

**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, 2007 AND 2006***

**UTILITIES COMMISSIONERS**

Richard Spangler, Chairman

Walter Allen III, Vice-Chairman

William E. Hall, Secretary-Treasurer

Jeanne K. Diesen, Commissioner

Oscar Zeller, Commissioner

**GENERAL MANAGER/CHIEF EXECUTIVE OFFICER**

Robert J. Rodi

**DIRECTOR OF FINANCE**

Laurie Klinkenberg



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

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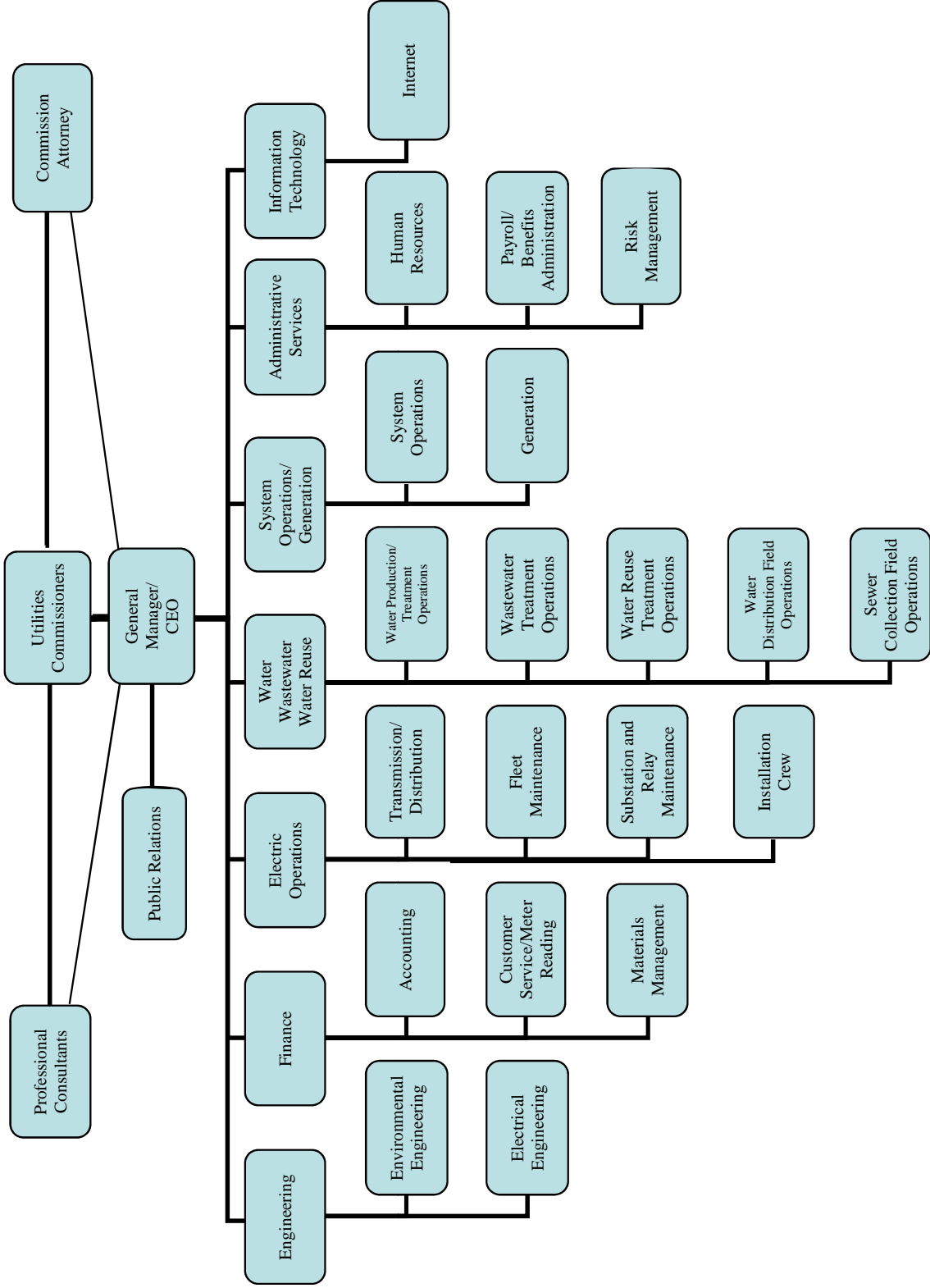
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## ***ORGANIZATION CHART***



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





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# ***CERTIFICATE OF ACHIEVEMENT***

***FOR THE YEAR ENDED SEPTEMBER 30, 2006***

*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, 2006.*

*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, 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

Utilities Commission,  
City of New Smyrna Beach  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2006

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.



*Charles S. Cox*

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 21, 2007

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, 2007 and 2006, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Utilities Commission. To the best of our knowledge and belief, the enclosed data are accurate in all material aspects and are reported in a manner designed to present fairly the financial position and results of operations of the Utilities Commission. All disclosures necessary to enable the reader to gain the maximum understanding of the Utilities Commission's financial affairs have been included.

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

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

**REPORTING ENTITY AND SERVICES PROVIDED**

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

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

## **ECONOMIC CONDITION AND OUTLOOK**

The economic condition and outlook of the Utilities Commission has continued to improve despite incurring substantial losses attributed to operations of the Communications System in the past three years. The Utilities Commission's service area is growing due to new residential and commercial developments west of town. We are facing tremendous growth that requires a material capital investment, not only to improve aging existing systems, but also new infrastructure that can accommodate the future needs of our expanding service area.

## **MAJOR INITIATIVES**

The Utilities Commission has established a five-year Capital Improvements Plan (Plan) through 2012. It is the Utilities Commission's desire to fund the capital expenditures under this Plan through a combination of service capacity and connection fees, Renewal and Replacement Fund proceeds, external debt financing, and other funding. These proposed capital improvement expenditures are in addition to the annual capital requirements for routine extensions of existing utility facilities to serve new customers. On a continual basis the Utilities Commission evaluates projects and their priorities.

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

- Electric 115kV Transmission Tie Airport to Field Street
  1. This transition 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.
- Electrical system reconductor of US1
  1. Loads on this line have increased over time and continue to grow.
  2. This line will assist in the support of loads in the South Beach as service is improved there.
  3. Conductor upgrade will increase capacity of this line, extend it's life and improve service quality and reliability as far as the southernmost point of the service area.
- Water - Reconstruct Smith Street and Third Avenue pump stations. Generators at Smith Street, Glencoe and Third Avenue
  1. Third Avenue tank and pump station had reached the end of it's functional life a few years ago and was decommissioned.
  2. Increasing demand on the Beach area has generated the need for added flow capacity to all beach side areas.
  3. The recent water system facilities study and master plan highlighted existing fire flow shortfalls on the beach in general and the North beach in particular and identified immediate improvements needed to meet these demands.
  4. The construction a new storage tank and pump station is determined to correct these capacity limitations. This need is immediate.
  5. Smith Street Pumping Station provides water to the eastern part of the service area and all of the beach.

6. Smith Street Pump Station is plagued by poor design, worn out equipment, functional and technological obsolescence, and inadequate capacity, detailed in Part 2 of the Water Master Facilities Plan.
  7. Complete replacement of this pump station is necessary for current and future needs of the eastern service area. This need is immediate.
  8. The UCNSB water system has zero gallons of elevated tank storage so continued water service contingency for power failure can only be met by standby on site generation at critical facilities, including the wells, treatment plant, and all pumping stations. This immediate need is detailed in the Part 2 of the Water Facilities Master Plan.
- Water system low pressure transmission main.
    1. The Smith Street Pump Station needs a pipeline direct from the treatment plant to avoid the need to draw water from the distribution system and pump directly back into distribution, pumping circular, ineffectively and wasting much energy.
    2. This pipeline is an immediate need, as described in more detail in the Water Master Facilities Plan, Parts 1 and 2.
  - New Central Wellfield.
    1. This project is currently underway.
    2. Involves the construction of a new central wellfield to develop a 1.75 MGD increase allocation.
    3. Includes drilling 8" monitoring well, 4-6 additional production wells, auxiliary generator and remote transfer switch, piping to raw water transmission line at SR44 and automated remote control, site and access improvements.
  - Multiple lift station upgrades and repairs due to deteriorating wastewater system.
    1. Of the nearly 100 lift stations in the wastewater system, many are decades old, worn out, under capacity, or with obsolete or failing equipment. These stations require immediate and long term replacement or rehabilitation to continue in service, and meet regulatory requirements
  - Biosolids Process Upgrade.
    1. Work includes developing, permitting, constructing and implementing a new system of treating wastewater sludge when land application is no longer available.
  - SR A1A Gravity Sewer Bypass.
    1. Work includes constructing a segment of force main to bypass an overloaded section of gravity sewer line which is causing flow problems on the south beach.
  - Customer Service Software Implementation
    1. A combined effort of all divisions has been underway towards a goal of changing our Customer Service software from Cogsdale to Enquesta. Anticipated date of full implementation is the summer of 2008.
    2. This software will enable the UC to have a fully integrated system, improving and automating work flow processes.
    3. Of the many improvements those most evident to our customers will be the ability to access their accounts on-line, receive bills electronically as well as paying by credit card.

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

### **MAJOR ACCOMPLISHMENTS**

During fiscal year 2007, the Utilities Commission accomplished the following:

- Revised and updated formal strategic initiatives detailing vision, strategic plan, strategies, objectives, tactics, and goals.
- Continue to minimize risk and liability with regard to the Communications division exit.
- Revised and reviewed ERU Developer's Agreement Addendum to aid in paying for external infrastructure for new developments.
- Initiated alternate water source and energy production concept. Completed an RFP for energy supply including renewables to support the sustainable initiatives in Governor Crist's Executive Orders.
- Reconfigure Water Treatment Plant and rehabilitation of Slaker System, Lime Silo and controls/instrumentation.
- Wastewater Intracoastal forcemain. The undersized pipe was replaced. A new pipeline adequately sized for current and future flow, to save pumping energy, prevent failure from corrosion, deep enough to avoid damage by boats and storms has been installed.
- Completed the upgrade of the accounting software from Great Plains 7.5 to version 9.0. Completed the change from Work Force ROI to Great Plains Project for work orders. Continue to work on enhancements and implementations to make our system more efficient.

### **FINANCIAL INFORMATION**

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

#### *Budgeting Controls and Highlights*

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

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

The annual revenue and expense budget is prepared for the combined electric, water, wastewater and communications 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 2007.

*Utility Operations*

In compliance with Resolution No. 16-75, and later amended by the City of New Smyrna Beach, Florida Ordinance No. 51-01, the electric, water, wastewater, and communications systems are accounted for as a single enterprise fund. As of September 30, 2007, the Utilities Commission served 24,776 electric customers, 23,388 water customers, 18,775 wastewater customers, 732 reclaimed water customers, and 1,103 Internet dial-up, DSL, and broadband customers. The current year's operating revenue and expenses from the combined utilities systems is presented in Management's Discussion and Analysis under the headings Financial Highlights and Entity-Wide Analysis on pages 3 to 8.

*Cash Management*

Cash temporarily idle during the year was invested through the use of a competitive bid procedure in short-term time deposits and short-term investments. The amount of interest earned during the years ended September 30, 2007, 2006 and 2005 totaled \$958,771, \$1,024,376 and \$690,497, respectively. The Utilities Commission's cash and investments, including accrued interest and dividends receivable, on hand at September 30, 2007, 2006 and 2005, totaled \$22.7 million, \$26.0 million and \$25.9 million, respectively. The individual components are as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current assets:			
Operating cash and cash equivalents .....	\$ 97,094	153,235	112,850
Investments.....	<u>0</u>	<u>1,010,000</u>	<u>1,000,000</u>
	<u>97,094</u>	<u>1,163,235</u>	<u>1,112,850</u>
Restricted assets:			
Revenue certificate covenant funds .....	12,944,899	13,657,353	12,669,367
R&R service capacity fee funds.....	3,315,754	6,293,735	7,462,106
Customer and developer deposits .....	2,968,101	1,817,759	1,776,948
CR-3 decommissioning fund .....	<u>3,889,877</u>	<u>2,118,284</u>	<u>2,885,737</u>
	<u>22,618,631</u>	<u>24,887,131</u>	<u>24,794,158</u>
Total cash and investments.....	\$ <u>22,715,725</u>	<u>26,050,366</u>	<u>25,907,008</u>

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

The average yield from interest earnings on cash and investments that was earned each month during the fiscal year ended September 30, 2007, is as follows:

	<u>Average Yield</u>
October .....	5.34%
November .....	5.33%
December.....	5.33%
January.....	5.32%
February.....	5.34%
March.....	5.35%
April .....	5.34%
May.....	5.33%
June.....	5.34%
July .....	5.34%
August .....	5.16%
September .....	5.11%

*Risk Management*

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

**OTHER INFORMATION**

*Independent Audit*

Resolution Number 28-78 and other local and state statutes require an annual audit of the books of account, financial records and transactions of all administrative departments of the Utilities Commission by an independent certified public accountant selected by the Utilities Commission. The certified public accounting firm of Brent Millikan & Company, P.A. was selected 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.

To the Chairman and Members  
of the Utilities Commission  
December 21, 2007  
Page 7

*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, 2006. We are also quite proud of the fact that we have been awarded with this Certificate for the twenty-seventh consecutive year.

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

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

*Acknowledgments*

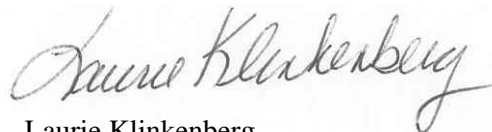
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

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

Respectfully submitted,



Robert J. Rodi  
General Manager/CEO



Laurie Klinkenberg  
Director of Finance



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# ***FINANCIAL SECTION***

*THIS SECTION IS COMPOSED OF THE FOLLOWING:*

***INDEPENDENT AUDITORS' REPORT***

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

***FINANCIAL STATEMENTS***

***SUPPLEMENTAL FINANCIAL INFORMATION***



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***INDEPENDENT AUDITORS' REPORT***



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# BM&C

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

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying basic financial statements of Utilities Commission, City of New Smyrna Beach, Florida, a component unit of City of New Smyrna Beach, Florida, as of and for the fiscal years ended September 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of Utilities Commission, City of New Smyrna Beach, Florida's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utilities Commission, City of New Smyrna Beach, Florida, as of September 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007, on our consideration of Utilities Commission, City of New Smyrna Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

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

December 21, 2007

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



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of Utilities Commission, City of New Smyrna Beach, Florida's (the "Utilities Commission") annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year that ended September 30, 2007. Please read it in conjunction with the transmittal letter at the front of this report and the financial statements, which follow this section.

### Financial Highlights

- The Utilities Commission's demand for electrical energy decreased in 2007 at 378.2 million kWh sales compared to 383.2 million kWh sales in 2006, a 1.3% decrease, due to milder weather and a corresponding drop in demand. Sales revenue generated by the Electric System increased from \$44.3 million in 2006 to \$44.9 million in 2007, as a result of a higher fuel cost adjustment being charged to customers.
- The volume of treated potable water sold in 2007 decreased by 1.3%. The volume of wastewater treated in 2007 decreased by 4.0%. The volume of reclaimed water treated in 2007 increased by 32.1%. The decreases in water sold and wastewater treated were the result of continued conservation by customers and the area experiencing more rain this past year. In the prior year our service area experienced unusually dry weather. Sales revenue generated by the Water System increased from \$6.3 million in 2006 to \$6.9 million in 2007. Sales revenue generated by the Wastewater System for wastewater and reclaimed water services increased from \$7.2 million in 2006 to \$7.5 million in 2007.
- The Utilities Commission's assets exceeded its liabilities (*net assets*) at the end of September 30, 2007 by more than \$99.4 million. Of this amount, approximately \$10.8 million was unrestricted and available to be used to meet the Commission's ongoing obligations to its customers and creditors. Of the remaining \$88.6 million, approximately \$79.0 million was invested in utility plant assets and assets held for future use, while the remainder was restricted for utility plant expansion (\$3.3 million) and debt service (\$6.3 million).
- During the year, the Utilities Commission's net assets increased by \$16.1 million. Of this amount, approximately \$10.2 million came from developer donated in-ground assets reported in capital contributions. Net assets totaled \$99.4 million in 2007 compared to approximately \$83.3 million at the end of 2006.
- During 2007, the Utilities Commission's operating revenue decreased by approximately \$4.5 million to \$59.5 million, which was 7.0% less than last year's operating revenue of \$64.0 million. The Utilities Commission's operating expenses decreased by \$5.8 million to \$53.9 million, which was 4.0% less than last year's \$59.7 million. The net decrease in operating revenue and operating expenses are attributed to Utilities Commission exiting the telephone business effective September 2006.
- Capital contributions received by the Utilities Commission increased from \$7.5 million in 2006 to \$12.0 million in 2007. The majority of the increase amounting to approximately \$4.5 million came from developer donated in-ground assets, attributed to residential home development expansion.
- The Commission's long-term debt decreased to \$59.3 million in 2007, which is down \$5.3 million over last year's \$64.6 million, primarily due to scheduled principal payments. There was no new debt issued in fiscal year 2007.

