \$ 6.05 | \$ 6.05 | \$ 6.05 | \$ 6.05 | \$ 6.05 |
| \$ 8.85 | \$ 8.85 | \$ 8.85 | \$ 8.85 | \$ 8.85 | \$ 8.85 |
| \$ 0.074504 | \$ 0.074504 | \$ 0.073330 | \$ 0.073330 | \$ 0.073330 | \$ 0.073330 |
| \$ 33.50 | \$ 33.50 | \$ 33.50 | \$ 33.50 | \$ 33.50 | \$ 33.50 |
| \$ 6.75 | \$ 6.75 | \$ 5.50 | \$ 5.50 | \$ 5.50 | \$ 5.50 |
| \$ 0.065040 | \$ 0.065040 | \$ 0.055460 | \$ 0.055460 | \$ 0.055460 | \$ 0.055460 |
| \$ 33.50 | \$ 33.50 | \$ 33.50 | \$ 33.50 | \$ 33.50 | \$ 33.50 |
| \$ 6.50 | \$ 6.50 | \$ 5.50 | \$ 5.50 | \$ 5.50 | \$ 5.50 |
| \$ 0.060040 | \$ 0.060040 | \$ 0.055460 | \$ 0.055460 | \$ 0.055460 | \$ 0.055460 |
| \$ 33.50 | \$ 33.50 | \$ 33.50 | \$ 33.50 | \$ 33.50 | \$ 33.50 |
| \$ 22.00 | \$ 22.00 | \$ 22.00 | \$ 22.00 | \$ 22.00 | \$ 22.00 |
| \$ 0.065040 | \$ 0.065040 | \$ 0.055460 | \$ 0.055460 | \$ 0.055460 | \$ 0.055460 |
| \$ 41.70 | \$ 31.20 | \$ 17.18 | \$ 17.18 | \$ 12.89 | \$ 8.82 |

⁽⁵⁾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.

⁽⁶⁾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.

⁽⁷⁾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 | 2011 | 2010 | 2009 | 2008 |
|--|-------------|-------------|-------------|-------------|
| Residential: | | | | |
| 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: ⁽¹⁾ | | | | |
| 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 |
| Multi-Family: | | | | |
| 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 |
| Non-Residential: | | | | |
| 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: ⁽²⁾ | | | | |
| 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 | | 2007 | | 2006 | | 2005 | | 2004 | | 2003 | | 2002 | |
|-------------|----------|------|----------|------|--------|------|--------|------|--------|------|--------|------|--------|
| \$ | 11.65 | \$ | 11.65 | \$ | 11.65 | \$ | 11.65 | \$ | 11.65 | \$ | 11.65 | \$ | 11.65 |
| \$ | 29.13 | \$ | 29.13 | \$ | 26.30 | \$ | 26.30 | \$ | 26.30 | \$ | 26.30 | \$ | 26.30 |
| \$ | 58.25 | \$ | 58.25 | \$ | 50.65 | \$ | 50.65 | \$ | 50.65 | \$ | 50.65 | \$ | 50.65 |
| \$ | 93.20 | \$ | 93.20 | \$ | 79.90 | \$ | 79.90 | \$ | 79.90 | \$ | 79.90 | \$ | 79.90 |
| \$ | 174.75 | \$ | 174.75 | \$ | 157.90 | \$ | 157.90 | \$ | 157.90 | \$ | 157.90 | \$ | 157.90 |
| \$ | 291.25 | \$ | 291.25 | \$ | 245.65 | \$ | 245.65 | \$ | 245.65 | \$ | 245.65 | \$ | 245.65 |
| \$ | 582.50 | \$ | 582.50 | \$ | 489.40 | \$ | 489.40 | \$ | 489.40 | \$ | 489.40 | \$ | 489.40 |
| \$ | 932.00 | \$ | 932.00 | \$ | 781.90 | \$ | 781.90 | \$ | 781.90 | \$ | 781.90 | \$ | 781.90 |
| \$ | 1,339.75 | \$ | 1,339.75 | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - |
| \$ | 0.93 | \$ | 0.93 | \$ | 1.10 | \$ | 1.00 | \$ | 1.00 | \$ | 1.00 | \$ | 1.00 |
| \$ | 1.24 | \$ | 1.24 | \$ | 1.20 | \$ | 1.10 | \$ | 1.10 | \$ | 1.10 | \$ | 1.10 |
| \$ | 1.96 | \$ | 1.96 | \$ | 2.40 | \$ | 2.20 | \$ | 2.20 | \$ | 2.20 | \$ | 2.20 |
| \$ | 2.33 | \$ | 2.33 | \$ | 2.90 | \$ | 2.70 | \$ | 2.70 | \$ | 2.70 | \$ | 2.70 |
| \$ | 11.65 | \$ | 11.65 | \$ | 9.75 | \$ | 9.75 | \$ | 9.75 | \$ | 9.75 | \$ | 9.75 |
| \$ | 11.65 | \$ | 11.65 | \$ | 1.90 | \$ | 1.90 | \$ | 1.90 | \$ | 1.90 | \$ | 1.90 |
| \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - |
| \$ | 1.10 | \$ | 1.10 | \$ | 1.15 | \$ | 1.05 | \$ | 1.05 | \$ | 1.05 | \$ | 1.05 |
| \$ | 11.65 | \$ | 11.65 | \$ | 11.65 | \$ | 11.65 | \$ | 11.65 | \$ | 11.65 | \$ | 11.65 |
| \$ | 29.13 | \$ | 29.13 | \$ | 26.30 | \$ | 26.30 | \$ | 26.30 | \$ | 26.30 | \$ | 26.30 |
| \$ | 58.25 | \$ | 58.25 | \$ | 50.65 | \$ | 50.65 | \$ | 50.65 | \$ | 50.65 | \$ | 50.65 |
| \$ | 93.20 | \$ | 93.20 | \$ | 79.90 | \$ | 79.90 | \$ | 79.90 | \$ | 79.90 | \$ | 79.90 |
| \$ | 174.75 | \$ | 174.75 | \$ | 157.90 | \$ | 157.90 | \$ | 157.90 | \$ | 157.90 | \$ | 157.90 |
| \$ | 291.25 | \$ | 291.25 | \$ | 245.65 | \$ | 245.65 | \$ | 245.65 | \$ | 245.65 | \$ | 245.65 |
| \$ | 582.50 | \$ | 582.50 | \$ | 489.40 | \$ | 489.40 | \$ | 489.40 | \$ | 489.40 | \$ | 489.40 |
| \$ | 932.00 | \$ | 932.00 | \$ | 781.90 | \$ | 781.90 | \$ | 781.90 | \$ | 781.90 | \$ | 781.90 |
| \$ | 1,339.75 | \$ | 1,339.75 | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - |
| \$ | 1.54 | \$ | 1.54 | \$ | 1.15 | \$ | 1.05 | \$ | 1.05 | \$ | 1.05 | \$ | 1.05 |
| \$ | 2.05 | \$ | 2.05 | \$ | 1.35 | \$ | 1.25 | \$ | 1.25 | \$ | 1.25 | \$ | 1.25 |
| \$ | - | \$ | - | \$ | 1.85 | \$ | 1.70 | \$ | 1.70 | \$ | 1.70 | \$ | 1.70 |

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

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

| Total Direct Monthly Rate | 2011 | 2010 | 2009 | 2008 |
|--|-------------|-------------|-------------|-------------|
| Irrigation Service: | | | | |
| Base facility charge: | | | | |
| Meter Size (Inches): | | | | |
| 5/8"..... | \$ 15.15 | \$ 11.65 | \$ 11.65 | \$ 11.65 |
| 1"..... | \$ 37.87 | \$ 29.13 | \$ 29.13 | \$ 29.13 |
| 1 1/2"..... | \$ 75.73 | \$ 58.25 | \$ 58.25 | \$ 58.25 |
| 2"..... | \$ 121.16 | \$ 93.20 | \$ 93.20 | \$ 93.20 |
| 3"..... | \$ 227.18 | \$ 174.75 | \$ 174.75 | \$ 174.75 |
| 4"..... | \$ 378.63 | \$ 291.25 | \$ 291.25 | \$ 291.25 |
| 6"..... | \$ 757.25 | \$ 582.50 | \$ 582.50 | \$ 582.50 |
| 8"..... | \$ 1,211.60 | \$ 932.00 | \$ 932.00 | \$ 932.00 |
| 10"..... | \$ 1,741.68 | \$ 1,339.75 | \$ 1,339.75 | \$ 1,339.75 |
| Gallage charge per 1,000 Gallons: ⁽¹⁾ | | | | |
| Block 1 | \$ 1.92 | \$ 1.37 | \$ 1.37 | \$ 1.37 |
| Block 2..... | \$ 2.56 | \$ 1.83 | \$ 1.83 | \$ 1.83 |
| Block 3..... | \$ 4.03 | \$ 2.88 | \$ 2.88 | \$ 2.88 |
| Block 4..... | \$ 4.80 | \$ 3.43 | \$ 3.43 | \$ 3.43 |

Notes:

⁽¹⁾The monthly rate blocks for residential and irrigation water usage at September 30, 2011 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 |

⁽²⁾The monthly rate blocks for non-residential water usage at September 30, 2011, 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 |