## Overview of Financial Statements

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

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

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

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

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

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

### Entity-Wide Financial Analysis

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

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

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current and other assets .....	\$ 36,953	42,860	39,649
Capital assets:			
Productive assets in service (net) .....	125,970	112,215	109,055
Held for future use .....	7,467	7,467	7,467
Construction in progress .....	<u>6,736</u>	<u>6,439</u>	<u>3,167</u>
Total assets .....	<u>177,126</u>	<u>168,981</u>	<u>159,338</u>
Long-term debt outstanding .....	59,342	64,603	69,837
Other liabilities .....	<u>18,354</u>	<u>21,046</u>	<u>16,581</u>
Total liabilities .....	<u>77,696</u>	<u>85,649</u>	<u>86,418</u>
Net assets:			
Invested in plant, net of related debt .....	79,033	59,628	56,511
Restricted .....	9,572	12,422	7,996
Unrestricted .....	<u>10,825</u>	<u>11,282</u>	<u>8,413</u>
Total net assets .....	<u>\$ 99,430</u>	<u>83,332</u>	<u>72,920</u>

The Utilities Commission's net assets increased \$16.1 million to \$99.4 million in 2007, which is up from \$83.3 million in 2006 and \$72.9 million in 2005. The most significant changes in net asset position in 2007 were from amounts invested in utility plant, net of related debt, which increased \$19.4 million, and from the use of restricted renewal and replacement funds, which decreased \$3.0 million. In 2006, the most significant changes in net assets came from an increase of \$8.7 million in amounts invested in utility plant, use of restricted renewal and replacement funds, and from an increase in unrestricted net assets of \$2.9, which was the result of an increase in operating income from the core utilities; electric, water, and wastewater services.

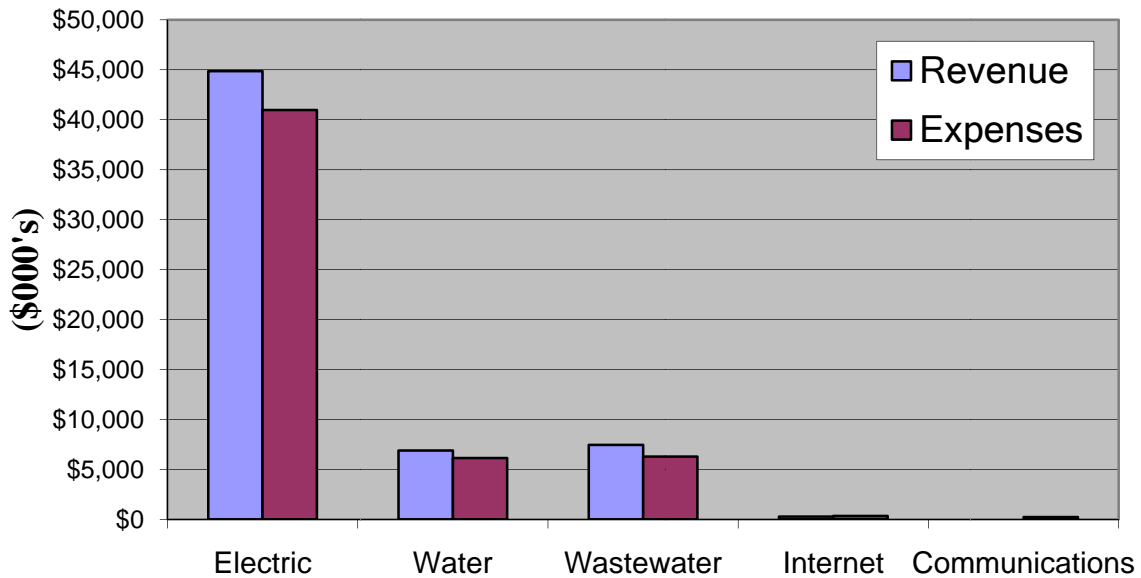
**Condensed Statements of Revenues,  
Expenses, and Changes in Net Assets  
Year Ended September 30,  
(\$000's)**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:			
Charges for services:			
Electric system .....	\$ 44,860	44,286	36,102
Water system.....	6,886	6,346	5,728
Wastewater system.....	7,454	7,168	6,380
Internet system.....	276	0	0
Communications system .....	<u>0</u>	<u>6,150</u>	<u>10,757</u>
Total charges for services .....	59,476	63,950	58,967
Interest earnings .....	959	1,024	691
Gain on asset disposals .....	0	0	1,107
Other .....	<u>792</u>	<u>902</u>	<u>1,082</u>
Total revenues .....	<u>61,227</u>	<u>65,876</u>	<u>61,847</u>
Expenses:			
Division operating expenses:			
Electric system .....	40,960	40,221	33,020
Water system.....	6,132	5,326	4,690
Wastewater system.....	6,279	5,647	5,252
Internet system.....	329	0	0
Communications system .....	<u>221</u>	<u>8,496</u>	<u>14,419</u>
Total division operating expenses .....	53,921	59,690	57,381
Interest and debt expense.....	2,939	3,076	3,097
Loss on disposal of assets.....	115	10	0
Other.....	<u>192</u>	<u>210</u>	<u>102</u>
Total expenses .....	<u>57,167</u>	<u>62,986</u>	<u>60,580</u>
Income before contributions.....	4,060	2,890	1,267
Capital contributions .....	<u>12,038</u>	<u>7,522</u>	<u>3,428</u>
Increase (decrease) in net assets .....	<u>\$ 16,098</u>	<u>10,412</u>	<u>4,695</u>

While the balance sheets show a snapshot of the Commission's financial position at the beginning and ending of the fiscal years, the above statements of revenues, expenses, and changes in net assets provide answers as to the nature and source of these changes. A comparison of the operating revenues to operating expenses shows steady growth in the Commission's traditional services reported by the electric, water, and wastewater divisions, which continue to produce positive net income. Conversely, the Commission has experienced difficulty in providing communications services under its own Competitive Local Exchange Carrier license since its beginning in August 2003. Significant losses were incurred each year since inception of providing these services.

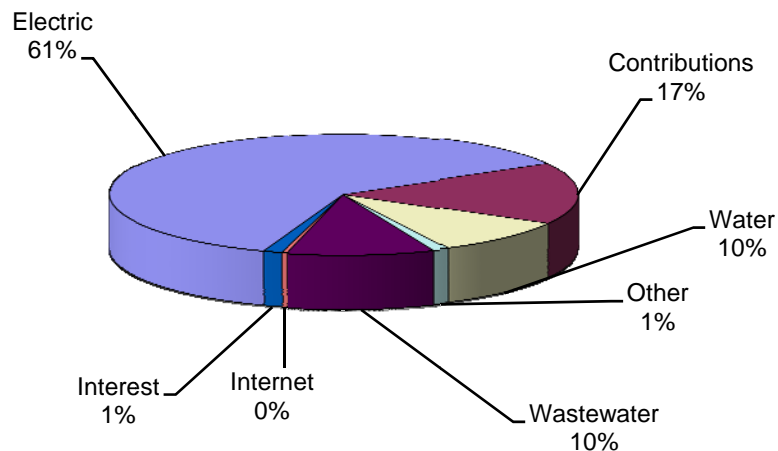
The following is a summary of the operating revenue and expense for each of the Commission's operating divisions:

### Operating Revenue and Expense - by Division Year Ended September 30, 2007



The following is a summary of the composition of 2007 utility system revenues by source:

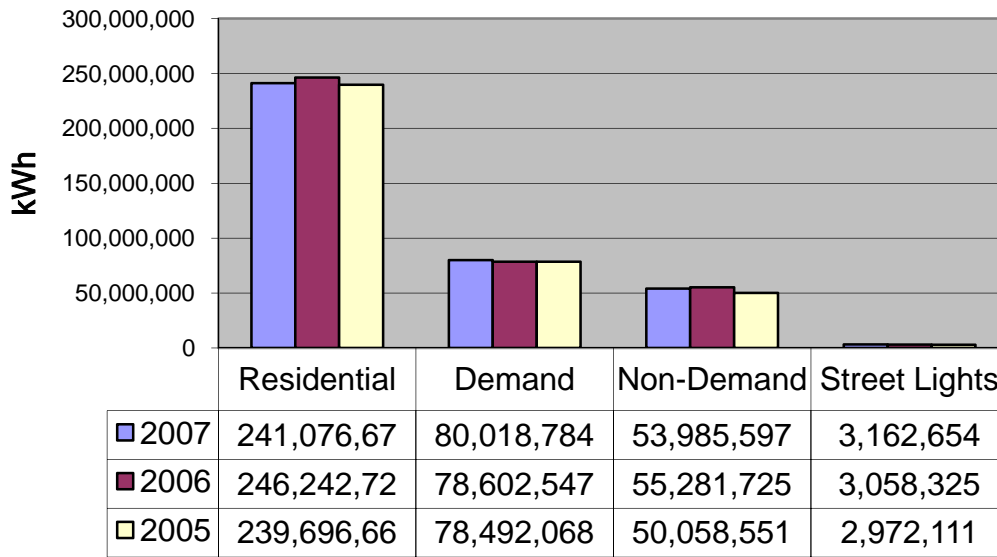
### Revenues - By Source Year Ended September 30, 2007



During 2007, the overall demand for electricity decreased. Total electric kWh sales decreased from 383.2 million kWh sales in 2006 to 378.2 million kWh sales in 2007. In 2006, the demand for electricity had increased from 371.2 million kWh sales in 2005 to 383.2 million kWh sales in 2006.

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

## Electric kWh Sales Years Ended September 30, 2007, 2006 and 2005



**kWh Sold by Service Type**

The actual number of customers increased in all divisions with the exception of a sharp decline in the communications system as a result of the Commission ceasing telephone sales operations in 2006. The volume of potable water sold during 2007 decreased 1.3% to 1,652 MG compared to 1,674 MG in 2006 and compared to 1,490 MG in 2005. The wastewater system experienced a 4.0% decrease in 2007 to 898 MG compared to 934 MG in the volume of wastewater treated in 2006 and as compared to 874 MG treated in 2005. The volume of reclaimed water sold during 2007 increased 32.1% to 477 MG, compared to 361 MG sold in 2006, and as compared to 283 MG sold in 2005.

Rising costs to produce electric system revenues resulted in a fuel adjustment being made in 2006 that was factored into billings December 1, 2006 and was again adjusted in May 2007, which remained in effect through September 30, 2007. In 2006 the Communications System telephone service sales declined with the Commission having officially terminated all telephone sales operations by September 30, 2006. The actual number of residential and commercial utility customers increased during 2007 in all operating divisions, except Internet, as follows:

<u>Utility Operating Division</u>	<u>2007</u> Customers	<u>2006</u> Customers	<u>2005</u> Customers
Electric system .....	24,776	24,174	23,489
Water system.....	23,388	22,765	21,905
Wastewater system.....	18,775	18,243	17,601
Reclaimed water system .....	732	570	570
Internet .....	1,103	2,130	913
Communications – Telephone .....	0	0	11,813

With the exception of the operating loss reported in the internet division, the net results of operations for all other divisions show that the Commission was successful in recovering its costs for these utility divisions.

## Capital Assets

At the end of 2007, the Utilities Commission's investment in capital assets amounted to \$140.2 million, which is stated net of \$88.3 million of accumulated depreciation and provision for decommissioning. This investment in capital assets includes:

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

In 2007, the total increase in the Commission's investment in capital assets was \$20.0 million, compared to \$9.0 million invested in 2006, and \$5.0 million invested in 2005. Major capital asset additions made in 2007 included the following:

- New water and wastewater services transmission and distributions mains totaling \$6.7 million, of which \$10.2 million came from developer donated assets, and
- Modifications to the Field Street Substation, line transformers, poles and fixtures, new street lighting, overhead conversions and underground extensions of electric transmission and distribution services, including nuclear plant additions, amounting to \$4.1 million

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Land and land rights.....	\$ 3,272	3,272	3,272
Structures and improvements.....	24,351	20,922	20,695
Production and treatment plant .....	46,386	45,584	45,085
Transmission, distribution, and collection and treatment plant .....	125,472	111,458	104,349
Other general plant and equipment .....	<u>14,434</u>	<u>13,525</u>	<u>12,447</u>
	213,915	194,761	185,848
Accumulated depreciation .....	(84,875)	(79,612)	(74,130)
Allowance for decommissioning .....	<u>(3,390)</u>	<u>(3,118)</u>	<u>(2,886)</u>
	125,650	112,031	108,832
Construction in progress .....	6,736	6,439	3,167
Plant held for future use.....	7,467	7,467	7,467
Nuclear fuel, net of amortization .....	<u>320</u>	<u>184</u>	<u>223</u>
Utility plant, net .....	<u>\$ 140,173</u>	<u>126,121</u>	<u>119,689</u>

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

## Long-Term Debt and Debt Administration

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

<b>Debt Service Coverage Ratio</b>			
<b>Year Ended September 30,</b>			
<b>(\$000's, except ratios)</b>			
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenues .....	\$ 59,476	63,950	58,967
Interest and other income.....	1,751	1,926	1,772
Capacity and other fees.....	<u>1,881</u>	<u>1,578</u>	<u>3,429</u>
Revenues per certificate resolution.....	63,108	67,454	64,168
Cost of Operation and Maintenance, net of depreciation and required payments to City of New Smyrna Beach.....	<u>44,213</u>	<u>50,466</u>	<u>48,779</u>
Net revenues per certificate resolution.....	<u>18,895</u>	<u>16,988</u>	<u>15,389</u>
Annual debt service requirement .....	\$ <u>8,034</u>	<u>8,144</u>	<u>7,394</u>
Debt service coverage ratio (times) .....	<u>2.35</u>	<u>2.09</u>	<u>2.08</u>

As of September 30, 2007, the Utilities Commission had outstanding \$34,895,000 of revenue certificates payable. All of these obligations are secured by a first lien on and a pledge of the net revenues of the system.

The Utilities Commission's outstanding revenue certificates ratings from Moody's, Standard & Poor's, and Fitch's as follows:

	<u>Moody's</u>	<u>Standard &amp; Poor's</u>	<u>Fitch's</u>
Utilities System Refunding Revenue Certificates, Series 1993 .....	Aaa	AAA (FGIC Insured)	n/r
Utilities System Refunding Revenue Certificates, Series 2002 .....	n/r	AAA (AMBAC Insured)	AAA
Utilities System Refunding Revenue Certificates, Series 2004A .....	n/r	AAA (AMBAC Insured)	AAA

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 in the aggregate amount of \$12,680,339 which are secured by a lien and pledge on the net revenues of the system, but subordinate to the first lien and pledge securing the revenue certificates payable. The Commission also had

outstanding notes payable to the Florida Municipal Power Agency (FMPA) Pooled Loans amounting to \$17,529,000, which are secured by a lien and pledge on the net revenues of the system, but subordinate to the first lien and pledge securing the revenue certificates payable and on a parity with the State Revolving Fund Loan.

The debt service requirements on these obligations are detailed in the notes to the financial statements. The future debt service requirements for the Florida Department of Environmental Protection, State Revolving Fund Loan are in Schedule 12 of the supplementary section of the financial statements. The future debt service requirements for the FMPA Pooled Loans are in Schedule 13 of the supplementary section of the financial statements and are based on the prevailing interest rate charged as of September 30, 2007. The interest rate on the FMPA Pooled Loans varies and is determined on a monthly basis. Accordingly, the representation of the future debt service requirements in Schedule 13 may not agree with the actual amounts to be paid and the difference may be material.

At the end of the fiscal year, the Utilities Commission had \$59.3 million in long-term debt outstanding, which was down \$5.3 million over the prior year's \$64.6 million.

At the present time, the Commission is considering the issuance of additional long-term debt to finance necessary improvements to its aging utility plant and to provide new service requirements to accommodate rapid growth in the Commission's service area. Refer to Note 17 for more information on the most recent debt issuance occurring subsequent to the fiscal year ended September 30, 2007.

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 1.40 times its maximum annual debt service requirements in its immediately preceding fiscal year. Based on this data, the Commission has the ability and the capacity to obtain additional financing, at current market conditions, of approximately \$40 million.

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

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

- The most recent estimates available for unemployment data in Volusia County, Florida are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Database (FRED). This agency estimates a countywide unemployment rate of 4.3% at the end of September 2007, which is higher than the 3.1% rate experienced one year earlier. These estimates compare favorably to the state's 4.3% and 3.4% unemployment rates at September 2007 and 2006, respectively. Statewide, Florida's unemployment rate has continued to be below the national average.
- Inflationary trends for Volusia County continue to compare favorably with those trends experienced at the state and national levels.