⁽³⁾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 | | | | | | | | | |
|-------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | | | | |
| (Continued) | | | | | | | | | |
| \$ 11.65 | \$ 11.65 | \$ 11.65 | \$ 11.65 | \$ 11.65 | \$ 11.65 | \$ 11.65 | \$ 11.65 | \$ 11.65 | \$ 11.65 |
| \$ 29.13 | \$ 29.13 | \$ 26.30 | \$ 26.30 | \$ 26.30 | \$ 26.30 | \$ 26.30 | \$ 26.30 | \$ 26.30 | \$ 26.30 |
| \$ 58.25 | \$ 58.25 | \$ 50.65 | \$ 50.65 | \$ 50.65 | \$ 50.65 | \$ 50.65 | \$ 50.65 | \$ 50.65 | \$ 50.65 |
| \$ 93.20 | \$ 93.20 | \$ 79.90 | \$ 79.90 | \$ 79.90 | \$ 79.90 | \$ 79.90 | \$ 79.90 | \$ 79.90 | \$ 79.90 |
| \$ 174.75 | \$ 174.75 | \$ 157.90 | \$ 157.90 | \$ 157.90 | \$ 157.90 | \$ 157.90 | \$ 157.90 | \$ 157.90 | \$ 157.90 |
| \$ 291.25 | \$ 291.25 | \$ 245.65 | \$ 245.65 | \$ 245.65 | \$ 245.65 | \$ 245.65 | \$ 245.65 | \$ 245.65 | \$ 245.65 |
| \$ 582.50 | \$ 582.50 | \$ 489.40 | \$ 489.40 | \$ 489.40 | \$ 489.40 | \$ 489.40 | \$ 489.40 | \$ 489.40 | \$ 489.40 |
| \$ 932.00 | \$ 932.00 | \$ 781.90 | \$ 781.90 | \$ 781.90 | \$ 781.90 | \$ 781.90 | \$ 781.90 | \$ 781.90 | \$ 781.90 |
| \$ 1,339.75 | \$ 1,339.75 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ 1.37 | \$ 1.37 | \$ 1.10 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| \$ 1.83 | \$ 1.83 | \$ 1.20 | \$ 1.10 | \$ 1.10 | \$ 1.10 | \$ 1.10 | \$ 1.10 | \$ 1.10 | \$ 1.10 |
| \$ 2.88 | \$ 2.88 | \$ 2.40 | \$ 2.20 | \$ 2.20 | \$ 2.20 | \$ 2.20 | \$ 2.20 | \$ 2.20 | \$ 2.20 |
| \$ 3.43 | \$ 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: | 2011 | 2010 | 2009 | 2008 |
|---|-------------|-------------|-------------|-------------|
| Wastewater Rate Schedule: | | | | |
| Residential (Single Family) and Non-residential: | | | | |
| 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: ⁽¹⁾ | | | | |
| All meter sizes..... | \$ 3.63 | \$ 3.63 | \$ 3.63 | \$ 3.63 |
| Block 1..... | \$ - | \$ - | \$ - | \$ - |
| Block 2..... | \$ - | \$ - | \$ - | \$ - |
| Multi-Family: | | | | |
| 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 |
| Reuse Water Rate Schedule: | | | | |
| Primary Tier Rate: | | | | |
| Minimum monthly charge: | | | | |
| Meter Size (Inches): | | | | |
| 3/4"..... | \$ 10.00 | \$ 10.00 | \$ 10.00 | \$ 10.00 |
| 1"..... | \$ 25.00 | \$ 25.00 | \$ 25.00 | \$ 25.00 |
| 1 1/2"..... | \$ 50.00 | \$ 50.00 | \$ 50.00 | \$ 50.00 |
| Major Users Meter Size (Inches): | | | | |
| 2"..... | \$ 75.00 | \$ 75.00 | \$ 75.00 | \$ 75.00 |
| 3"..... | \$ 75.00 | \$ 75.00 | \$ 75.00 | \$ 75.00 |
| 4"..... | \$ 75.00 | \$ 75.00 | \$ 75.00 | \$ 75.00 |
| 6"..... | \$ 75.00 | \$ 75.00 | \$ 75.00 | \$ 75.00 |
| Gallonge charge per 1,000 Gallons: ⁽²⁾ | | | | |
| 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 | \$ 0.30 | \$ 0.15 | \$ 0.15 |
| 3"..... | \$ 0.30 | \$ 0.30 | \$ 0.15 | \$ 0.15 |
| 4"..... | \$ 0.30 | \$ 0.30 | \$ 0.15 | \$ 0.15 |
| 6"..... | \$ 0.30 | \$ 0.30 | \$ 0.15 | \$ 0.15 |

Table 9

| Fiscal Year | | | | | |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| \$ 16.62 | \$ 16.62 | \$ 16.62 | \$ 16.62 | \$ 16.62 | \$ 16.62 |
| \$ 41.55 | \$ 41.55 | \$ 39.35 | \$ 39.35 | \$ 39.35 | \$ 39.35 |
| \$ 83.10 | \$ 83.10 | \$ 77.10 | \$ 77.10 | \$ 77.10 | \$ 77.10 |
| \$ 132.96 | \$ 132.96 | \$ 122.46 | \$ 122.46 | \$ 122.46 | \$ 122.46 |
| \$ 249.30 | \$ 249.30 | \$ 243.42 | \$ 243.42 | \$ 243.42 | \$ 243.42 |
| \$ 415.50 | \$ 415.50 | \$ 379.50 | \$ 379.50 | \$ 379.50 | \$ 379.50 |
| \$ 831.00 | \$ 831.00 | \$ 757.50 | \$ 757.50 | \$ 757.50 | \$ 757.50 |
| \$ 1,329.60 | \$ 1,329.60 | \$ 1,211.10 | \$ 1,211.10 | \$ 1,211.10 | \$ 1,211.10 |
| \$ 1,911.30 | \$ 1,911.30 | \$ - | \$ - | \$ - | \$ - |
| \$ 3.63 | \$ 3.63 | \$ - | \$ - | \$ - | \$ - |
| \$ - | \$ - | \$ 2.55 | \$ 2.30 | \$ 2.30 | \$ 2.30 |
| \$ - | \$ - | \$ 3.10 | \$ 2.75 | \$ 2.75 | \$ 2.75 |
| \$ 16.62 | \$ 16.62 | \$ 15.12 | \$ 15.12 | \$ 15.12 | \$ 15.12 |
| \$ 16.62 | \$ 16.62 | \$ 1.50 | \$ 1.50 | \$ 1.50 | \$ 1.50 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ 2.90 | \$ 2.90 | \$ 2.60 | \$ 1.55 | \$ 1.55 | \$ 1.55 |
| \$ 10.00 | \$ 10.00 | \$ 10.00 | \$ 10.00 | \$ 10.00 | \$ 10.00 |
| \$ 25.00 | \$ 25.00 | \$ 25.00 | \$ 25.00 | \$ 25.00 | \$ 25.00 |
| \$ 50.00 | \$ 50.00 | \$ 50.00 | \$ 50.00 | \$ 50.00 | \$ 50.00 |
| \$ 75.00 | \$ 75.00 | \$ 75.00 | \$ 75.00 | \$ - | \$ - |
| \$ 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 | \$ 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 |

**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: | 2011 | 2010 | 2009 | 2008 |
|----------------------------|------|------|------|------|
|----------------------------|------|------|------|------|

(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: ⁽¹⁾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.
- ⁽²⁾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.
- ⁽³⁾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 | | | | | |
|-------------|----------|----------|----------|----------|----------|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| \$ 16.29 | \$ 16.29 | \$ 16.29 | \$ 16.29 | \$ 16.29 | \$ 16.29 |

**NUMBER OF ELECTRIC, WATER, RECLAMATION (WASTEWATER & REUSE) CUSTOMERS,
LAST TEN FISCAL YEARS**

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

| | 2011 | 2010 | 2009 | 2008 |
|------------------|--------|--------|--------|--------|
| Electric..... | 25,327 | 24,984 | 24,731 | 24,702 |
| Water..... | 23,838 | 23,733 | 23,835 | 27,565 |
| Wastewater..... | 19,186 | 19,091 | 18,908 | 23,716 |
| Reuse water..... | 997 | 932 | 864 | 825 |

Note: ⁽¹⁾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 | | | | | |
|-------------|--------|--------|--------|--------|--------|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| 24,776 | 24,174 | 23,489 | 22,922 | 22,126 | 21,702 |
| 23,388 | 22,765 | 21,905 | 20,980 | 20,122 | 19,348 |
| 18,775 | 18,243 | 17,601 | 17,062 | 16,485 | 15,832 |
| 732 | 570 | 501 | 462 | 417 | 401 |

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, 2011

| Electric Customers | Kilowatt Hour Sales | | | Revenues Billed | |
|--------------------------------------|----------------------------|---------------------|------|----------------------------|---------------------|
| | kWh (000's) | Percent of Total | Rank | Amount | Percent of Total |
| Water Resources..... | 10,721 | 2.83% | 1 | \$ 1,254,755 | 2.84% |
| Bert Fish Medical Center..... | 7,989 | 2.11% | 2 | 832,526 | 1.88% |
| Volusia School District #532568..... | 3,342 | 0.88% | 3 | 404,932 | 0.92% |
| Publix Food - Store #2019100..... | 3,223 | 0.85% | 4 | 339,730 | 0.77% |
| Winn Dixie - Store #2304..... | 2,616 | 0.69% | 5 | 275,905 | 0.62% |
| Publix Food - Store #2033500..... | 2,464 | 0.65% | 6 | 260,967 | 0.59% |
| Reddy Ice Corp..... | 2,347 | 0.62% | 7 | 259,933 | 0.59% |
| Home Depot..... | 2,157 | 0.57% | 8 | 232,992 | 0.53% |
| Volusia School District..... | 1,879 | 0.50% | 9 | 228,745 | 0.52% |
| Wal-Mart - Store #01-1079..... | 1,777 | 0.47% | 10 | 188,361 | 0.43% |
| Kmart..... | - | - | - | - | - |
| Food Lion..... | - | - | - | - | - |
| Totals..... | <u>38,515</u> | 10.17% | | <u>\$ 4,278,846</u> | 9.69% |

| Water & Reclamation Customers | Consumption | | | Revenues Billed | |
|---|----------------------|---------------------|------|--------------------------|---------------------|
| | Gallons (000's) | Percent of Total | Rank | Amount | Percent of Total |
| Reddy Ice Corp..... | 16,942 | 1.12% | 1 | \$ 79,384 | 1.05% |
| Bert Fish Medical Center (52230)..... | 7,734 | 0.51% | 2 | 15,827 | 0.21% |
| Bert Fish Medical Center (52231)..... | 7,523 | 0.50% | 3 | 34,173 | 0.45% |
| Islander Beach Lodge..... | 7,494 | 0.50% | 4 | 20,352 | 0.27% |
| NSB Chrysler..... | 6,496 | 0.43% | 5 | 29,012 | 0.38% |
| Ocmulgee Fields Inc..... | 6,469 | 0.43% | 6 | 17,811 | 0.24% |
| Volusia School District..... | 6,163 | 0.41% | 7 | 22,159 | 0.29% |
| EBB Tide Condo Assoc..... | 6,073 | 0.40% | 8 | 13,963 | 0.19% |
| Southwind Condo Assoc..... | 5,960 | 0.39% | 9 | 21,412 | 0.28% |
| Minorca Property Owners Assoc..... | 5,843 | 0.39% | 10 | 26,109 | 0.35% |
| Errol by the Sea Condo Assoc..... | - | - | - | - | - |
| Sea Woods Home Owners Assoc (515878)..... | - | - | - | - | - |
| Pelican Assoc..... | - | - | - | - | - |
| Rinker Materials..... | - | - | - | - | - |
| Oceanview Nursing Home..... | - | - | - | - | - |
| Federal Housing Authority..... | - | - | - | - | - |
| Totals..... | <u>76,697</u> | 5.07% | | <u>\$ 280,202</u> | 3.72% |