Other factors influencing the Commission's 2008 operating budget includes continued growth in all divisions, with the exception of the internet division. A summary of the enacted 2008 budget follows:

**FY 2008 Operating Budget  
With Comparison to FY 2007 Actual  
\$(000's)**

	<u>2008</u> <u>Budget</u>	<u>2007</u> <u>Actual</u>	<u>Dollar</u> <u>Change</u>
<b>Revenue and Receipts:</b>			
Electric system .....	\$ 50,146	45,856	4,290
Water system .....	7,690	7,165	525
Wastewater system .....	7,091	7,685	(594)
Internet system .....	322	276	46
Communications system.....	0	54	(54)
Capital contributions .....	<u>0</u>	<u>1,881</u>	<u>(1,881)</u>
	<u>65,249</u>	<u>62,917</u>	<u>(2,332)</u>
<b>Operating Expenses:</b>			
Operation and maintenance .....	47,257	44,214	3,043
Required payments to City .....	<u>3,824</u>	<u>3,670</u>	<u>154</u>
	<u>51,081</u>	<u>47,884</u>	<u>3,197</u>
Net revenue and receipts .....	14,168	15,033	(865)
Debt issuance .....	8,590	0	8,590
Debt service .....	(8,662)	(8,306)	(356)
Operating transfers (net) .....	<u>(14,096)</u>	<u>(4,864)</u>	<u>(9,232)</u>
Budgeted net cash receipts.....	\$ <u><u>0</u></u>	<u><u>1,863</u></u>	<u><u>(1,863)</u></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, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2007	2006
Assets:		
Utility Plant:		
Electric utility plant in service.....	\$ 86,412,701	82,674,321
Water utility plant in service.....	48,363,613	42,755,093
Wastewater and water reuse utility plant in service.....	67,960,407	58,174,902
Communications services plant in service.....	2,762,871	2,762,871
General utility plant in service.....	<u>8,415,209</u>	<u>8,392,652</u>
	213,914,801	194,759,839
Less: accumulated depreciation and amortization.....	<u>(88,264,536)</u>	<u>(82,729,947)</u>
	125,650,265	112,029,892
Construction work in progress.....	6,735,657	6,439,359
Plant held for future use.....	7,467,493	7,467,493
Nuclear fuel, net of amortization.....	<u>319,632</u>	<u>184,459</u>
	140,173,047	126,121,203
Total utility plant, net.....		
	<u>140,173,047</u>	<u>126,121,203</u>
Current Assets:		
Cash and cash equivalents.....	70,364	-
Investments.....	-	1,010,000
Accrued interest and dividends.....	26,730	153,235
Restricted assets:		
Cash and cash equivalents.....	22,603,729	22,850,394
Investments.....	-	2,000,000
Accrued interest and dividends.....	14,902	36,737
Accounts receivable, net of allowance for doubtful accounts (\$4,248,608 - 2007 and \$4,448,432 - 2006).....	4,670,197	3,786,676
Unbilled accounts receivable.....	6,071,543	8,018,315
Notes receivable.....	287,132	2,134,800
Inventories.....	2,759,553	2,368,199
Prepaid expenses and other assets.....	<u>133,623</u>	<u>106,142</u>
	36,637,773	42,464,498
Total current assets.....		
	<u>36,637,773</u>	<u>42,464,498</u>
Other Noncurrent Assets:		
Unamortized debt expense.....	<u>315,626</u>	<u>395,428</u>
	177,126,446	168,981,129
Total assets.....		
	<u>\$ 177,126,446</u>	<u>168,981,129</u>

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

**Statement 1**

	2007	2006
Net Assets:		
Invested in utility plant, net of related debt.....	\$ 79,032,881	59,628,096
Restricted for debt service.....	6,256,014	6,128,109
Restricted for renewal and replacement.....	3,315,754	6,293,735
Unrestricted.....	<u>10,825,538</u>	<u>11,282,197</u>
Total net assets.....	<u>99,430,187</u>	<u>83,332,137</u>
Liabilities:		
Long-Term Debt:		
Revenue certificates payable (net).....	31,010,704	34,393,838
Notes payable (net).....	<u>28,331,761</u>	<u>30,209,339</u>
Total long-term debt.....	<u>59,342,465</u>	<u>64,603,177</u>
Current Liabilities:		
Bank overdraft-unrestricted cash and cash equivalents.....	3,613,203	6,939,920
Accounts payable.....	3,512,259	3,645,387
Accrued liabilities.....	679,884	710,670
Accrued interest payable.....	688,586	735,807
Revenue certificates payable - current.....	3,310,000	3,210,000
Notes payable - current.....	1,877,578	1,798,214
Customers' deposits.....	2,871,110	1,817,759
Due to other governments.....	<u>1,343,494</u>	<u>1,767,457</u>
Total current liabilities.....	<u>17,896,114</u>	<u>20,625,214</u>
Other Noncurrent Liabilities:		
Deferred compensated absences.....	<u>457,680</u>	<u>420,601</u>
Total liabilities.....	<u>77,696,259</u>	<u>85,648,992</u>
Total liabilities and net assets.....	<u>\$ 177,126,446</u>	<u>168,981,129</u>

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

**Statement 2**

For the Fiscal Years Ended September 30, 2007 and 2006  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2007	2006
Operating Revenue:		
Sales.....	\$ 58,882,023	63,246,281
Other revenue.....	<u>594,119</u>	<u>704,082</u>
Total operating revenue.....	<u>59,476,142</u>	<u>63,950,363</u>
Operating Expenses:		
Purchased power and fuel expenses.....	24,043,491	24,854,589
Other production expenses.....	6,278,690	10,042,297
Transmission, distribution, and sewage collection and treatment.....	5,766,272	5,187,372
Customer accounting.....	1,057,779	2,202,317
Administrative and general.....	6,795,197	7,947,091
Required payments to the City of New Smyrna Beach.....	3,670,560	3,665,315
Depreciation and decommissioning.....	<u>6,308,942</u>	<u>5,790,996</u>
Total operating expenses.....	<u>53,920,931</u>	<u>59,689,977</u>
Operating income.....	<u>5,555,211</u>	<u>4,260,386</u>
Nonoperating Revenue (Expense):		
Interest earnings.....	958,771	1,024,376
Other income.....	792,294	901,493
Interest and debt expense.....	(2,939,141)	(3,075,803)
Other expenses.....	(191,580)	(210,748)
Gain (loss) on disposal of assets.....	<u>(115,502)</u>	<u>(9,814)</u>
Total nonoperating (expense).....	<u>(1,495,158)</u>	<u>(1,370,496)</u>
Income (loss) before contributions and transfers.....	4,060,053	2,889,890
Capital contributions.....	<u>12,037,997</u>	<u>7,522,464</u>
Total contributions and transfers.....	<u>12,037,997</u>	<u>7,522,464</u>
Change in net assets.....	16,098,050	10,412,354
Net assets, beginning of year.....	<u>83,332,137</u>	<u>72,919,783</u>
Net assets, end of year.....	<u>\$ 99,430,187</u>	<u>83,332,137</u>

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

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

For the Fiscal Years Ended September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2007	2006
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers.....	\$ 63,312,877	62,014,730
Cash paid to suppliers.....	(36,367,169)	(41,916,819)
Cash paid to employees.....	(8,270,769)	(8,672,303)
Other receipts (payments).....	<u>(3,069,755)</u>	<u>(3,667,038)</u>
Net cash provided by operating activities.....	<u>15,605,184</u>	<u>7,758,570</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Debt reduction outlays.....	(5,298,213)	(5,335,697)
Advanced refunding of debt.....	-	-
Capital contributions.....	1,881,126	1,577,701
Proceeds from sale of property and equipment.....	-	28,895
Acquisition and construction of capital assets.....	(10,465,098)	(6,431,078)
Interest paid.....	<u>(2,689,694)</u>	<u>(2,770,855)</u>
Net cash (used in) capital and related financing activities.....	<u>(16,571,879)</u>	<u>(12,931,034)</u>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale and maturities of investment securities.....	3,010,000	5,020,000
Acquisition of investment securities.....	-	(4,030,000)
Interest received.....	<u>1,107,111</u>	<u>953,592</u>
Net cash (used in) investing activities.....	<u>4,117,111</u>	<u>1,943,592</u>
Net (decrease) in cash and cash equivalents.....	3,150,416	(3,228,872)
Cash and cash equivalents, beginning of year.....	<u>15,910,474</u>	<u>19,139,346</u>
Cash and cash equivalents, end of year.....	<u>\$ 19,060,890</u>	<u>15,910,474</u>
<b>Reconciliation to Balance Sheet:</b>		
Cash and cash equivalents.....	\$ 70,364	-
Bank overdraft - unrestricted cash and cash equivalents.....	(3,613,203)	(6,939,920)
Restricted cash and cash equivalents.....	<u>22,603,729</u>	<u>22,850,394</u>
Total cash and cash equivalents.....	<u>\$ 19,060,890</u>	<u>\$ 15,910,474</u>
<b>Non-cash Capital and Related Financing Activities:</b>		
Capital contributions.....	<u>\$ 10,156,871</u>	<u>\$ 5,944,763</u>
Acquisition and construction of capital assets.....	<u>\$ (10,156,871)</u>	<u>\$ (5,944,763)</u>

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

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

For the Fiscal Years Ended September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2007	2006
Reconciliation of operating income to net cash provided by operating activities:		
Operating income.....	\$ 5,555,211	4,260,386
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation, decommissioning, and nuclear fuel amortization.....	6,454,622	5,905,065
Provision for losses on receivables.....	127,535	1,380,559
Decrease (increase) in operating assets:		
Accounts and notes receivable.....	836,612	(1,478,396)
Unbilled accounts receivable.....	1,946,772	(2,780,100)
Inventories.....	(391,354)	(418,853)
Prepaid expenses.....	(27,481)	137,282
Increase (decrease) in operating liabilities:		
Accounts payable.....	(133,128)	(17,738)
Due to other governments.....	(423,963)	(127,643)
Customer deposits.....	1,053,351	40,811
Accrued liabilities.....	(30,786)	201,207
Deferred liabilities.....	37,079	(34,755)
Other income.....	792,294	901,493
Other expense.....	<u>(191,580)</u>	<u>(210,748)</u>
Net cash provided by operating activities.....	<u>\$ 15,605,184</u>	<u>7,758,570</u>

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

***NOTES TO THE FINANCIAL STATEMENTS***



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## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**Reporting Entity:** The Utilities Commission was created 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. 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. 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.

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. 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:

**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, 2006 and 2005. This agreement does not meet the criteria of a joint venture as specified in GASB Statement No. 14.

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.

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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

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

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

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

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

**Unamortized Debt Discount, Issuance Expenses, and Deferred Amount from Refunding:** Original issue discounts, debt issuance expenses, and deferred amounts from the advance refunding of outstanding revenue certificates are appropriately deferred and amortized over the remaining terms of the applicable debt issues (or life of the old debt, whichever is shorter, for deferred amounts from the advance refunding) using the bonds outstanding method, which approximates the interest method. Unamortized debt discounts and deferred amounts from the advance refunding of long-term debt are presented in aggregate in the financial statements as a reduction of the carrying cost of the related long-term debt. The unamortized debt issuance costs are presented as other assets.

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

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

September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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

	<u>Years</u>
Electric System:	
Production plant:	
Nuclear production .....	27
Diesel production.....	20-40
Transmission plant.....	30-55
Distribution plant.....	28-45
General plant:	
Structures and improvements.....	40
Other general plant .....	5-20
Water System:	
Source of supply plant .....	25-50
Pumping plant.....	35
Water treatment plant .....	40-50
Transmission and distribution plant.....	25-50
General plant:	
Structures and improvements .....	35
Other general plant .....	10-35
Pollution Control System:	
Collection plant.....	35-50
Pumping plant:	
Structures and improvements .....	50
Pumping equipment .....	25
Treatment and disposal plant.....	25-40
General plant .....	10-50
Common Plant:	
Structures and improvements .....	35
Other general plant .....	5-15
Water Reuse System:	
Structures and improvements .....	50
Transmission and distribution plant.....	50
Communications System:	
Structures and improvements .....	30
Other general plant .....	5-20

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

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

September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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**Nuclear Plant Decommissioning and Dismantlement 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 are amortized on a straight-line basis over the remaining period of the nuclear plant's operating license and are included in depreciation and amortization expense.

**Compensated Absences:** A current liability is recorded and recognized under the classification of accrued liabilities for that portion of employee payroll costs paid subsequent to year-end and attributable to services performed prior to year-end. The balance of compensated absences that will be payable beyond one year are reported as deferred compensated absences under the classification of other liabilities. Employees earn annual personal leave time (includes vacation, sick and personal leave time) at the rate of 160 hours to 240 hours per fiscal year, depending of the number of years of service, measured on the anniversary date, which is October 1 for all employees. Employees are required to use 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 year fiscal year is 480 hours. Employees with accrued personal leave time over this amount at year-end are paid for all hours in excess of 240 hours or 480 hours, depending on employee election. Payments for any excess hours are made in December of each year based on the employee's regular straight time pay-rate as of the preceding year end.

**Operating Reserve (for Nuclear Re-Fueling costs):** The reserve for nuclear re-fueling and maintenance outage is an operating reserve established to account for estimated charges to be incurred for removal and installation of nuclear fuel assemblies. Charges are made to the reserve when actual re-fueling takes place.

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

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

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.

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

September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

**NOTE 2 – CASH DEPOSITS AND INVESTMENTS**

As of September 30, 2007, the Commission had the following deposits and investments:

Deposits	Carrying Amount	Bank Balance
Insured (FDIC).....	\$ 6,292,056	\$ 6,951,296
Uninsured and uncollateralized.....	--	--
Cash funds.....	<u>11,926</u>	<u>11,926</u>
Total deposits.....	\$ <u>6,303,982</u>	\$ <u>6,963,222</u>

Investments	Carrying Value	Fair Value	Maturities	Credit Rating
Repurchase agreements.....	<u>12,756,906</u>	<u>12,756,906</u>	3 months or less	N/A
Total investments.....	\$ <u>12,756,906</u>	<u>12,756,906</u>		

***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 these provisions the Commission had identified the following permissible investments:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act,
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency,
- Interest-bearing time deposits and savings accounts in qualified public depositories,
- Direct obligations of the U.S. Treasury

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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

The Commission specifically refrains from investing in derivative investment products.

As of September 30, 2007 the Commission's only investments were in the form of repurchase agreements. Credit ratings do not apply to the securities underlying the repurchase agreements, which are invested in U.S. government securities guaranteed by the U.S. government.

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

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

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

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

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

September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

At September 30, 2007, the carrying amount of the Utilities Commission's deposits, including money market funds held with financial institutions, was \$6,303,982 and the September 30, 2007 bank balances totaled \$6,951,296, of which \$105,940 was covered by federal depository insurance, \$6,845,356 was secured in accordance with the statutory provisions of the Act. As of September 30, 2007 there were no deposits held in unsecured, uncollateralized money market mutual funds. Included in the carrying amount of Utilities Commission deposits is \$11,926 in petty cash and change funds.

***Custodial Credit Risk – Investments***

For an investment, this is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2007 the Commission has custodial credit risk exposure of \$12,756,906 for investments in repurchase agreements, since these investments are uninsured, unregistered and held by the Commission's bank's securities department who are also the counterparty for these particular securities.

**NOTE 3 – RESTRICTED ASSETS**

Certain cash and investments are externally restricted by revenue certificate resolutions, nuclear generation facility decommissioning trusts and customer agreements. The Utilities Commission's restricted assets consist of debt service funds, a nuclear plant decommissioning fund, restricted renewal and replacement funds consisting of service capacity fees charged to developers, and customer deposits. The balances for the years ending September 30, 2007 and 2006 are as follows:

	September 30,	
	2007	2006
Revenue certificate covenant funds:		
Debt service and related funds:		
Principal and interest funds .....	\$ 5,716,175	5,588,270
Debt service reserve funds.....	<u>539,839</u>	<u>539,839</u>
	6,256,014	6,128,109
Renewal and replacement funds.....	<u>6,688,885</u>	<u>7,529,244</u>
Total revenue certificate covenant funds.....	12,944,899	13,657,353
Nuclear generation facility decommissioning funds.....	3,389,877	3,118,284
Renewal and replacement service capacity fee funds .....	3,315,754	6,293,735
Developer infrastructure escrow .....	1,064,511	57,130
Customer deposits .....	<u>1,903,590</u>	<u>1,760,629</u>
Total restricted assets .....	<u>\$ 22,618,631</u>	<u>24,887,131</u>
Total restricted assets consist of:		
Cash and cash equivalents .....	\$ 22,603,729	22,850,394
Investments, at cost .....	--	2,000,000
Accrued interest receivable .....	<u>14,902</u>	<u>36,737</u>
Total restricted funds .....	<u>\$ 22,618,631</u>	<u>24,887,131</u>

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

September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

**NOTE 4 – ACCOUNTS RECEIVABLE**

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

	September 30,	
	2007	2006
Accounts receivable.....	\$ 8,918,805	8,235,108
Reserve for uncollectible accounts .....	<u>(4,248,608)</u>	<u>(4,448,432)</u>
Total accounts receivable, net .....	<u>\$ 4,670,197</u>	<u>3,786,676</u>

**NOTE 5 – UTILITY PLANT**

A summary of utility plant at September 30, 2007 and 2006 is as follows:

	Electric	Water	Wastewater and Water Reuse	Common	Communications	Total September 30, 2007
Land and land rights .....	\$ 1,679,978	483,946	364,167	743,588	--	3,271,679
Structures and improvements .....	2,662,226	5,407,352	13,288,860	2,658,172	334,916	24,351,526
Production and treatment plant.....	25,230,070	7,020,750	14,135,543	--	--	46,386,363
Transmission, distribution, and collection and treatment plant.....	53,756,830	33,967,453	37,747,261	--	--	125,471,544
Other general plant and equipment.....	<u>3,083,597</u>	<u>1,484,112</u>	<u>2,424,576</u>	<u>5,013,449</u>	<u>2,427,955</u>	<u>14,433,689</u>
	86,412,701	48,363,613	67,960,407	8,415,209	2,762,871	213,914,801
Accumulated depreciation .....	(45,946,627)	(16,084,784)	(17,830,696)	(4,570,906)	(441,646)	(84,874,659)
Allowance for decommissioning .....	<u>(3,389,877)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(3,389,877)</u>
	37,076,197	32,278,829	50,129,711	3,844,303	2,321,225	125,650,265
Construction in progress .....	4,031,258	612,609	1,415,835	675,955	--	6,735,657
Plant held for future use.....	7,467,493	--	--	--	--	7,467,493
Nuclear fuel, net of amortization.....	<u>319,632</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>319,632</u>
Utility plant, net .....	<u>\$ 48,894,580</u>	<u>32,891,438</u>	<u>51,545,546</u>	<u>4,520,258</u>	<u>2,321,225</u>	<u>140,173,047</u>

	Electric	Water	Wastewater and Water Reuse	Common	Communications	Total September 30, 2006
Land and land rights .....	\$ 1,679,978	483,946	364,167	743,588	--	3,271,679
Structures and improvements .....	2,641,365	5,323,752	9,975,009	2,646,816	334,916	20,921,858
Production and treatment plant.....	24,905,740	6,754,029	13,924,382	--	--	45,584,151
Transmission, distribution, and collection and treatment plant.....	50,837,118	28,814,725	31,805,678	--	--	111,457,521
Other general plant and equipment.....	<u>2,610,120</u>	<u>1,378,641</u>	<u>2,105,666</u>	<u>5,002,248</u>	<u>2,427,955</u>	<u>13,524,630</u>
	82,674,321	42,755,093	58,174,902	8,392,652	2,762,871	194,759,839
Accumulated depreciation .....	(43,466,474)	(15,037,051)	(16,204,708)	(4,682,604)	(220,826)	(79,611,663)
Allowance for decommissioning .....	<u>(3,118,284)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(3,118,284)</u>
	36,089,563	27,718,042	41,970,194	3,710,048	2,542,045	112,029,892
Construction in progress .....	2,993,379	1,434,821	1,420,374	590,785	--	6,439,359
Plant held for future use.....	7,467,493	--	--	--	--	7,467,493
Nuclear fuel, net of amortization.....	<u>184,459</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>184,459</u>
Utility plant, net .....	<u>\$ 46,734,894</u>	<u>29,152,863</u>	<u>43,390,568</u>	<u>4,300,833</u>	<u>2,542,045</u>	<u>126,121,203</u>

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

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UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Depreciation expense totaled \$6,037,349 and \$5,558,449 for 2007 and 2006, respectively. There were no capitalized interest costs associated with expansion and improvements made to utility plant for the fiscal years ended September 30, 2007 and 2006.