Note: ⁽¹⁾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, 2002

| Kilowatt Hour Sales | | | Revenues Billed | |
|---------------------|---------------------|------|---------------------|---------------------|
| (kWh) (000's) | Percent of Total | Rank | Amount | Percent of Total |
| 4,311 | 1.26% | 2 | \$ 359,297 | 1.14% |
| 7,419 | 2.16% | 1 | 608,704 | 1.93% |
| 2,359 | 0.69% | 8 | 199,036 | 0.63% |
| 3,008 | 0.88% | 3 | 246,687 | 0.78% |
| 2,816 | 0.82% | 5 | 232,000 | 0.74% |
| 2,938 | 0.86% | 4 | 244,485 | 0.78% |
| 2,375 | 0.69% | 7 | 215,144 | 0.68% |
| 2,386 | 0.70% | 6 | 194,709 | 0.62% |
| 2,111 | 0.62% | 9 | 176,698 | 0.56% |
| <u>2,092</u> | 0.61% | 10 | <u>172,947</u> | 0.55% |
| <u>31,815</u> | 9.29% | | <u>\$ 2,649,707</u> | 8.41% |

| Consumption | | | Revenues Billed | |
|--------------------|---------------------|------|-------------------|---------------------|
| Gallons (000's) | Percent of Total | Rank | Amount | Percent of Total |
| 16,244 | 1.16% | 3 | \$ 43,344 | 0.88% |
| 17,015 | 1.21% | 2 | 31,004 | 0.63% |
| 10,446 | 0.74% | 6 | 16,902 | 0.34% |
| 20,090 | 1.43% | 1 | 52,051 | 1.06% |
| 10,902 | 0.78% | 4 | 21,188 | 0.43% |
| 10,672 | 0.76% | 5 | 29,164 | 0.59% |
| 9,058 | 0.65% | 8 | 14,607 | 0.30% |
| 10,278 | 0.73% | 7 | 24,956 | 0.51% |
| 8,773 | 0.63% | 9 | 15,637 | 0.32% |
| <u>7,879</u> | 0.56% | 10 | <u>29,475</u> | 0.60% |
| <u>121,357</u> | 8.65% | | <u>\$ 278,328</u> | 5.66% |

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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 ⁽¹⁾ | Revenue Notes | State Revolving Fund | Total | | |
|---------------------------------------|--|------------------|----------------------------|------------|------------------------------|---|
| | | | | Amount | Per Capita ⁽²⁾ | Percent of Personal Income ⁽³⁾ |
| 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 | 8.42% |
| 2010 | 51,626,508 | - | 9,943,987 | 61,570,495 | 2,640 | 8.18% |
| 2011 | 47,014,402 | - | 8,972,956 | 55,987,358 | 2,492 | 7.73% |

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

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

⁽³⁾Percent of Personal Income based on data obtained on Table 14.

⁽⁴⁾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

| | 2011 | 2010 | 2009 | 2008 |
|---|--------------------|--------------------|--------------------|--------------------|
| Revenues as defined by Certificate Resolution: ⁽¹⁾ | | | | |
| Operating revenues..... | \$ 59,878,525 | \$ 59,854,959 | \$ 56,937,294 | \$ 62,922,200 |
| Interest and other income..... | 570,669 | 661,071 | 661,882 | 1,171,254 |
| Capital contributions (excluding donated property) | 1,384,847 | 545,445 | 573,365 | 1,014,468 |
| | <u>61,834,041</u> | <u>61,061,475</u> | <u>58,172,541</u> | <u>65,107,922</u> |
| Expenses as defined by Certificate Resolution: ⁽²⁾ | | | | |
| Operating expenses..... | 53,945,192 | 56,670,998 | 52,971,378 | 59,001,340 |
| Less: | | | | |
| Depreciation expense..... | (6,401,336) | (6,502,283) | (6,380,923) | (6,324,910) |
| Required payments to City..... | <u>(3,564,277)</u> | <u>(3,833,943)</u> | <u>(3,601,594)</u> | <u>(3,612,294)</u> |
| | <u>43,979,579</u> | <u>46,334,772</u> | <u>42,988,861</u> | <u>49,064,136</u> |
| Net revenues available for debt service..... | <u>17,854,462</u> | <u>14,726,703</u> | <u>15,183,680</u> | <u>16,043,786</u> |
| Annual Debt Service Requirements: ⁽³⁾ | | | | |
| Principal..... | 5,616,031 | 4,880,956 | 5,762,816 | 5,685,020 |
| Interest..... | <u>2,404,629</u> | <u>2,521,878</u> | <u>2,475,242</u> | <u>2,457,884</u> |
| | <u>8,020,660</u> | <u>7,402,834</u> | <u>8,238,058</u> | <u>8,142,904</u> |
| Coverage ratio (times)..... | <u>2.23</u> | <u>1.99</u> | <u>1.84</u> | <u>1.97</u> |

Notes:

⁽¹⁾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.

⁽²⁾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.

⁽³⁾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).