A summary of capital assets activity for the year ended September 30, 2007 is as follows:

	Beginning of Year	Acquisitions	Disposals	End of Year
Capital assets, not being depreciated:				
Land and land rights.....	\$ 3,271,679	--	--	3,271,679
Construction in progress .....	6,439,359	10,176,338	(9,880,040)	6,735,657
Plant held for future use .....	7,467,493	--	--	7,467,493
Nuclear fuel, net of amortization.....	<u>184,459</u>	<u>280,853</u>	<u>(145,680)</u>	<u>319,632</u>
Total capital assets, not being depreciated .....	<u>17,362,990</u>	<u>10,457,191</u>	<u>(10,025,720)</u>	<u>17,794,461</u>
Capital assets, being depreciated:				
Structures and improvements .....	20,921,858	3,429,668	--	24,351,526
Production and treatment plant .....	45,584,151	815,122	(12,910)	46,386,363
Transmission, distribution, and collection and treatment plant .....	111,457,521	14,314,701	(300,678)	125,471,544
Other general plant and equipment .....	<u>13,524,630</u>	<u>1,485,205</u>	<u>(576,146)</u>	<u>14,433,689</u>
	<u>191,488,160</u>	<u>20,044,696</u>	<u>(889,734)</u>	<u>210,643,122</u>
Less accumulated depreciation for:				
Structures and improvements .....	(7,313,792)	(515,754)	--	(7,829,546)
Production and treatment plant .....	(17,886,636)	(1,421,431)	12,910	(19,295,157)
Transmission, distribution, and collection and treatment plant .....	(46,384,028)	(3,043,297)	213,978	(49,213,347)
Other general plant and equipment .....	<u>(8,027,207)</u>	<u>(1,056,867)</u>	<u>547,465</u>	<u>(8,536,609)</u>
Total accumulated depreciation .....	<u>(79,611,663)</u>	<u>(6,037,349)</u>	<u>774,353</u>	<u>(84,874,659)</u>
Allowance for decommissioning.....	<u>(3,118,284)</u>	<u>(271,593)</u>	<u>--</u>	<u>(3,389,877)</u>
Total capital assets, being depreciated, net .....	<u>108,758,213</u>	<u>13,735,754</u>	<u>(115,381)</u>	<u>122,378,586</u>
Total capital assets, net .....	<u>\$ 126,121,203</u>	<u>24,192,945</u>	<u>(10,141,101)</u>	<u>140,173,047</u>

**NOTE 6 – DECOMMISSIONING AND DISMANTLEMENT PROVISIONS**

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

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

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New Smyrna Beach, Florida

Decommissioning cost provisions, which are included in depreciation and amortization expense, were \$271,593 and \$232,547 for the years ended September 30, 2007 and 2006, respectively. Accumulated decommissioning costs, which are included in accumulated depreciation, were \$3,389,877 and \$3,118,284 at September 30, 2007 and 2006, respectively. These costs include amounts retained internally in decommissioning trusts. Trust earnings increase the trust balance with a corresponding increase in the accumulated decommissioning balance. These balances are adjusted for net unrealized gains and losses related to changes in the fair value of trust assets. The decommissioning costs and the related liability included in accumulated depreciation are reported in conformity with FASB Statement No. 143, *Accounting for Asset Retirement Obligations*.

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 costs of decommissioning.

**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, 2007 and 2006:

	September 30,	
	2007	2006
Invested in utility plant, net of related debt:		
Net utility plant.....	\$ 140,173,047	126,121,203
Add: Funds restricted for future decommissioning costs.....	3,389,877	3,118,284
Less: Revenue certificates payable (net) .....	(34,320,704)	(37,603,839)
Notes payable (net) .....	<u>(30,209,339)</u>	<u>(32,007,552)</u>
	<u>79,032,881</u>	<u>59,628,096</u>
Restricted for debt service:		
Funds restricted for debt service sinking fund purposes .....	5,716,175	5,588,270
Funds restricted for debt service reserve purposes.....	<u>539,839</u>	<u>539,839</u>
	<u>6,256,014</u>	<u>6,128,109</u>
Restricted for renewal and replacement:		
Funds legally restricted for renewal and replacement .....	<u>3,315,754</u>	<u>6,293,735</u>
Total net assets invested and restricted .....	88,604,649	72,049,940
Unrestricted net assets .....	<u>10,825,538</u>	<u>11,282,197</u>
Total net assets .....	\$ <u>99,430,187</u>	<u>83,332,137</u>

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

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

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UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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deducting from the gross revenues a sum equal to 100% of the fuel and purchased power expenses incurred by the Electric system in the second preceding fiscal year. The moneys in the Renewal and Replacement Fund can be used to pay the cost of extensions or improvements to the combined utility system, emergency repairs to the combined system, and if necessary, for operating expenses. If not needed for these purposes, the moneys in the Renewal and Replacement Fund may also be used for any lawful purpose.

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

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

**NOTE 8 – LONG-TERM DEBT**

A summary of long-term debt outstanding at September 30, 2007 and 2006 is as follows:

	September 30,	
	2007	2006
Utilities System Refunding Revenue Certificates, Series 1993 4.75% due serially to 2011; called for redemption on October 1, 2002, with \$1,245,000 (5.00%) and \$1,285,000 (5.00%) term bonds due in 2018 and 2019, respectively .....	\$ 2,530,000	2,530,000
Utilities System Refunding Revenue Certificates, Series 2002 2.75% to 5.00% due serially to 2017.....	30,600,000	33,520,000
Utilities System Refunding Revenue Certificates, Series 2004A 2.895% due serially to 2011 .....	<u>1,765,000</u>	<u>2,345,000</u>
Total utilities revenue certificates outstanding.....	<u>34,895,000</u>	<u>38,395,000</u>
Less current maturities:		
Series 1993 Certificates.....	--	--
Series 2002 Certificates.....	(3,010,000)	(2,920,000)
Series 2004A Certificates.....	<u>(300,000)</u>	<u>(290,000)</u>
	<u>(3,310,000)</u>	<u>(3,210,000)</u>
Long-term certificate debt.....	31,585,000	35,185,000

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

September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	September 30,	
	2007	2006
Plus: unamortized debt premium .....	\$ 295,367	409,365
Less: deferred amount on advance refunding .....	(819,602)	(1,146,116)
unamortized debt discount .....	<u>(50,061)</u>	<u>(54,411)</u>
Net long-term certificate debt .....	<u>31,010,704</u>	<u>34,393,838</u>
Notes Payable:		
State Revolving Fund Loan		
Construction loans consisting of \$8,521,618, bearing interest at 3.22% per annum, \$1,778,378, bearing interest at 3.18% per annum, and \$7,135,931 bearing interest at 3.11% per annum; payable in equal semi-annual payments of \$639,359, and maturing in August, 2019 .....	12,680,339	13,536,553
\$12,200,000 payable to Florida Municipal Power Agency, as agent for Initial Pooled Loan Project, at a variable interest rate; interest payable monthly with annual principal payments over 20 year term; repayment commencing on April 1, 2001 and maturing in April 2020 .....	9,215,000	9,700,000
\$3,000,000 payable to Florida Municipal Power Agency, as agent for Initial Pooled Loan Project, at a variable interest rate; interest payable monthly with annual principal payments over 20 year term; repayment commencing on October 1, 2001 and maturing in October 2020.....	2,301,000	2,418,000
\$9,050,000 payable to Florida Municipal Power Agency, as agent for Initial Pooled Loan Project, at a variable interest rate; interest payable monthly with annual principal payments over 20 year term; repayment commencing on December 1, 2001 and maturing in December 2020 .....	<u>6,013,000</u>	<u>6,353,000</u>
Total notes payable .....	<u>30,209,339</u>	<u>32,007,553</u>
Less current maturities:		
State Revolving Fund Loan.....	(883,578)	(856,214)
FMPA Pooled loans .....	<u>(994,000)</u>	<u>(942,000)</u>
	<u>(1,877,578)</u>	<u>(1,798,214)</u>
Long-term portion of note payable .....	<u>28,331,761</u>	<u>30,209,339</u>
Total long-term debt, net.....	<u>\$ 59,342,465</u>	<u>64,603,177</u>

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

September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

A summary of borrowings and debt service activity for the year ended September 30, 2007 is as follows:

	Beginning of Year	Borrowings	Maturities / Redemptions	End of Year
Utilities revenue certificates .....	\$ 38,395,000	--	(3,500,000)	34,895,000
Notes payable .....	<u>32,007,553</u>	<u>--</u>	<u>(1,798,214)</u>	<u>30,209,339</u>
Total outstanding debt .....	\$ <u>70,402,553</u>	<u>--</u>	<u>(5,298,214)</u>	<u>65,104,339</u>

The authorization for the above described revenue certificates outstanding (collectively referred to as the "Certificates") provides that the Utilities Commission will not issue additional obligations except for the construction and acquisition of additions, extensions and improvements to the system or for refunding purposes and except upon the parity conditions provided in the authorizing resolution. The Certificates are payable from and secured by a first lien upon and pledge of the net revenues derived from the operation of the system. The Certificates do not constitute general indebtedness of the Utilities Commission or the City of New Smyrna Beach, Florida (the "City"), and the City is not obligated to levy any taxes for the payment thereof.

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

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

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

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

September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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

Fiscal Year Ending September 30,	Revenue Certificates		Note Payable SRF Loan		Notes Payable FMPA		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008 .....	\$ 3,310,000	1,412,466	883,578	395,140	994,000	675,318	5,187,578	2,482,924
2009 .....	\$ 3,700,000	1,300,573	911,816	366,903	1,041,000	630,385	5,652,816	2,297,861
2010 .....	\$ 3,820,000	1,179,077	940,956	337,762	1,103,000	583,128	5,863,956	2,099,967
2011 .....	\$ 3,745,000	1,046,312	971,031	307,687	1,156,000	533,582	5,872,031	1,887,581
2012 .....	\$ 3,970,000	878,742	1,002,065	276,653	1,215,000	481,320	6,187,065	1,636,715
2013-2017.....	\$ 12,630,000	1,894,149	5,511,703	881,890	7,169,000	1,710,345	25,310,703	4,486,384
2018-2022.....	\$ 3,720,000	280,031	2,459,189	98,245	4,851,000	326,025	11,030,189	704,301

**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, 2007 all prior year defeased bonds have been called and redeemed.

**NOTE 10 – COMPENSATED ABSENCES**

Compensated absences due and payable within one-year are reported in the caption accrued liabilities amounted to \$457,680 and \$420,601 as of September 30, 2007 and 2006, 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, 2007 are as follows:

	Beginning of Year	Additions	Deletions	End of Year
Due and payable within one year .....	\$ 420,601	65,977	(28,898)	457,680
Deferred portion .....	<u>420,601</u>	<u>65,977</u>	<u>(28,898)</u>	<u>457,680</u>
Total compensated absences.....	\$ <u>841,202</u>	<u>131,954</u>	<u>(57,796)</u>	<u>915,360</u>

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

September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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**NOTE 11 – REQUIRED PAYMENT TO CITY**

The legislation that created the Utilities Commission requires it to pay to the general fund of the City of New Smyrna Beach a sum equal to six percent (6%) of the gross revenues from utilities under Utilities Commission control. This payment is subordinate to the debt service requirement of all utilities revenue certificates and is recorded as a quasi-external transaction for financial reporting purposes. Amounts paid to the City for the years ended September 30, 2007 and 2006 totaled \$3,670,560 and \$3,665,315, respectively. The balances due to the City at September 30, 2007 and 2006, totaled \$395,008 and \$699,096, respectively.

**NOTE 12 – EMPLOYEE PENSION PLANS**

**A. Defined Benefit Pension Plan**

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

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

The Utilities Commission made the required contributions to the plan for the fiscal years ended September 30, 2007, 2006, and 2005, as follows: \$345,008, \$326,802, and \$315,848, respectively. The employer contribution rates for FRS members (which are examined and amended each year on July 1<sup>st</sup>) were as follows:

Plan year beginning June 30, 2006 .....	9.85%
Plan year beginning June 30, 2005 .....	9.85%
Plan year beginning June 30, 2004 .....	7.83%

There were no employee contributions made during these years.

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

September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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### **B. Defined Contribution Plan**

The Utilities Commission contributes to the Utilities Commission of New Smyrna Beach Retirement Plan, a defined contribution plan administered by the Principal Mutual Life Insurance Company, P. O. Box 9396, Des Moines, IA 50306-9396. Under Resolution No. 54-95, the Utilities Commission established this plan for all regular full time and regular part time employees hired on or after January 1, 1996, by revoking its participation in the Florida Retirement System pursuant to Chapter 95-338, Laws of Florida with respect to such employees. All qualifying employees at least 18 years of age participate in the plan on the date of employment. Normal retirement and disability benefits are available after 5 years of service and attaining age 62. Early retirement and disability benefits are available after 5 years of service and attaining age 55. Employer contributions to the plan are 8% of the gross employee wages. Employees may make supplemental contributions to the extent permitted by law. Employer contributions to the plan were \$341,195, \$337,595, and \$306,742, for the years ended September 30, 2007, 2006, and 2005, respectively. There were no employee contributions made during these years.

Pursuant to a contract of employment the Utilities Commission offers its current General Manager/Chief Executive Officer participation in the Utilities Commission of New Smyrna Beach Retirement Plan, the same defined contribution plan administered by the Principal Mutual Life Insurance Company. Employer contributions to the plan are 16% of the CEO's gross salary. The CEO may make supplemental contributions to plan to the extent permitted by law. Employer contributions to the plan for the year ended September 30, 2007 were \$31,181. There were no employee contributions made during the year.

## **NOTE 13 – DEFERRED EMPLOYEE BENEFITS**

### **A. IRC Section 401(k) Plan**

The Utilities Commission had previously offered its former Chief Executive Officer participation in a Prototype 401(k) Plan, created in accordance with Sections 401(a) and 401(k) of the Internal Revenue Code. The assets of the prototype deferred compensation plan were administered by the International City Managers Association Retirement Corporation. For the years ended September 30, 2007, 2006 and 2005, the Utilities Commission's covered payroll was \$ -0-, \$ -0- and \$85,122 respectively. For the years ended September 30, 2007, 2006 and 2005, employer contributions were \$ -0-, \$ -0- and \$29,419, respectively. For the years ended September 30, 2006, 2005 and 2004, employee contributions to the plan were \$ -0-, \$-0- and \$8,947, respectively.

### **B. IRC Section 457 Plan**

The Utilities Commission also provides its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of this plan are administered by the International City Managers Association Retirement Corporation. Annual contributions, determined by the participant, may not exceed the lesser of \$15,500 or 100% of gross annual compensation for plan years beginning in 2007. 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.

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

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UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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**NOTE 14 – DEPARTMENTAL INFORMATION**

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

	Electric System	Water System	Wastewater System	Internet System	Communications System	Total
Operating revenue.....	\$ 44,859,651	6,886,217	7,454,527	275,747	--	59,476,142
Depreciation/decommissioning .....	3,199,246	1,159,578	1,729,295	--	220,823	6,308,942
Required payments to City .....	2,802,272	406,428	445,750	16,110	--	3,670,560
Operating income (loss).....	3,900,015	754,065	1,175,127	(53,173)	(220,823)	5,555,211
Income (loss) before contributions and transfers .....	3,274,290	485,496	519,731	(53,173)	(166,291)	4,060,053
Capital contributions.....	255,133	4,510,319	7,272,545	--	--	12,037,997
Change in net assets.....	3,529,423	4,995,815	7,792,276	(53,173)	(166,291)	16,098,050
Utility plant acquisitions.....	4,355,912	5,762,416	9,926,407	--	--	20,044,735
Utility plant retirements.....	606,018	148,032	135,714	--	--	889,764
Revenue certificates payable .....	17,353,091	9,892,887	7,649,022	--	--	34,895,000
Notes payable.....	15,228,000	1,012,440	13,968,899	--	--	30,209,339
Net assets.....	40,950,667	33,560,827	34,894,600	(53,173)	(9,922,734)	99,430,187
Total assets.....	76,329,371	40,791,408	57,663,458	--	2,342,209	177,126,446

**NOTE 15 – LEGAL MATTERS**

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

**NOTE 16 – COMMITMENTS**

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

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

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

September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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of these agreements, the Utilities Commission is obligated to provide payments of approximately \$3.0 million annually.