⁽⁴⁾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 | | | | | |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| \$ 59,476,142 | \$ 63,950,363 | \$ 58,967,403 | \$ 54,613,482 | \$ 46,347,066 | \$ 40,612,225 |
| 1,751,065 | 1,925,869 | 1,772,305 | 1,406,072 | 694,980 | 894,508 |
| <u>1,881,126</u> | <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>63,108,333</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> |
| 53,677,214 | 59,689,977 | 57,380,632 | 53,335,909 | 39,807,203 | 35,090,229 |
| (6,065,225) | (5,558,449) | (5,272,971) | (5,009,752) | (4,904,128) | (4,737,946) |
| <u>(3,670,560)</u> | <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>43,941,429</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>19,166,904</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> |
| 5,388,214 | 5,415,697 | 4,988,773 | 5,018,426 | 5,211,498 | 3,715,412 |
| <u>2,645,894</u> | <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>8,034,108</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>2.39</u> | <u>2.09</u> | <u>2.08</u> | <u>1.73</u> | <u>2.48</u> | <u>2.09</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 ¹ | Personal Income ² | Per Capita Personal Income ³ | Median Household Income ³ | Median HUD Income ³ | County Unemployment Rate ³ |
|--|-------------------------|---------------------------------|--|--|--------------------------------------|---|
| 2002 | 20,595 | \$ 510,405,885 | \$ 24,783 | \$ 35,010 | n/a | 5.20% |
| 2003 | 21,334 | 541,008,906 | 25,359 | 36,038 | \$ 46,600 | 5.10% |
| 2004 | 22,025 | 599,212,150 | 27,206 | 37,247 | n/a | 4.60% |
| 2005 | 22,356 | 631,959,408 | 28,268 | 38,457 | n/a | 3.40% |
| 2006 | 22,870 | 678,918,820 | 29,686 | 40,857 | n/a | 3.10% |
| 2007 | 22,963 | 697,478,162 | 30,374 | 42,268 | n/a | 4.30% |
| 2008 | 24,335 | 749,666,382 | 30,806 | 45,831 | 52,300 | 7.20% |
| 2009 | 24,295 | 772,532,410 | 31,798 | 41,390 | n/a | 11.70% |
| 2010 | 22,464 | 528,959,808 | 23,547 | 43,409 | n/a | 12.40% |
| 2011 | 22,554 | 533,199,950 | 23,641 | 43,583 | n/a | 10.80% |

Source: ¹ U.S. Department of Commerce, Bureau of Census, for 2005, 2006 and 2007 are are estimated.

2008, 2010 U.S. Bureau of the Census, ESRI BIS forecasts for 2009 and 2011.

² Amount computed from population and percapita personal income statistics for Volusia County, Florida.

³ 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, 2011 | | |
|--|--------------------|------|--|
| | Total Employees | Rank | Percent to Total City Employment |
| Bert Fish Medical Center..... | 800 | 1 | 5.39% |
| Publix Supermarkets..... | 303 | 2 | 2.04% |
| City of New Smyrna Beach..... | 265 | 3 | 1.79% |
| Wal-Mart Stores..... | 207 | 4 | 1.40% |
| Volusia County School District..... | 185 | 5 | 1.25% |
| Oceanview Nursing Home..... | 170 | 6 | 1.15% |
| Utilities Commission, NSB..... | 153 | 7 | 1.03% |
| America's Best Caregivers, Inc..... | 150 | 8 | 1.01% |
| Winn-Dixie Supermarkets..... | 143 | 9 | 0.96% |
| Home Depot..... | <u>121</u> | 10 | 0.82% |
| Total..... | <u>2,497</u> | | 16.84% |
| Estimated Labor Force in New Smyrna Beach..... | | | <u>14,830</u> |

Source: InfoUSA Employer Database 2011, ed. 1

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

Table 15

September 30, 2002

| Total Employees | Rank | Percent to Total City Employment |
|--------------------|------|--|
| n/a | - | n/a |
| n/a | - | n/a |
| n/a | - | n/a |
| n/a | - | n/a |
| n/a | - | n/a |
| n/a | - | n/a |
| n/a | - | n/a |
| n/a | - | n/a |
| n/a | - | n/a |
| n/a | - | n/a |
| n/a | | n/a |
| | | n/a |

**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS**
Year Ending September 30,
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
New Smyrna Beach, Florida

| | 2011 | 2010 | 2009 | 2008 |
|------------------------------------|--------------|--------------|--------------|--------------|
| Utilities Commissioners..... | 5.0 | 5.0 | 5.0 | 5.0 |
| Executive Management | 4.0 | 4.0 | 4.0 | 5.0 |
| Finance and Accounting: | | | | |
| Accounting..... | 6.0 | 7.0 | 7.0 | 7.0 |
| Billing and collections..... | 22.0 | 21.0 | 21.0 | 23.0 |
| MIS..... | - | - | - | - |
| Materials management..... | 5.0 | 5.0 | 5.0 | 5.0 |
| Information Technology..... | 6.0 | 5.0 | 6.0 | 6.0 |
| Personnel..... | 4.0 | 5.0 | 5.0 | 5.0 |
| Engineering: | | | | |
| Management..... | 3.0 | 3.0 | 3.0 | 3.0 |
| Environmental..... | 4.0 | 4.0 | 4.0 | 4.0 |
| Electrical engineering..... | 2.0 | 1.0 | 2.0 | 2.0 |
| Electric: | | | | |
| Operations..... | 13.0 | 13.0 | 13.0 | 13.0 |
| Fleet Maintenance..... | 3.0 | 3.0 | 3.0 | 3.0 |
| Transmission and distribution..... | 23.0 | 21.0 | 22.0 | 27.0 |
| Construction..... | - | - | - | - |
| Substation and relay..... | 3.0 | 5.0 | 5.0 | 5.0 |
| Water and Reclamation: | | | | |
| Water production..... | 10.0 | 12.0 | 12.0 | 12.0 |
| Water distribution..... | 11.0 | 11.0 | 11.0 | 14.0 |
| Wastewater collection..... | 8.0 | 10.0 | 10.0 | 8.0 |
| Wastewater treatment..... | 20.0 | 20.0 | 20.0 | 19.0 |
| Water reuse operations..... | - | - | - | - |
| Internet..... | 1.0 | 1.0 | 1.0 | 3.0 |
| Communications: | | | | |
| Call center..... | - | - | - | - |
| Sales/marketing..... | - | - | - | - |
| Other operations..... | - | - | - | - |
| Total..... | <u>153.0</u> | <u>156.0</u> | <u>159.0</u> | <u>169.0</u> |