As of September 30, 2007, the Utilities Commission had additional unrecognized construction contract commitments of approximately \$7.5 million for utility plant expansion and upgrading.

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

**NOTE 17 – SUBSEQUENT EVENTS**

On November 13, 2007 the Utilities Commission adopted Resolution 9-07, authorizing the issuance of debt to finance certain water system capital improvements, resulting in the subsequent issuance of \$10 million in Utilities System Revenue Certificate, Series 2007 on December 18, 2007. The proceeds from this issue will be used to finance approximately 77% of the total costs for reconstruction of the Smith Street Pump Station, improvements to the Glencoe Water Treatment Plant generator and switchgear, and reconstruction of the Third Avenue Pump Station. The Certificate constitutes an Additional Parity Obligation, as defined under Resolution No. 28-78, as amended, and is payable from and secured by a first lien upon and pledge of the net revenues derived from the operation of the system. The Certificate does not constitute general indebtedness of the Utilities Commission or the City of New Smyrna Beach, Florida (the "City"), and the City is not obligated to levy any taxes for the payment thereof.



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## ***SUPPLEMENTAL INFORMATION***

*THIS SECTION IS COMPOSED OF THE FOLLOWING:*

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

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

***STATISTICAL SECTION***

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

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

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

For the Fiscal Year Ended September 30, 2007

With Comparative Actual Amounts for the Fiscal Year Ended September 30, 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Electric	Water
Operating Revenue:		
Sales.....	\$ 44,552,582	6,659,160
Other revenues.....	<u>307,069</u>	<u>227,057</u>
Total operating revenue.....	<u>44,859,651</u>	<u>6,886,217</u>
Operating Expenses:		
Purchased power and fuel expenses.....	24,043,491	-
Other production expenses.....	4,443,815	1,834,875
Transmission, distribution, and sewage collection and treatment.....	2,435,207	894,258
Customer accounting.....	573,135	253,160
Administrative and general.....	3,462,470	1,583,853
Required payments to City of New Smyrna Beach.....	2,802,272	406,428
Depreciation and decommissioning.....	<u>3,199,246</u>	<u>1,159,578</u>
Total operating expenses.....	<u>40,959,636</u>	<u>6,132,152</u>
Operating income.....	<u>3,900,015</u>	<u>754,065</u>
Nonoperating Revenue (Expenses):		
Interest earnings.....	592,038	200,319
Other income.....	548,859	115,031
Interest and debt expense.....	(1,520,660)	(539,478)
Other expenses.....	(144,592)	(36,942)
Gain (loss) on disposal of assets.....	<u>(101,370)</u>	<u>(7,499)</u>
Total nonoperating revenue (expenses).....	<u>(625,725)</u>	<u>(268,569)</u>
Income (loss) before contributions and transfers.....	<u>3,274,290</u>	<u>485,496</u>
Capital contributions.....	<u>255,133</u>	<u>4,510,319</u>
Change in net assets.....	3,529,423	4,995,815
Net assets, beginning of year.....	<u>37,421,244</u>	<u>28,565,012</u>
Net assets, end of year.....	<u>\$ 40,950,667</u>	<u>33,560,827</u>

**Schedule 1**

Wastewater	Internet	Communications	Totals	
			2007	2006
7,394,534	275,747	-	58,882,023	63,246,281
<u>59,993</u>	<u>-</u>	<u>-</u>	<u>594,119</u>	<u>704,082</u>
<u>7,454,527</u>	<u>275,747</u>	<u>-</u>	<u>59,476,142</u>	<u>63,950,363</u>
-	-	-	24,043,491	24,854,589
-	-	-	6,278,690	10,042,297
2,436,807	-	-	5,766,272	5,187,372
231,484	-	-	1,057,779	2,202,317
1,436,064	312,810	-	6,795,197	7,947,091
445,750	16,110	-	3,670,560	3,665,315
<u>1,729,295</u>	<u>-</u>	<u>220,823</u>	<u>6,308,942</u>	<u>5,790,996</u>
<u>6,279,400</u>	<u>328,920</u>	<u>220,823</u>	<u>53,920,931</u>	<u>59,689,977</u>
<u>1,175,127</u>	<u>(53,173)</u>	<u>(220,823)</u>	<u>5,555,211</u>	<u>4,260,386</u>
166,414	-	-	958,771	1,024,376
73,872	-	54,532	792,294	901,493
(879,003)	-	-	(2,939,141)	(3,075,803)
(10,046)	-	-	(191,580)	(210,748)
<u>(6,633)</u>	<u>-</u>	<u>-</u>	<u>(115,502)</u>	<u>(9,814)</u>
<u>(655,396)</u>	<u>-</u>	<u>54,532</u>	<u>(1,495,158)</u>	<u>(1,370,496)</u>
<u>519,731</u>	<u>(53,173)</u>	<u>(166,291)</u>	<u>4,060,053</u>	<u>2,889,890</u>
<u>7,272,545</u>	<u>-</u>	<u>-</u>	<u>12,037,997</u>	<u>7,522,464</u>
7,792,276	(53,173)	(166,291)	16,098,050	10,412,354
<u>27,102,324</u>	<u>-</u>	<u>(9,756,443)</u>	<u>83,332,137</u>	<u>72,919,783</u>
<u>34,894,600</u>	<u>(53,173)</u>	<u>(9,922,734)</u>	<u>99,430,187</u>	<u>83,332,137</u>

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS -  
BUDGET AND ACTUAL - ELECTRIC SYSTEM (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended September 30, 2007  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

**Schedule 2**

	Final Budget	Actual	Variance
<b>Revenue and Receipts:</b>			
Direct Sales:			
Electric sales.....	\$ 40,057,724	44,552,582	4,494,858
Other revenues.....	301,350	307,069	5,719
Nonoperating revenue (expenses):			
Interest earnings.....	307,500	592,038	284,538
Other revenues (expenses).....	358,000	404,267	46,267
Capital contributions.....	-	255,133	255,133
	<u>41,024,574</u>	<u>46,111,089</u>	<u>5,086,515</u>
<b>Operating Expenses:</b>			
Purchased power and fuel expenses.....	22,017,430	24,043,491	(2,026,061)
Power production.....	5,065,676	4,443,815	621,861
Transmission and distribution.....	2,161,966	2,435,207	(273,241)
Customer accounting.....	552,781	573,135	(20,354)
Administrative and general.....	4,185,377	3,462,470	722,907
Required payments to the City of New Smyrna Beach.....	2,424,679	2,802,272	(377,593)
Decommissioning expense.....	149,509	271,593	(122,084)
	<u>36,557,418</u>	<u>38,031,983</u>	<u>(1,474,565)</u>
Net revenue and receipts.....	<u>4,467,156</u>	<u>8,079,106</u>	<u>3,611,950</u>
<b>Operating Transfers In (Out):</b>			
Infrastructure fees.....	1,316,467	-	(1,316,467)
Bond/loan proceeds.....	8,800,000	-	(8,800,000)
Sinking Fund - 1993 Certificates.....	(67,412)	(67,412)	-
Sinking Fund - 2002 Certificates.....	(2,124,482)	(2,124,482)	-
Sinking Fund - 2004A Certificates.....	(305,045)	(305,392)	(347)
Debt Reduction Fund - required contribution.....	(119,816)	(119,816)	-
Sinking Fund - FMPA Pooled Loans.....	(1,580,888)	(1,509,089)	71,799
Renewal and Replacement Funds.....	<u>(10,385,980)</u>	<u>(3,660,130)</u>	<u>6,725,850</u>
	<u>(4,467,156)</u>	<u>(7,786,321)</u>	<u>(3,319,165)</u>
Budgeted net cash receipts.....	<u>\$ -</u>	292,785	<u>292,785</u>
<b>Reconciliation of Net Cash Receipts to Net Income (GAAP):</b>			
Principal portion of required Sinking Fund transfers.....		2,621,086	
Net transfers to Renewal and Replacement Fund.....		3,660,130	
Net transfers to Debt Reduction Fund.....		119,816	
Gain (loss) on disposal of property and equipment.....		(101,370)	
Depreciation.....		(2,927,653)	
Amortization of debt expense and loss on refunding.....		<u>(135,371)</u>	
Change in net assets.....		<u>\$ 3,529,423</u>	

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS -  
 BUDGET AND ACTUAL - WATER SYSTEM (NON-GAAP BUDGETARY BASIS)**  
 For the Fiscal Year Ended September 30, 2007  
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
 New Smyrna Beach, Florida

**Schedule 3**

	Final Budget	Actual	Variance
<b>Revenue and Receipts:</b>			
Direct Sales:			
Water sales.....	\$ 6,450,700	6,659,160	208,460
Other revenues.....	226,525	227,057	532
Nonoperating revenue (expenses):			
Interest earnings.....	102,500	200,319	97,819
Other revenues (expenses).....	83,000	78,089	(4,911)
Capital contributions.....	<u>2,038,750</u>	<u>1,040,421</u>	<u>(998,329)</u>
	<u>8,901,475</u>	<u>8,205,046</u>	<u>(696,429)</u>
<b>Operating Expenses:</b>			
Water production.....	1,601,587	1,834,875	(233,288)
Transmission and distribution.....	659,291	894,258	(234,967)
Customer accounting.....	281,810	253,160	28,650
Administrative and general.....	2,057,992	1,583,853	474,139
Required payments to the City of New Smyrna Beach.....	<u>398,997</u>	<u>406,428</u>	<u>(7,431)</u>
	<u>4,999,677</u>	<u>4,972,574</u>	<u>27,103</u>
Net revenue and receipts.....	<u>3,901,798</u>	<u>3,232,472</u>	<u>(669,326)</u>
<b>Operating Transfers In (Out):</b>			
Infrastructure fees.....	2,449,431	-	(2,449,431)
Bond/loan proceeds.....	5,200,000	-	(5,200,000)
Sinking Fund - 1993 Certificates.....	(43,592)	(43,592)	-
Sinking Fund - 2002 Certificates.....	(1,183,316)	(1,183,316)	-
Sinking Fund - 2004A Certificates.....	(208,749)	(208,987)	(238)
Debt Reduction Fund - required contribution.....	(66,736)	(66,736)	-
Sinking Fund - FMPA Pooled Loans.....	(99,356)	(96,238)	3,118
Renewal and Replacement Funds - required contribution....	(9,949,480)	(35,142)	9,914,338
Renewal and Replacement Funds - restricted contribution...	<u>-</u>	<u>(604,603)</u>	<u>(604,603)</u>
	<u>(3,901,798)</u>	<u>(2,238,614)</u>	<u>1,663,184</u>
Budgeted net cash receipts.....	<u>\$ -</u>	<u>993,858</u>	<u>993,858</u>
<b>Reconciliation of Net Cash Receipts to Net Income (GAAP):</b>			
Principal portion of required Sinking Fund transfers.....		1,070,636	
Non-cash capital contributions.....		3,469,898	
Net transfers to Renewal and Replacement Fund.....		639,745	
Net transfers to Debt Reduction Fund.....		66,736	
Gain (loss) on disposal of property and equipment.....		(7,499)	
Depreciation.....		(1,159,578)	
Amortization of debt expense and loss on refunding.....		<u>(77,981)</u>	
Change in net assets.....		<u>\$ 4,995,815</u>	

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

**Schedule 4**

For the Fiscal Year Ended September 30, 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Final Budget	Actual	Variance
<b>Revenue and Receipts:</b>			
Direct Sales:			
Wastewater sales.....	\$ 7,368,700	7,394,534	25,834
Other revenues.....	62,525	59,993	(2,532)
Nonoperating revenue (expenses):			
Interest earnings.....	66,625	166,414	99,789
Other revenues (expenses).....	45,220	63,826	18,606
Capital contributions.....	<u>2,038,750</u>	<u>585,572</u>	<u>(1,453,178)</u>
	<u>9,581,820</u>	<u>8,270,339</u>	<u>(1,311,481)</u>
<b>Operating Expenses:</b>			
Collection and treatment system.....	2,146,049	2,436,807	(290,758)
Customer accounting.....	249,293	231,484	17,809
Administrative and general.....	1,868,669	1,436,064	432,605
Required payments to the City of New Smyrna Beach.....	<u>442,799</u>	<u>445,750</u>	<u>(2,951)</u>
	<u>4,706,810</u>	<u>4,550,105</u>	<u>156,705</u>
Net revenue and receipts.....	<u>4,875,010</u>	<u>3,720,234</u>	<u>(1,154,776)</u>
<b>Operating Transfers In (Out):</b>			
Infrastructure fees.....	1,558,278	-	(1,558,278)
Bond/loan proceeds.....	1,000,000	-	(1,000,000)
Sinking Fund - 1993 Certificates.....	(15,496)	(15,496)	-
Sinking Fund - 2002 Certificates.....	(978,025)	(978,025)	-
Sinking Fund - 2004A Certificates.....	(129,897)	(130,045)	(148)
Debt Reduction Fund - required contribution.....	(55,158)	(55,158)	-
Sinking Fund - FMPA Pooled Loans.....	(126,454)	(122,484)	3,970
Sinking Fund - State Revolving Fund Loan.....	(1,278,718)	(1,279,821)	(1,103)
Renewal and Replacement Funds - required contribution....	(4,849,540)	21,937	4,871,477
Renewal and Replacement Funds - restricted contribution...	<u>-</u>	<u>(585,572)</u>	<u>(585,572)</u>
	<u>(4,875,010)</u>	<u>(3,144,664)</u>	<u>1,730,346</u>
Budgeted net cash receipts.....	<u>\$ -</u>	575,570	<u>575,570</u>
<b>Reconciliation of Net Cash Receipts to Net Income (GAAP):</b>			
Principal portion of required Sinking Fund transfers.....		1,730,184	
Non-cash capital contributions.....		6,686,973	
Net transfers to Renewal and Replacement Fund.....		563,635	
Net transfers to Debt Reduction Fund.....		55,158	
Gain (loss) on disposal of property and equipment.....		(6,633)	
Depreciation.....		(1,729,295)	
Amortization of debt expense and loss on refunding.....		<u>(83,316)</u>	
Change in net assets.....		<u>\$ 7,792,276</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, 2007

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Final Budget	Actual	Variance
<b>Revenue and Receipts:</b>			
Direct Sales:			
Internet sales.....	\$ 305,194	275,747	(29,447)
Nonoperating revenue (expenses):			
Other revenues (expenses).....	-	-	-
	<u>305,194</u>	<u>275,747</u>	<u>(29,447)</u>
<b>Operating Expenses:</b>			
Administrative and general.....	395,819	312,810	83,009
Required payments to the City of New Smyrna Beach.....	<u>18,312</u>	<u>16,110</u>	<u>2,202</u>
	<u>414,131</u>	<u>328,920</u>	<u>85,211</u>
Net revenue and receipts.....	<u>(108,937)</u>	<u>(53,173)</u>	<u>55,764</u>
<b>Operating Transfers In (Out):</b>			
Rate Stabilization Fund.....	<u>108,937</u>	-	<u>(108,937)</u>
	<u>108,937</u>	-	<u>(108,937)</u>
Budgeted net cash receipts.....	<u>\$ -</u>	(53,173)	<u>(53,173)</u>
<b>Reconciliation of Net Cash Receipts to Net Income (GAAP):</b>			
Depreciation.....		-	
Change in net assets.....		<u>\$ (53,173)</u>	

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS - Schedule 6**  
**BUDGET AND ACTUAL - COMMUNICATIONS SYSTEM (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended September 30, 2007  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	Final Budget	Actual	Variance
<b>Revenue and Receipts:</b>			
Direct Sales:			
Telephone sales.....	\$ -	-	-
Other revenues.....	-	-	-
Nonoperating revenue (expenses):			
Other revenues (expenses).....	-	<u>54,532</u>	<u>54,532</u>
	<u>-</u>	<u>54,532</u>	<u>54,532</u>
<b>Operating Expenses:</b>			
Production expenses.....	-	-	-
Customer accounting.....	-	-	-
Administrative and general.....	-	-	-
Required payments to the City of New Smyrna Beach.....	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net revenue and receipts.....	<u>-</u>	<u>54,532</u>	<u>54,532</u>
<b>Operating Transfers In (Out):</b>			
Renewal and Replacement Funds - required contribution....	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Budgeted net cash receipts.....	<u>\$ -</u>	<u>54,532</u>	<u>54,532</u>
<b>Reconciliation of Net Cash Receipts to Net Income (GAAP):</b>			
Depreciation.....		<u>(220,823)</u>	
Change in net assets.....		<u>\$ (166,291)</u>	

**SCHEDULE OF OPERATING EXPENSES-  
ELECTRIC SYSTEM**

**Schedule 7**

For the Fiscal Years Ended September 30, 2007 and 2006  
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
 New Smyrna Beach, Florida