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

Table 16

Full-Time Equivalent Employees at September 30,

| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 5.0 | 6.0 | 2.0 | 4.0 | 2.0 | 2.0 |
| 8.0 | 7.0 | 6.0 | 5.0 | 6.0 | 7.0 |
| 22.0 | 20.8 | 17.5 | 17.3 | 16.3 | 17.3 |
| - | - | - | - | - | - |
| 5.0 | 4.0 | 4.0 | 4.0 | 4.0 | 3.8 |
| 5.0 | 6.0 | 4.0 | - | - | - |
| 5.0 | 4.0 | 4.0 | 5.0 | 4.0 | 5.0 |
| 3.0 | 3.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| 4.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| 4.0 | 4.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| 12.0 | 13.0 | 13.0 | 11.0 | 12.0 | 12.0 |
| 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| 26.0 | 24.0 | 24.0 | 22.0 | 22.0 | 22.0 |
| - | - | - | - | - | 4.0 |
| 5.0 | 3.0 | 3.0 | 3.0 | 3.0 | 2.0 |
| 13.0 | 13.0 | 12.0 | 12.0 | 12.0 | 13.0 |
| 19.0 | 17.0 | 16.0 | 15.0 | 15.0 | 9.0 |
| 5.0 | 4.0 | 4.0 | 4.0 | 4.0 | 5.0 |
| 19.0 | 16.0 | 16.0 | 17.0 | 17.0 | 14.0 |
| - | - | - | - | - | 1.0 |
| 4.0 | - | - | - | - | - |
| - | 33.0 | 41.0 | 16.5 | 11.5 | - |
| - | 7.0 | 6.0 | - | - | - |
| - | 22.8 | 21.0 | - | - | - |
| <u>172.0</u> | <u>218.5</u> | <u>208.5</u> | <u>150.8</u> | <u>143.8</u> | <u>132.0</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

| | 2011 | 2010 | 2009 | 2008 |
|---|----------|----------|----------|----------|
| Electric: | | | | |
| Net energy for load (million kWh)..... | 398.775 | 416.389 | 388.669 | 392.051 |
| Retail energy sales (million kWh)..... | 378.559 | 404.330 | 366.773 | 370.659 |
| Distribution loss factor (%)..... | 5.07% | 2.90% | 5.64% | 5.46% |
| Annual peak energy demand (kW)..... | 109,000 | 99,000 | 99,000 | 89,000 |
| Peaking Power Systems Nameplate rating (kW): | | | | |
| 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 |
| Water: | | | | |
| Maximum daily flow (MGD)..... | 6.46 | 7.14 | 6.45 | 6.68 |
| Average daily treated flow (MGD)..... | 4.90 | 4.85 | 4.60 | 4.64 |
| Minimum daily treated flow (MGD)..... | 3.47 | 3.14 | 2.54 | 3.17 |
| Raw water pumped and treated (MG)..... | 1,828.54 | 1,740.96 | 1,660.54 | 1,689.58 |
| CUP Allowance ⁽¹⁾ | 8.06 | 7.63 | 7.13 | 6.62 |
| Storage capacity (MGD) ⁽²⁾ | 5.87 | 5.87 | 5.87 | 5.07 |
| Water mains (miles) ⁽³⁾ | 180.51 | 180.51 | 180.51 | 180.51 |
| Pumping stations ⁽²⁾ | 4 | 4 | 4 | 3 |
| Reclamation (Wastewater and Reuse): | | | | |
| Maximum daily flow (MGD)..... | 4.56 | 5.11 | 12.03 | 9.59 |
| Average daily treated flow (MGD)..... | 3.24 | 3.65 | 4.10 | 3.40 |
| Minimum daily treated flow (MGD)..... | 1.92 | 2.36 | 1.15 | 1.66 |
| Wastewater collected and treated (MG)..... | 1,170.05 | 1,329.99 | 1,497.34 | 1,242.79 |
| Reclaimed water treated and pumped (MG)..... | 1,145.55 | 1,370.69 | 1,445.28 | 978.50 |
| Collection system (miles) ⁽³⁾ | 99.02 | 99.02 | 99.02 | 99.02 |
| Number of treatment plants..... | 1 | 1 | 1 | 1 |
| Treatment capacity (MGD) ⁽⁴⁾ | 7.00 | 7.00 | 7.00 | 7.00 |
| Maximum plant capacity (MGD)..... | 15.00 | 15.00 | 15.00 | 14.00 |
| Amount treated annually (MGY)..... | 1,170 | 1,330 | 1,497 | 1,243 |
| Percent of capacity utilized (MG)..... | 46.00% | 52.00% | 59.00% | 49.00% |
| Percent of unused capacity (MG)..... | 54.00% | 48.00% | 41.00% | 51.00% |

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

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

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

⁽³⁾Miles of water/reclamation mains do not include mileage installed by developers.