	2007	2006
Operating Expenses:		
Purchased power and fuel:		
Nuclear fuel .....	\$ 719,942	695,116
Diesel fuel .....	27,762	61,111
Purchased power .....	<u>23,295,787</u>	<u>24,098,362</u>
	<u>24,043,491</u>	<u>24,854,589</u>
Power production:		
Nuclear power generation .....	3,575,884	3,600,648
Diesel power generation .....	278,746	272,684
System control and load dispatching .....	<u>589,185</u>	<u>559,461</u>
	<u>4,443,815</u>	<u>4,432,793</u>
Transmission and distribution .....	2,435,207	2,242,885
Customer accounting .....	573,135	384,102
Administrative and general .....	3,462,470	2,798,686
Required payments to the City of New Smyrna Beach .....	2,802,272	2,490,845
Depreciation and decommissioning .....	<u>3,199,246</u>	<u>3,017,152</u>
Total operating expenses .....	<u>\$ 40,959,636</u>	<u>40,221,052</u>

**SCHEDULE OF OPERATING EXPENSES-  
WATER SYSTEM**

**Schedule 8**

For the Fiscal Years Ended September 30, 2007 and 2006  
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
 New Smyrna Beach, Florida

	2007	2006
Operating Expenses:		
Water production:		
Source of supply.....	\$ 668,767	579,566
Water treatment.....	<u>1,166,108</u>	<u>1,007,878</u>
	<u>1,834,875</u>	<u>1,587,444</u>
Transmission and distribution.....	894,258	667,497
Customer accounting.....	253,160	196,207
Administrative and general.....	1,583,853	1,412,816
Required payments to the City of New Smyrna Beach.....	406,428	388,093
Depreciation and decommissioning.....	<u>1,159,578</u>	<u>1,073,632</u>
Total operating expenses.....	<u>\$ 6,132,152</u>	<u>5,325,689</u>

**SCHEDULE OF OPERATING EXPENSES-  
WASTEWATER SYSTEM**

**Schedule 9**

For the Fiscal Years Ended September 30, 2007 and 2006  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2007	2006
Operating Expenses:		
Collection and treatment system:		
Collection expenses.....	\$ 382,211	355,857
Pumping expenses.....	348,588	426,590
Treatment and disposal.....	<u>1,706,008</u>	<u>1,494,543</u>
	<u>2,436,807</u>	<u>2,276,990</u>
Customer accounting.....	231,484	176,113
Administrative and general.....	1,436,064	1,200,226
Required payments to the City of New Smyrna Beach.....	445,750	404,297
Depreciation and decommissioning.....	<u>1,729,295</u>	<u>1,589,799</u>
Total operating expenses.....	<u>\$ 6,279,400</u>	<u>5,647,425</u>

**SCHEDULE OF OPERATING EXPENSES-  
INTERNET SYSTEM**

**Schedule 10**

For the Fiscal Years Ended September 30, 2007 and 2006  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2007	2006
Operating Expenses:		
Administrative and general.....	\$ 312,810	-
Required payments to the City of New Smyrna Beach.....	<u>16,110</u>	<u>-</u>
Total operating expenses.....	<u>\$ 328,920</u>	<u>-</u>

**SCHEDULE OF OPERATING EXPENSES-  
COMMUNICATIONS SYSTEM**

**Schedule 11**

For the Fiscal Years Ended September 30, 2007 and 2006  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2007	2006
Operating Expenses:		
Other production expenses:		
Payments to internet service provider.....	\$ -	168,117
Payments to telephone service providers.....	-	<u>3,853,943</u>
	<u>-</u>	<u>4,022,060</u>
Customer accounting.....	-	1,445,895
Administrative and general.....	-	2,535,363
Required payments to the City of New Smyrna Beach.....	-	382,080
Depreciation and decommissioning.....	<u>220,823</u>	<u>110,413</u>
Total operating expenses.....	<u>\$ 220,823</u>	<u>8,495,811</u>

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

For the Fiscal Years Ended September 30, 2007 and 2006

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2007	2006
<b>Interest Earnings By Source:</b>		
From Investments:		
Sinking funds.....	\$ 181,391	92,817
Renewal and replacement funds.....	401,287	385,379
Customers' deposits.....	126,453	82,337
CR3 nuclear decommissioning funds.....	156,100	117,054
Other.....	<u>93,540</u>	<u>346,789</u>
Total interest earnings.....	<u>\$ 958,771</u>	<u>1,024,376</u>
<b>Interest Earnings By System:</b>		
Electric system.....	\$ 592,038	1,332,946
Water system.....	200,319	212,107
Wastewater system.....	166,414	(12,032)
Internet system.....	-	-
Communications system.....	<u>-</u>	<u>(508,645)</u>
Total interest earnings.....	<u>\$ 958,771</u>	<u>1,024,376</u>

**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY -  
REVENUE CERTIFICATES PAYABLE**

For the Fiscal Year Ended September 30, 2007

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

Payment Date	Utilities System Refunding Revenue Certificates Series 1993			Utilities System Refunding Revenue Certificates Series 2002			Utilities System Refunding Revenue Certificates Series 2004A			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
10/01/2007	\$ -	\$ 63,250	\$ 63,250	\$ 3,010,000	\$ 637,911	\$ 3,647,911	\$ -	\$ -	\$ -	\$ 3,010,000	\$ 701,161	\$ 3,711,161
04/01/2008	-	63,250	63,250	-	592,761	592,761	300,000	25,548	325,548	300,000	681,559	981,559
10/01/2008	-	63,250	63,250	3,095,000	592,762	3,687,762	300,000	21,206	321,206	3,395,000	677,218	4,072,218
04/01/2009	-	63,250	63,250	-	543,241	543,241	305,000	16,864	321,864	305,000	623,355	928,355
10/01/2009	-	63,250	63,250	3,195,000	543,241	3,738,241	310,000	12,449	322,449	3,505,000	618,940	4,123,940
04/01/2010	-	63,250	63,250	-	488,926	488,926	315,000	7,961	322,961	315,000	560,137	875,137
10/01/2010	-	63,250	63,250	3,510,000	488,927	3,998,927	115,000	3,402	118,402	3,625,000	555,579	4,180,579
04/01/2011	-	63,250	63,250	-	425,746	425,746	120,000	1,737	121,737	120,000	490,733	610,733
10/01/2011	-	63,250	63,250	3,970,000	425,746	4,395,746	-	-	-	3,970,000	488,996	4,458,996
04/01/2012	-	63,250	63,250	-	326,496	326,496	-	-	-	-	389,746	389,746
10/01/2012	-	63,250	63,250	4,300,000	325,496	4,625,496	-	-	-	4,300,000	388,746	4,688,746
04/01/2013	-	63,250	63,250	-	218,996	218,996	-	-	-	-	282,246	282,246
10/01/2013	-	63,250	63,250	4,515,000	218,996	4,733,996	-	-	-	4,515,000	282,246	4,797,246
04/01/2014	-	63,250	63,250	-	106,121	106,121	-	-	-	-	169,371	169,371
10/01/2014	-	63,250	63,250	1,305,000	106,121	1,411,121	-	-	-	1,305,000	169,371	1,474,371
04/01/2015	-	63,250	63,250	-	79,369	79,369	-	-	-	-	142,619	142,619
10/01/2015	-	63,250	63,250	1,355,000	79,369	1,434,369	-	-	-	1,355,000	142,619	1,497,619
04/01/2016	-	63,250	63,250	-	50,575	50,575	-	-	-	-	113,825	113,825
10/01/2016	-	63,250	63,250	1,155,000	50,575	1,205,575	-	-	-	1,155,000	113,825	1,268,825
04/01/2017	-	63,250	63,250	-	26,031	26,031	-	-	-	-	89,281	89,281
10/01/2017	-	63,250	63,250	1,190,000	26,031	1,216,031	-	-	-	1,190,000	89,281	1,279,281
04/01/2018	-	63,250	63,250	-	-	-	-	-	-	-	63,250	63,250
10/01/2018	1,245,000	-	1,308,250	-	-	-	-	-	-	1,245,000	63,250	1,308,250
04/01/2019	-	32,125	32,125	-	-	-	-	-	-	-	32,125	32,125
10/01/2019	1,285,000	-	1,317,125	-	-	-	-	-	-	1,285,000	32,125	1,317,125
	\$ 2,530,000	\$ 1,519,000	\$ 4,049,000	\$ 30,600,000	\$ 6,353,437	\$ 36,953,437	\$ 1,765,000	\$ 89,167	\$ 1,854,167	\$ 34,895,000	\$ 7,961,604	\$ 42,856,604

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

For the Fiscal Year Ended September 30, 2007

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

Payment Date	Wastewater Treatment Plan Project CS 120 4260060										Total Debt Service Requirements	
	State Revolving Fund Loan (3.220%) Original Loan			State Revolving Fund Loan (3.180%) Amendment 1			State Revolving Fund Loan (3.110%) Amendment 2			Principal Amount	Interest	Total Requirements
	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements			
02/15/2008	\$ 213,849	\$ 99,900	\$ 313,749	\$ 44,692	\$ 20,568	\$ 65,260	\$ 179,774	\$ 80,576	\$ 260,350	\$ 438,315	\$ 201,044	\$ 639,359
08/15/2008	217,292	96,457	313,749	45,402	19,858	65,260	182,569	77,781	260,350	445,263	194,096	639,359
02/15/2009	220,791	92,959	313,750	46,124	19,136	65,260	185,408	74,942	260,350	452,323	187,037	639,360
08/15/2009	224,345	89,404	313,749	46,857	18,403	65,260	188,291	72,059	260,350	459,493	179,866	639,359
02/15/2010	227,957	85,792	313,749	47,602	17,658	65,260	191,219	69,131	260,350	466,778	172,581	639,359
08/15/2010	231,627	82,122	313,749	48,359	16,901	65,260	194,192	66,158	260,350	474,178	165,181	639,359
02/15/2011	235,357	78,392	313,749	49,128	16,132	65,260	197,212	63,138	260,350	481,697	157,662	639,359
08/15/2011	239,146	74,603	313,749	49,909	15,351	65,260	200,279	60,071	260,350	489,334	150,025	639,359
02/15/2012	242,996	70,753	313,749	50,703	14,557	65,260	203,393	56,957	260,350	497,092	142,267	639,359
08/15/2012	246,908	66,841	313,749	51,509	13,751	65,260	206,556	53,794	260,350	504,973	134,386	639,359
02/15/2013	250,884	62,866	313,750	52,328	12,932	65,260	209,768	50,582	260,350	512,980	126,380	639,360
08/15/2013	254,923	58,826	313,749	53,160	12,100	65,260	213,030	47,320	260,350	521,113	118,246	639,359
02/15/2014	259,027	54,722	313,749	54,005	11,255	65,260	216,342	44,008	260,350	529,374	109,985	639,359
08/15/2014	263,197	50,552	313,749	54,864	10,396	65,260	219,706	40,644	260,350	537,767	101,592	639,359
02/15/2015	267,435	46,314	313,749	55,736	9,524	65,260	223,123	37,227	260,350	546,294	93,065	639,359
08/15/2015	271,741	42,009	313,750	56,623	8,637	65,260	226,592	33,758	260,350	554,956	84,404	639,360
02/15/2016	276,116	37,634	313,750	57,523	7,737	65,260	230,116	30,234	260,350	563,755	75,605	639,360
08/15/2016	280,561	33,188	313,749	58,438	6,822	65,260	233,694	26,656	260,350	572,693	66,666	639,359
02/15/2017	285,078	28,671	313,749	59,367	5,893	65,260	237,328	23,022	260,350	581,773	57,586	639,359
08/15/2017	289,668	24,081	313,749	60,311	4,949	65,260	241,019	19,331	260,350	590,998	48,361	639,359
02/15/2018	294,331	19,418	313,749	61,270	3,990	65,260	244,767	15,583	260,350	600,368	38,991	639,359
08/15/2018	299,070	14,679	313,749	62,244	3,016	65,260	248,573	11,777	260,350	609,887	29,472	639,359
02/15/2019	303,885	9,864	313,749	63,233	2,027	65,260	252,438	7,912	260,350	619,556	19,803	639,359
08/15/2019	308,778	4,971	313,749	64,239	1,021	65,260	256,361	3,987	260,348	629,378	9,979	639,357
	\$ 6,204,962	\$ 1,325,018	\$ 7,529,980	\$ 1,293,626	\$ 272,614	\$ 1,566,240	\$ 5,181,750	\$ 1,066,648	\$ 6,248,398	\$ 12,680,338	\$ 2,664,280	\$ 15,344,618

**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

**Schedule 15**

**Note Payable - Florida Municipal Power Agency**

For the Fiscal Year Ended September 30, 2007

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

Payment Period	Initial Pooled Loan Project Acquisition of Electric Generation Plant Loan - \$12,200,000, Principal due 04/01			Initial Pooled Loan Project Acquisition of Sugar Mill Plant Loan - \$3,000,000, Principal due 10/01			Initial Pooled Loan Project Acquisition of Land for Plant Expansion Loan - \$9,050,000, Principal due 12/01			Total Debt Service Requirements to Maturity -- Combined --		
	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements
09/30/2008	\$ 510,000	\$ 354,375	\$ 864,375	\$ 124,000	\$ 96,642	\$ 220,642	\$ 360,000	\$ 224,301	\$ 584,301	\$ 994,000	\$ 675,318	\$ 1,669,318
09/30/2009	535,000	331,275	866,275	131,000	91,434	215,434	375,000	207,676	582,676	1,041,000	630,385	1,671,385
09/30/2010	565,000	307,020	872,020	138,000	85,932	216,932	400,000	190,176	590,176	1,103,000	583,128	1,686,128
09/30/2011	590,000	281,610	871,610	146,000	80,136	218,136	420,000	171,836	591,836	1,156,000	533,582	1,689,582
09/30/2012	620,000	254,835	874,835	155,000	74,004	220,004	440,000	152,481	592,481	1,215,000	481,320	1,696,320
09/30/2013	655,000	226,590	881,590	164,000	67,494	222,494	465,000	132,076	597,076	1,284,000	426,160	1,710,160
09/30/2014	690,000	196,770	886,770	173,000	60,606	224,606	490,000	110,621	600,621	1,353,000	367,997	1,720,997
09/30/2015	730,000	166,770	896,770	183,000	60,606	233,606	515,000	110,621	625,621	1,428,000	367,997	1,795,997
09/30/2016	770,000	165,270	935,270	194,000	53,340	236,340	545,000	87,941	632,941	1,509,000	306,551	1,815,551
09/30/2017	815,000	131,985	946,985	205,000	45,654	239,654	575,000	64,001	639,001	1,595,000	241,640	1,836,640
09/30/2018	860,000	96,810	956,810	216,000	37,506	242,506	600,000	38,976	638,976	1,676,000	173,292	1,849,292
09/30/2019	910,000	59,640	969,640	229,000	28,896	244,896	635,000	12,551	647,551	1,774,000	101,087	1,875,087
09/30/2020	965,000	20,265	985,265	243,000	19,824	248,824	193,000	1,351	194,351	1,401,000	41,440	1,442,440
09/30/2021	-	-	-	-	10,206	10,206	-	-	-	-	10,206	10,206
	<u>\$ 9,215,000</u>	<u>\$ 2,623,215</u>	<u>\$ 11,838,215</u>	<u>\$ 2,301,000</u>	<u>\$ 812,280</u>	<u>\$ 2,994,280</u>	<u>\$ 6,013,000</u>	<u>\$ 1,504,608</u>	<u>\$ 7,517,608</u>	<u>\$ 17,529,000</u>	<u>\$ 4,940,103</u>	<u>\$ 22,469,103</u>



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## STATISTICAL SECTION

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

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

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

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

Year Ending September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2007	2006	2005	2004
Invested in capital assets, net of related debt.....	\$ 79,032,881	\$ 59,628,096	\$ 56,511,156	\$ 48,625,159
Restricted for debt service.....	6,256,014	6,128,109	539,839	539,839
Restricted for renewal and replacement.....	3,315,754	6,293,735	7,455,768	10,690,203
Unrestricted.....	<u>10,825,538</u>	<u>11,282,197</u>	<u>8,413,020</u>	<u>8,369,197</u>
 Total net assets.....	 <u>\$ 99,430,187</u>	 <u>\$ 83,332,137</u>	 <u>\$ 72,919,783</u>	 <u>\$ 68,224,398</u>

**Table 1**

Fiscal Year					
2003	2002	2001	2000	1999	1998
\$ 43,970,077	\$ 39,241,910	\$ 35,711,172	\$ 31,100,384	\$ 33,274,975	\$ 30,381,933
539,839	539,839	560,100	539,839	543,788	-
10,953,401	9,736,744	11,488,378	12,648,988	4,071,752	4,276,527
<u>11,404,708</u>	<u>9,695,283</u>	<u>8,144,046</u>	<u>7,509,509</u>	<u>13,928,858</u>	<u>12,235,068</u>
<u>\$ 66,868,025</u>	<u>\$ 59,213,776</u>	<u>\$ 55,903,696</u>	<u>\$ 51,798,720</u>	<u>\$ 51,819,373</u>	<u>\$ 46,893,528</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

	2007	2006	2005	2004
<b>Operating Revenue:</b>				
Sales.....	\$ 58,882,023	\$ 63,246,281	\$ 58,243,276	\$ 53,918,028
Other revenue.....	594,119	704,082	724,127	695,454
Total operating revenue.....	<u>59,476,142</u>	<u>63,950,363</u>	<u>58,967,403</u>	<u>54,613,482</u>
<b>Operating Expenses:</b>				
Purchased power and fuel expenses.....	24,043,491	24,854,589	18,615,982	16,082,797
Other production expenses.....	6,278,690	10,042,297	13,946,939	10,745,373
Transmission, distribution, and sewage collection and treatment.....	5,766,272	5,187,372	4,788,033	4,686,910
Customer accounting.....	1,057,779	2,202,317	2,536,210	6,764,647
Administrative and general.....	6,795,197	7,947,091	8,713,250	6,643,995
Required payments to the City.....	3,670,560	3,665,315	3,328,647	3,262,587
Depreciation and decommissioning.....	6,308,942	5,790,996	5,451,571	5,149,600
Total operating expenses.....	<u>53,920,931</u>	<u>59,689,977</u>	<u>57,380,632</u>	<u>53,335,909</u>
Operating income.....	<u>5,555,211</u>	<u>4,260,386</u>	<u>1,586,771</u>	<u>1,277,573</u>
<b>Nonoperating Revenue (Expense):</b>				
Interest earnings.....	958,771	1,024,376	690,497	281,003
Other income.....	792,294	901,493	1,081,808	1,125,069
Interest and debt expense.....	(2,939,141)	(3,075,803)	(3,097,313)	(3,101,348)
Other expenses.....	(191,580)	(210,748)	(102,333)	(227,937)
Gain (loss) on disposal of assets.....	(115,502)	(9,814)	1,107,426	310,665
Loss on abandonment of wastewater treatment plant.....	-	-	-	-
Total nonoperating revenue (expense).....	<u>(1,495,158)</u>	<u>(1,370,496)</u>	<u>(319,915)</u>	<u>(1,612,548)</u>
Income (loss) before contributions and transfers.....	<u>4,060,053</u>	<u>2,889,890</u>	<u>1,266,856</u>	<u>(334,975)</u>
Capital contributions.....	12,037,997	7,522,464	3,428,529	1,854,598
Residual transfer to the City.....	-	-	(163,250)	-
Total contributions and transfers.....	<u>12,037,997</u>	<u>7,522,464</u>	<u>3,265,279</u>	<u>1,854,598</u>
Change in net assets.....	<u>\$ 16,098,050</u>	<u>\$ 10,412,354</u>	<u>\$ 4,532,135</u>	<u>\$ 1,519,623</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					
2003	2002	2001	2000	1999	1998
\$ 45,758,867	\$ 39,966,040	\$ 42,177,716	\$ 40,960,150	\$ 32,143,555	\$ 32,570,727
<u>588,199</u>	<u>646,185</u>	<u>537,671</u>	<u>459,757</u>	<u>408,626</u>	<u>343,054</u>
<u>46,347,066</u>	<u>40,612,225</u>	<u>42,715,387</u>	<u>41,419,907</u>	<u>32,552,181</u>	<u>32,913,781</u>
16,569,259	13,652,608	16,385,996	17,525,068	16,005,319	16,652,829
6,431,093	6,038,839	5,844,715	5,445,855	-	-
3,751,847	3,782,641	3,348,147	3,140,325	2,731,438	2,657,672
996,421	821,128	745,380	818,320	721,860	660,678
4,302,892	3,385,868	3,519,275	3,227,988	3,169,521	3,406,001
2,706,427	2,509,729	2,625,008	2,214,486	2,016,471	2,018,552
<u>5,049,264</u>	<u>4,899,416</u>	<u>4,581,217</u>	<u>3,875,830</u>	<u>3,694,652</u>	<u>3,692,111</u>
<u>39,807,203</u>	<u>35,090,229</u>	<u>37,049,738</u>	<u>36,247,872</u>	<u>28,339,261</u>	<u>29,087,843</u>
<u>6,539,863</u>	<u>5,521,996</u>	<u>5,665,649</u>	<u>5,172,035</u>	<u>4,212,920</u>	<u>3,825,938</u>
358,454	461,153	905,244	1,114,573	1,006,728	1,082,325
336,526	433,355	440,007	356,616	286,029	353,946
(3,355,193)	(3,952,841)	(3,976,825)	(3,877,542)	(3,353,913)	(3,422,072)
(690,017)	(56,064)	(15,466)	(61,620)	(11,328)	(40,092)
(9,541)	(58,114)	(99,267)	(45,269)	(87,446)	(159,547)
-	-	-	(3,452,645)	-	-
<u>(3,359,771)</u>	<u>(3,172,511)</u>	<u>(2,746,307)</u>	<u>(5,965,887)</u>	<u>(2,159,930)</u>	<u>(2,185,440)</u>
<u>3,180,092</u>	<u>2,349,485</u>	<u>2,919,342</u>	<u>(793,852)</u>	<u>2,052,990</u>	<u>1,640,498</u>
4,474,157	960,595	1,185,634	773,199	2,872,855	1,755,039
-	-	-	-	-	-
<u>4,474,157</u>	<u>960,595</u>	<u>1,185,634</u>	<u>773,199</u>	<u>2,872,855</u>	<u>1,755,039</u>
<u>\$ 7,654,249</u>	<u>\$ 3,310,080</u>	<u>\$ 4,104,976</u>	<u>\$ (20,653)</u>	<u>\$ 4,925,845</u>	<u>\$ 3,395,537</u>

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

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

Year Ending September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2007	2006	2005	2004
<b>Electric:</b>				
Sales.....	\$ 44,552,582	\$ 43,926,115	\$ 35,811,162	\$ 32,893,546
Other revenue.....	<u>307,069</u>	<u>359,679</u>	<u>291,429</u>	<u>274,800</u>
Total electric operating revenue.....	<u>44,859,651</u>	<u>44,285,794</u>	<u>36,102,591</u>	<u>33,168,346</u>
<b>Water:</b>				
Sales.....	6,659,160	6,126,093	5,493,378	5,022,495
Other revenue.....	<u>227,057</u>	<u>219,761</u>	<u>234,461</u>	<u>212,057</u>
Total water operating revenue.....	<u>6,886,217</u>	<u>6,345,854</u>	<u>5,727,839</u>	<u>5,234,552</u>
<b>Wastewater:</b>				
Sales.....	7,394,534	7,092,911	6,294,451	5,937,940
Other revenue.....	<u>59,993</u>	<u>75,574</u>	<u>85,191</u>	<u>87,340</u>
Total wastewater operating revenue.....	<u>7,454,527</u>	<u>7,168,485</u>	<u>6,379,642</u>	<u>6,025,280</u>
<b>Internet:</b>				
Sales.....	275,747	-	-	-
Other revenue.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total internet operating revenue.....	<u>275,747</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Communications:</b>				
Sales.....	-	6,101,162	10,644,285	10,064,047
Other revenue.....	<u>-</u>	<u>49,068</u>	<u>113,046</u>	<u>121,257</u>
Total communications operating revenue.....	<u>-</u>	<u>6,150,230</u>	<u>10,757,331</u>	<u>10,185,304</u>
Total operating revenues.....	<u>\$ 59,476,142</u>	<u>\$ 63,950,363</u>	<u>\$ 58,967,403</u>	<u>\$ 54,613,482</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					
2003	2002	2001	2000	1999	1998
\$ 32,743,047	\$ 29,668,517	\$ 32,839,422	\$ 31,733,864	\$ 23,831,914	\$ 24,508,133
<u>244,605</u>	<u>328,487</u>	<u>275,258</u>	<u>233,878</u>	<u>234,532</u>	<u>190,892</u>
<u>32,987,652</u>	<u>29,997,004</u>	<u>33,114,680</u>	<u>31,967,742</u>	<u>24,066,446</u>	<u>24,699,025</u>
4,927,877	4,768,459	4,551,228	4,416,112	4,428,064	4,244,450
<u>195,143</u>	<u>214,767</u>	<u>185,769</u>	<u>159,987</u>	<u>124,646</u>	<u>121,284</u>
<u>5,123,020</u>	<u>4,983,226</u>	<u>4,736,997</u>	<u>4,576,099</u>	<u>4,552,710</u>	<u>4,365,734</u>
5,543,949	5,529,064	4,787,066	4,810,174	3,883,577	3,818,144
<u>110,588</u>	<u>102,931</u>	<u>76,644</u>	<u>65,892</u>	<u>49,448</u>	<u>30,878</u>
<u>5,654,537</u>	<u>5,631,995</u>	<u>4,863,710</u>	<u>4,876,066</u>	<u>3,933,025</u>	<u>3,849,022</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2,543,994	-	-	-	-	-
<u>37,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,581,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 46,347,066</u>	<u>\$ 40,612,225</u>	<u>\$ 42,715,387</u>	<u>\$ 41,419,907</u>	<u>\$ 32,552,181</u>	<u>\$ 32,913,781</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

	2007	2006	2005	2004
<b>Electric:</b>				
Purchased power and fuel expenses.....	\$ 24,043,491	\$ 24,854,589	\$ 18,615,982	\$ 16,082,797
Other production expenses.....	4,443,815	4,432,793	4,489,665	4,164,312
Transmission and distribution.....	2,435,207	2,242,885	2,026,026	2,160,952
Customer accounting.....	573,135	384,102	382,405	403,381
Administrative and general.....	3,462,470	2,798,686	2,521,562	2,587,728
Required payments to City of New Smyrna Beach...	2,802,272	2,490,845	2,087,723	2,006,630
Depreciation and decommissioning.....	<u>3,199,246</u>	<u>3,017,152</u>	<u>2,896,653</u>	<u>2,779,602</u>
Total electric operating expenses.....	<u>40,959,636</u>	<u>40,221,052</u>	<u>33,020,016</u>	<u>30,185,402</u>
<b>Water:</b>				
Other production expenses.....	1,834,875	1,587,444	1,359,754	1,281,799
Transmission and distribution.....	894,258	667,497	635,541	522,887
Customer accounting.....	253,160	196,207	142,171	165,246
Administrative and general.....	1,583,853	1,412,816	1,222,904	1,173,213
Required payments to City of New Smyrna Beach...	406,428	388,093	350,742	324,781
Depreciation.....	<u>1,159,578</u>	<u>1,073,632</u>	<u>978,583</u>	<u>930,241</u>
Total water operating expenses.....	<u>6,132,152</u>	<u>5,325,689</u>	<u>4,689,695</u>	<u>4,398,167</u>
<b>Wastewater:</b>				
Transmission and distribution.....	2,436,807	2,276,990	2,126,466	2,003,071
Customer accounting.....	231,484	176,113	147,662	151,001
Administrative and general.....	1,436,064	1,200,226	1,153,560	1,056,851
Required payments to City of New Smyrna Beach...	445,750	404,297	358,096	341,550
Depreciation.....	<u>1,729,295</u>	<u>1,589,799</u>	<u>1,465,922</u>	<u>1,439,757</u>
Total wastewater operating expenses.....	<u>6,279,400</u>	<u>5,647,425</u>	<u>5,251,706</u>	<u>4,992,230</u>
<b>Internet:</b>				
Administrative and general.....	312,810	-	-	-
Required payments to City of New Smyrna Beach...	<u>16,110</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total internet operating expenses.....	<u>328,920</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Table 4**

Fiscal Year					
2003	2002	2001	2000	1999	1998
\$ 16,569,259	\$ 13,652,608	\$ 16,385,996	\$ 21,979,607	\$ 15,109,769	\$ 15,770,212
4,035,211	4,907,957	4,810,363	-	-	-
1,486,640	1,423,256	1,287,820	1,230,798	1,136,881	1,098,201
387,282	445,467	407,539	449,764	373,494	350,154
2,140,755	1,714,629	1,901,354	1,683,087	1,634,589	1,689,612
1,920,119	1,891,212	2,047,697	1,646,439	1,507,252	1,529,710
<u>2,773,920</u>	<u>2,741,739</u>	<u>2,479,970</u>	<u>2,152,056</u>	<u>2,078,377</u>	<u>2,072,103</u>
<u>29,313,186</u>	<u>26,776,868</u>	<u>29,320,739</u>	<u>29,141,751</u>	<u>21,840,362</u>	<u>22,509,992</u>
1,118,865	1,130,882	1,034,352	991,316	895,550	882,617
451,335	495,611	454,633	450,456	411,252	407,097
171,455	197,827	177,757	190,922	180,766	162,871
1,052,938	864,307	809,936	790,096	752,050	899,135
319,812	301,359	298,783	286,807	287,382	271,315
<u>885,034</u>	<u>832,380</u>	<u>792,520</u>	<u>756,493</u>	<u>737,964</u>	<u>741,129</u>
<u>3,999,439</u>	<u>3,822,366</u>	<u>3,567,981</u>	<u>3,466,090</u>	<u>3,264,964</u>	<u>3,364,164</u>
1,813,872	1,863,774	1,605,694	1,459,071	1,183,305	1,152,374
155,287	177,834	160,084	177,634	167,600	147,653
922,121	806,932	807,985	754,805	782,882	817,254
320,858	317,158	278,528	281,240	221,837	217,527
<u>1,390,310</u>	<u>1,325,297</u>	<u>1,308,727</u>	<u>967,281</u>	<u>878,311</u>	<u>878,879</u>
<u>4,602,448</u>	<u>4,490,995</u>	<u>4,161,018</u>	<u>3,640,031</u>	<u>3,233,935</u>	<u>3,213,687</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

	2007	2006	2005	2004
(Continued)				
Communications:				
Other production expenses.....	-	4,022,060	8,097,520	5,299,262
Customer accounting.....	-	1,445,895	1,863,972	6,045,019
Administrative and general.....	-	2,535,363	3,815,224	1,826,203
Required payments to City of New Smyrna Beach...	-	382,080	532,086	589,626
Depreciation.....	<u>220,823</u>	<u>110,413</u>	<u>110,413</u>	<u>-</u>
Total communications operating expenses.....	<u>220,823</u>	<u>8,495,811</u>	<u>14,419,215</u>	<u>13,760,110</u>
Totals-Combined Systems:				
Purchased power and fuel expenses.....	\$ 24,043,491	\$ 24,854,589	\$ 18,615,982	\$ 16,082,797
Other production expenses.....	6,278,690	10,042,297	13,946,939	10,745,373
Transmission and distribution.....	5,766,272	5,187,372	4,788,033	4,686,910
Customer accounting.....	1,057,779	2,202,317	2,536,210	6,764,647
Administrative and general.....	6,795,197	7,947,091	8,713,250	6,643,995
Required payments to City of New Smyrna Beach...	3,670,560	3,665,315	3,328,647	3,262,587
Depreciation and decommissioning.....	<u>6,308,942</u>	<u>5,790,996</u>	<u>5,451,571</u>	<u>5,149,600</u>
Total operating expenses.....	<u>\$ 53,920,931</u>	<u>\$ 59,689,977</u>	<u>\$ 57,380,632</u>	<u>\$ 53,335,909</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					
2003	2002	2001	2000	1999	1998
1,277,017	-	-	-	-	-
282,397	-	-	-	-	-
187,078	-	-	-	-	-
145,638	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,892,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ 16,569,259	\$ 13,652,608	\$ 16,385,996	\$ 21,979,607	\$ 15,109,769	\$ 15,770,212
6,431,093	6,038,839	5,844,715	991,316	895,550	882,617
3,751,847	3,782,641	3,348,147	3,140,325	2,731,438	2,657,672
996,421	821,128	745,380	818,320	721,860	660,678
4,302,892	3,385,868	3,519,275	3,227,988	3,169,521	3,406,001
2,706,427	2,509,729	2,625,008	2,214,486	2,016,471	2,018,552
<u>5,049,264</u>	<u>4,899,416</u>	<u>4,581,217</u>	<u>3,875,830</u>	<u>3,694,652</u>	<u>3,692,111</u>
<u>\$ 39,807,203</u>	<u>\$ 35,090,229</u>	<u>\$ 37,049,738</u>	<u>\$ 36,247,872</u>	<u>\$ 28,339,261</u>	<u>\$ 29,087,843</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

	2007	2006	2005	2004
Interest earnings.....	\$ 958,771	\$ 1,024,376	\$ 690,497	\$ 281,003
Other income.....	792,294	901,493	1,081,808	1,125,069
Interest and debt expense.....	(2,939,141)	(3,075,803)	(3,097,313)	(3,101,348)
Other expenses.....	(191,580)	(210,748)	(102,333)	(227,937)
Gain (loss) on disposal of assets.....	(115,502)	(9,814)	1,107,426	310,665
Loss on abandonment of wastewater treatment plant.....	-	-	-	-
 Total nonoperating revenue (expense).....	 <u>\$ (1,495,158)</u>	 <u>\$ (1,370,496)</u>	 <u>\$ (319,915)</u>	 <u>\$ (1,612,548)</u>

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

**Table 5**

Fiscal Year					
2003	2002	2001	2000	1999	1998
\$ 358,454	\$ 461,153	\$ 905,244	\$ 1,114,573	\$ 1,006,728	\$ 1,082,325
336,526	433,355	440,007	356,616	286,029	353,946
(3,355,193)	(3,952,841)	(3,976,825)	(3,877,542)	(3,353,913)	(3,422,072)
(690,017)	(56,064)	(15,466)	(61,620)	(11,328)	(40,092)
(9,541)	(58,114)	(99,267)	(45,269)	(87,446)	(159,547)
-	-	-	(3,452,645)	-	-
<u>\$ (3,359,771)</u>	<u>\$ (3,172,511)</u>	<u>\$ (2,746,307)</u>	<u>\$ (5,965,887)</u>	<u>\$ (2,159,930)</u>	<u>\$ (2,185,440)</u>