⁽⁴⁾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 | | | | | |
|-------------|----------|----------|----------|----------|----------|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| 400.816 | 402.421 | 396.806 | 385.510 | 386.385 | 367.175 |
| 378.244 | 383.185 | 371.219 | 361.426 | 370.242 | 342.753 |
| 5.63% | 4.78% | 6.45% | 6.25% | 4.18% | 6.65% |
| 91,000 | 94,000 | 91,000 | 89,000 | 100,200 | 87,900 |
| 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 |
| 6.51 | 6.93 | 6.07 | 7.12 | 7.20 | 6.62 |
| 4.93 | 4.80 | 4.42 | 4.53 | 4.78 | 4.73 |
| 3.60 | 3.11 | 3.08 | 2.17 | 3.40 | 2.16 |
| 1,805.00 | 1,735.33 | 1,616.61 | 1,660.32 | 1,743.83 | 1,718.62 |
| 6.04 | 5.58 | 5.17 | 5.63 | 5.53 | 5.44 |
| 5.07 | 5.07 | 5.07 | 5.07 | 5.07 | 5.07 |
| 180.51 | 179.83 | 177.37 | 175.55 | 173.52 | 166.51 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 5.57 | 7.26 | 4.80 | 9.65 | 6.45 | 9.77 |
| 3.12 | 3.30 | 3.73 | 3.93 | 3.83 | 3.92 |
| 1.95 | 2.43 | 2.06 | 2.44 | 2.30 | 2.40 |
| 1,140.23 | 1,203.83 | 1,262.52 | 1,369.39 | 1,339.03 | 1,422.28 |
| 1,032.29 | 870.89 | 830.48 | 684.94 | 793.17 | 1,050.08 |
| 99.02 | 99.02 | 98.92 | 98.82 | 98.66 | 98.55 |
| 1 | 1 | 1 | 1 | 1 | 2 |
| 7.00 | 7.00 | 7.00 | 7.00 | 6.00 | 6.25 |
| 14.00 | 14.00 | 14.00 | 14.00 | 12.00 | 12.50 |
| 1,140 | 1,204 | 1,274 | 1,369 | 1,357 | 1,429 |
| 45.00% | 47.10% | 49.90% | 53.60% | 62.00% | 62.60% |
| 55.00% | 52.90% | 50.10% | 46.40% | 38.00% | 37.40% |

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SUPPLEMENTAL AUDIT REPORTS

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BM&C

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 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, 2011, and have issued our report thereon dated December 28, 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 December 28, 2011.

This report is intended solely for the information and use of the Utilities Commission, others within the entity, and the City of New Smyrna Beach, and is not intended to be and should not be used by anyone other than these specified parties.

Brent Milliken & Co., P.A.

December 28, 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, 2011, and have issued our report thereon dated December 28, 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 December 28, 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.
- 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, 2011, 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, 2011. 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 3 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.

December 28, 2011

MANAGEMENT LETTER COMMENTS

Exhibit A

Year Ended September 30, 2011

UTILITES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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:

Sufficient corrective actions have been taken by management to address and/or resolve all significant findings and recommendations made in the preceding annual financial audit report.

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:

2011-01 Mandatory Funding of Reserve for Renewal and Replacement

Pursuant to the provisions of Section 16D(8) of Resolution 28-78, as amended, the Utilities Commission is to deposit to the Renewal and Replacement Fund (the "R&R Fund") an amount equal to one-twelfth (1/12) of not less than eight percent (8%) of the gross revenues consisting of all moneys received by the Commission from the Combined System, for the second preceding year, after deducting a sum equal to 100% of the purchased power and fuel expenses incurred by the Electric System during such year (2nd preceding year). Based on these guidelines, the gross amount required to be transferred to the R&R Fund during FY 2011 was computed to be \$2,781,128. Aggregate amounts actually transferred to the discretionary fund for the year totaled \$2,707,337. As a result, the shortfall in funding the R&R Fund in 2011 totaled \$73,791, or 2.6%, less than the mandatory transfer amount required for the year.

Recommendation: While reviewing this matter with management, we acknowledged that some confusion existed in precisely interpreting which system revenues were necessary to be included in the determination of the annual funding requirement. We also noted that this matter has never been of significance since the Utilities Commission has consistently and purposely supplemented the discretionary R&R Fund in each of the past several years to successfully meet the internal funding requirements the governing board has established sufficient to meet its continuing capital expansion plans. To avoid any future differences, we recommend that the minimum required amount of the annual transfer to the R&R Fund be separately computed each year, and that all supplemental capital funding requirements be separately reported in the budget to clearly segregate these amounts to reduce confusion in the future.

Year Ended September 30, 2011

UTILITES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

Auditee Response: During 2011, management computed the amount of the mandatory R&R funding requirement in accordance with the same methodology it has employed for several consecutive years. This methodology has always been based exclusively upon a consistently applied interpretation of the funding requirements as they are specified in the resolution. Since the actual funding amounts for the approved CIP have historically been significantly greater than the minimum funding requirement in each of the past several years, the precise determination of the “minimum” amount had not been addressed.

Management has reviewed the recommendation and has revised its internal procedure for computing the required R&R Fund amount to ensure that the minimum funding amount is in agreement with the governing bond resolution. Also, the shortfall amount was transferred into the R&R Fund during the first quarter of fiscal year 2012 to remediate the methodology differential.

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