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

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2007	2006	2005	2004
<b>Electric System:</b>				
Net energy load requirements (kWh).....	400,815,801	402,421,129	396,805,566	385,510,397
Total Consumption/Sales (kWh).....	378,243,711	383,185,319	371,219,399	361,426,028
<b>Total Direct Rate-Electric:<sup>(1)</sup></b>				
Customer charge.....	\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75
Energy charge.....	\$ 0.076454	\$ 0.076454	\$ 0.071730	\$ 0.071730
<b>Water System:</b>				
Gallons of water pumped from water plant (KGs).....	1,798,869	1,735,327	1,616,605	1,660,316
Gallons of water consumed (KGs).....	1,652,273	1,673,828	1,489,905	1,538,925
<b>Total Direct Rate-Water:<sup>(2)</sup></b>				
Base facility charge.....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
Gallage charge per 1,000 gallons.....	\$ 1.62	\$ 1.62	\$ 1.90	\$ 1.75
<b>Wastewater System:</b>				
<b>Wastewater:</b>				
Gallons of wastewater treated (KGs).....	1,140,230	1,203,830	1,262,520	1,369,390
Gallons of wastewater sold (KGs).....	897,975	934,437	873,874	873,105
<b>Total Direct Rate-Wastewater:<sup>(3)</sup></b>				
Base facility charge.....	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62
Gallage charge per 1,000 gallons.....	\$ 3.63	\$ 3.63	\$ 2.83	\$ 2.53
<b>Reclaimed Water:</b>				
Gallons of reclaimed water pumped from wastewater treatment plant (KGs).....	1,046,630	872,810	816,750	770,080
Gallons of reclaimed water sold (KGs).....	476,767	360,942	282,769	262,818
<b>Total Direct Rate-Reclaimed water:<sup>(4)</sup></b>				
Minimum monthly charge.....	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Gallage charge per 1,000 gallons.....	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00

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

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

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

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

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

**Table 6**

Fiscal Year					
2003	2002	2001	2000	1999	1998
386,385,433	367,175,437	361,158,839	360,759,259	355,599,074	352,623,208
370,242,195	342,753,470	344,819,905	340,631,525	340,606,215	333,518,604
\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75
\$ 0.071730	\$ 0.071730	\$ 0.071730	\$ 0.069170	\$ 0.069170	\$ 0.069170
1,743,832	1,718,618	1,658,415	1,762,930	1,667,354	n/a
1,471,435	1,402,576	1,498,145	1,579,828	n/a	n/a
\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.33	\$ 1.33	\$ 1.33
1,339,026	1,422,280	1,307,300	1,203,430	1,083,480	n/a
871,680	862,022	891,140	933,490	n/a	n/a
\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62	\$ 11.90	\$ 11.90
\$ 2.53	\$ 2.53	\$ 2.18	\$ 1.55	\$ 1.55	\$ 1.55
800,083	1,108,070	968,060	610,870	673,403	n/a
349,117	264,685	761,966	580,550	n/a	n/a
\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**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	2007	2006	2005	2004
<b>Residential:</b>				
Customer charge:				
Single phase service.....	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.65
Three phase service.....	\$ 7.85	\$ 7.85	\$ 7.85	\$ 7.85
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.076454	\$ 0.076454	\$ 0.071730	\$ 0.071730
<b>General Service - Non-Demand:<sup>(1)</sup></b>				
Customer charge:				
Single phase service.....	\$ 6.05	\$ 6.05	\$ 6.05	\$ 6.05
Three phase service.....	\$ 8.85	\$ 8.85	\$ 8.85	\$ 8.85
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.074504	\$ 0.074504	\$ 0.073330	\$ 0.073330
<b>General Service - Demand:<sup>(2)</sup></b>				
Customer charge.....	\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50
Demand charge - all kWh of billing demand.....	\$ 6.75	\$ 6.75	\$ 5.50	\$ 5.50
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.065040	\$ 0.065040	\$ 0.055460	\$ 0.055460
<b>General Service - Large Demand:<sup>(3)</sup></b>				
Customer charge.....	\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50
Demand charge - all kWh of billing demand.....	\$ 6.50	\$ 6.50	\$ 5.50	\$ 5.50
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.060040	\$ 0.060040	\$ 0.055460	\$ 0.055460
<b>General Service - Demand Time of Use:<sup>(4)</sup></b>				
Customer charge.....	\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50
Demand charge - per kW of excess demand.....	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.065040	\$ 0.065040	\$ 0.055460	\$ 0.055460
<b>Fuel and Purchased Power Cost Adjustment<sup>(5)</sup></b>				
Clause Monthly Billing Factor (per 1,000 kWh) .....	\$ 41.70	\$ 31.20	\$ 17.18	\$ 17.18

- Notes: <sup>(1)</sup>Non-Demand electric rate schedule reserved for non-residential customers with an annual measured peak demand of less than 50kW.  
<sup>(2)</sup>Demand electric rate schedule reserved for non-residential customers with an annual measured peak demand of 50kW up to 250kW.  
<sup>(3)</sup>Large Demand electric rate schedule reserved for non-residential customers with an annual measured peak demand of 250kW or greater.  
<sup>(4)</sup>Demand Time of Use electric rate schedule reserved for non-residential customers with an annual measured peak demand of 50kW or greater. Service under this schedule is limited to customers who shift their capacity requirements from on-peak periods to off-peak periods and enter into an agreement with the Commission to do so.

**Table 7**

Fiscal Year					
2003	2002	2001	2000	1999	1998
\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.65
\$ 7.85	\$ 7.85	\$ 7.85	\$ 7.85	\$ 7.85	\$ 7.85
\$ 0.071730	\$ 0.071730	\$ 0.071730	\$ 0.069170	\$ 0.069170	\$ 0.069170
\$ 6.05	\$ 6.05	\$ 6.05	\$ 6.05	\$ 6.05	\$ 6.05
\$ 8.85	\$ 8.85	\$ 8.85	\$ 8.85	\$ 8.85	\$ 8.85
\$ 0.073330	\$ 0.073330	\$ 0.073330	\$ 0.070670	\$ 0.070670	\$ 0.070670
\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50
\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50
\$ 0.055460	\$ 0.055460	\$ 0.055460	\$ 0.053930	\$ 0.053930	\$ 0.053930
\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50
\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50
\$ 0.055460	\$ 0.055460	\$ 0.055460	\$ 0.053930	\$ 0.053930	\$ 0.053930
\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50
\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00
\$ 0.055460	\$ 0.055460	\$ 0.055460	\$ 0.053930	\$ 0.053930	\$ 0.053930
\$ 12.89	\$ 8.82	\$ 28.47	\$ 13.91	\$ -	\$ 4.35

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

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

**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	2007	2006	2005	2004
<b>Residential:</b>				
Single Family:				
Base facility charge:				
Meter Size (Inches):				
5/8".....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
1".....	\$ 29.13	\$ 29.13	\$ 26.30	\$ 26.30
1 1/2".....	\$ 58.25	\$ 58.25	\$ 50.65	\$ 50.65
2".....	\$ 93.20	\$ 93.20	\$ 79.90	\$ 79.90
3".....	\$ 174.75	\$ 174.75	\$ 157.90	\$ 157.90
4".....	\$ 291.25	\$ 291.25	\$ 245.65	\$ 245.65
6".....	\$ 582.50	\$ 582.50	\$ 489.40	\$ 489.40
8".....	\$ 932.00	\$ 932.00	\$ 781.90	\$ 781.90
10".....	\$ 1,339.75	\$ 1,339.75	\$ -	\$ -
Gallorage charge per 1,000 Gallons: <sup>(1)</sup>				
Block 1.....	\$ 0.93	\$ 0.93	\$ 1.10	\$ 1.00
Block 2.....	\$ 1.24	\$ 1.24	\$ 1.20	\$ 1.10
Block 3.....	\$ 1.96	\$ 1.96	\$ 2.40	\$ 2.20
Block 4.....	\$ 2.33	\$ 2.33	\$ 2.90	\$ 2.70
<b>Multi-Family:</b>				
Base facility charge:				
Each Unit.....	\$ 11.65	\$ 11.65	\$ 9.75	\$ 9.75
Master Meter.....	\$ 11.65	\$ 11.65	\$ 1.90	\$ 1.90
Gallorage charge per 1,000 Gallons:				
Each Unit.....	\$ -	\$ -	\$ -	\$ -
Master Meter.....	\$ 1.10	\$ 1.10	\$ 1.15	\$ 1.05
<b>Non-Residential:</b>				
Base facility charge:				
Meter Size (Inches):				
5/8".....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
1".....	\$ 29.13	\$ 29.13	\$ 26.30	\$ 26.30
1 1/2".....	\$ 58.25	\$ 58.25	\$ 50.65	\$ 50.65
2".....	\$ 93.20	\$ 93.20	\$ 79.90	\$ 79.90
3".....	\$ 174.75	\$ 174.75	\$ 157.90	\$ 157.90
4".....	\$ 291.25	\$ 291.25	\$ 245.65	\$ 245.65
6".....	\$ 582.50	\$ 582.50	\$ 489.40	\$ 489.40
8".....	\$ 932.00	\$ 932.00	\$ 781.90	\$ 781.90
10".....	\$ 1,339.75	\$ 1,339.75	\$ -	\$ -
Gallorage charge per 1,000 Gallons: <sup>(2)</sup>				
Block 1.....	\$ 1.54	\$ 1.54	\$ 1.15	\$ 1.05
Block 2.....	\$ 2.05	\$ 2.05	\$ 1.35	\$ 1.25
Block 3.....	\$ -	\$ -	\$ 1.85	\$ 1.70

**Table 8**

Fiscal Year		2003		2002		2001		2000		1999		1998	
\$	11.65	\$	11.65	\$	11.65	\$	11.65	\$	11.65	\$	11.65	\$	11.65
\$	26.30	\$	26.30	\$	26.30	\$	26.30	\$	26.30	\$	26.30	\$	26.30
\$	50.65	\$	50.65	\$	50.65	\$	50.65	\$	50.65	\$	50.65	\$	50.65
\$	79.90	\$	79.90	\$	79.90	\$	79.90	\$	79.90	\$	79.90	\$	79.90
\$	157.90	\$	157.90	\$	157.90	\$	157.90	\$	157.90	\$	157.90	\$	157.90
\$	245.65	\$	245.65	\$	245.65	\$	245.65	\$	245.65	\$	245.65	\$	245.65
\$	489.40	\$	489.40	\$	489.40	\$	489.40	\$	489.40	\$	489.40	\$	489.40
\$	781.90	\$	781.90	\$	781.90	\$	781.90	\$	781.90	\$	781.90	\$	781.90
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	1.00	\$	1.00	\$	1.00	\$	1.00	\$	1.05	\$	1.05	\$	1.05
\$	1.10	\$	1.10	\$	1.10	\$	1.10	\$	1.25	\$	1.25	\$	1.25
\$	2.20	\$	2.20	\$	2.20	\$	2.20	\$	1.70	\$	1.70	\$	1.70
\$	2.70	\$	2.70	\$	2.70	\$	2.70	\$	-	\$	-	\$	-
\$	9.75	\$	9.75	\$	9.75	\$	9.75	\$	9.75	\$	9.75	\$	9.75
\$	1.90	\$	1.90	\$	1.90	\$	1.90	\$	1.90	\$	1.90	\$	1.90
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	1.05	\$	1.05	\$	1.05	\$	1.05	\$	1.05	\$	1.05	\$	1.05
\$	11.65	\$	11.65	\$	11.65	\$	11.65	\$	11.65	\$	11.65	\$	11.65
\$	26.30	\$	26.30	\$	26.30	\$	26.30	\$	26.30	\$	26.30	\$	26.30
\$	50.65	\$	50.65	\$	50.65	\$	50.65	\$	50.65	\$	50.65	\$	50.65
\$	79.90	\$	79.90	\$	79.90	\$	79.90	\$	79.90	\$	79.90	\$	79.90
\$	157.90	\$	157.90	\$	157.90	\$	157.90	\$	157.90	\$	157.90	\$	157.90
\$	245.65	\$	245.65	\$	245.65	\$	245.65	\$	245.65	\$	245.65	\$	245.65
\$	489.40	\$	489.40	\$	489.40	\$	489.40	\$	489.40	\$	489.40	\$	489.40
\$	781.90	\$	781.90	\$	781.90	\$	781.90	\$	781.90	\$	781.90	\$	781.90
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	1.05	\$	1.05	\$	1.05	\$	1.05	\$	1.05	\$	1.05	\$	1.05
\$	1.25	\$	1.25	\$	1.25	\$	1.25	\$	1.25	\$	1.25	\$	1.25
\$	1.70	\$	1.70	\$	1.70	\$	1.70	\$	1.70	\$	1.70	\$	1.70

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

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Total Direct Monthly Rate	2007	2006	2005	2004
<b>Irrigation Service:</b>				
Base facility charge:				
Meter Size (Inches):				
5/8".....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
1".....	\$ 29.13	\$ 29.13	\$ 26.30	\$ 26.30
1 1/2".....	\$ 58.25	\$ 58.25	\$ 50.65	\$ 50.65
2".....	\$ 93.20	\$ 93.20	\$ 79.90	\$ 79.90
3".....	\$ 174.75	\$ 174.75	\$ 157.90	\$ 157.90
4".....	\$ 291.25	\$ 291.25	\$ 245.65	\$ 245.65
6".....	\$ 582.50	\$ 582.50	\$ 489.40	\$ 489.40
8".....	\$ 932.00	\$ 932.00	\$ 781.90	\$ 781.90
10".....	\$ 1,339.75	\$ 1,339.75	\$ -	\$ -
Gallonge charge per 1,000 Gallons: <sup>(1)</sup>				
Block 1.....	\$ 1.37	\$ 1.37	\$ 1.10	\$ 1.00
Block 2.....	\$ 1.83	\$ 1.83	\$ 1.20	\$ 1.10
Block 3.....	\$ 2.88	\$ 2.88	\$ 2.40	\$ 2.20
Block 4.....	\$ 3.43	\$ 3.43	\$ 2.90	\$ -

Notes:

<sup>(1)</sup>The monthly rate blocks for residential and irrigation water usage at September 30, 2007 are as follows:

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

<sup>(2)</sup>The monthly rate blocks for non-residential water usage at September 30, 2007, are as follows:

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

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

**Table 8**

Fiscal Year		2003		2002		2001		2000		1999		1998	
\$	11.65	\$	11.65	\$	11.65	\$	11.65	\$	11.65	\$	11.65	\$	11.65
\$	26.30	\$	26.30	\$	26.30	\$	26.30	\$	26.30	\$	26.30	\$	26.30
\$	50.65	\$	50.65	\$	50.65	\$	50.65	\$	50.65	\$	50.65	\$	50.65
\$	79.90	\$	79.90	\$	79.90	\$	79.90	\$	79.90	\$	79.90	\$	79.90
\$	157.90	\$	157.90	\$	157.90	\$	157.90	\$	157.90	\$	157.90	\$	157.90
\$	245.65	\$	245.65	\$	245.65	\$	245.65	\$	245.65	\$	245.65	\$	245.65
\$	489.40	\$	489.40	\$	489.40	\$	489.40	\$	489.40	\$	489.40	\$	489.40
\$	781.90	\$	781.90	\$	781.90	\$	781.90	\$	781.90	\$	781.90	\$	781.90
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	1.00	\$	1.00	\$	1.00	\$	1.05	\$	1.05	\$	1.05	\$	1.05
\$	1.10	\$	1.10	\$	1.10	\$	1.25	\$	1.25	\$	1.25	\$	1.25
\$	2.20	\$	2.20	\$	2.20	\$	1.70	\$	1.70	\$	1.70	\$	1.70
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-

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

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

Total Direct Monthly Rate:	2007	2006	2005	2004
<b>Residential (Single Family) and Non-residential:</b>				
Base facility charge:				
Meter Size (Inches):				
5/8".....	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62
1".....	\$ 41.55	\$ 41.55	\$ 39.35	\$ 39.35
1 1/2".....	\$ 83.10	\$ 83.10	\$ 77.10	\$ 77.10
2".....	\$ 132.96	\$ 132.96	\$ 122.46	\$ 122.46
3".....	\$ 249.30	\$ 249.30	\$ 243.42	\$ 243.42
4".....	\$ 415.50	\$ 415.50	\$ 379.50	\$ 379.50
6".....	\$ 831.00	\$ 831.00	\$ 757.50	\$ 757.50
8".....	\$ 1,329.60	\$ 1,329.60	\$ 1,211.10	\$ 1,211.10
10".....	\$ 1,911.30	\$ 1,911.30	\$ -	\$ -
Gallage charge per 1,000 Gallons: <sup>(1)</sup>				
All meter sizes.....	\$ 3.63	\$ 3.63	\$ -	\$ -
Block 1 .....	\$ -	\$ -	\$ 2.55	\$ 2.30
Block 2.....	\$ -	\$ -	\$ 3.10	\$ 2.75
<b>Multi-Family:</b>				
Base facility charge:				
Each Unit.....	\$ 16.62	\$ 16.62	\$ 15.12	\$ 15.12
Master Meter.....	\$ 16.62	\$ 16.62	\$ 1.50	\$ 1.50
Gallage charge per 1,000 Gallons:				
Each Unit.....	\$ -	\$ -	\$ -	\$ -
Master Meter.....	\$ 2.90	\$ 2.90	\$ 2.60	\$ 1.55
<b>Reclaimed Water Rate Schedule:</b>				
Primary Tier Rate:				
Minimum monthly charge:				
Meter Size (Inches):				
3/4".....	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
1".....	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
1 1/2".....	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
Major Users Meter Size (Inches):				
2".....	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
3".....	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
4".....	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
6".....	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
Gallage charge per 1,000 Gallons: <sup>(2)</sup>				
Meter Size (Inches):				
3/4".....	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
1".....	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
1 1/2".....	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
Flow charge per 1,000 Gallons:				
Major Users Meter Size (Inches):				
2".....	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
3".....	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
4".....	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
6".....	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15

**Table 9**

Fiscal Year											
2003	2002	2001	2000	1999	1998	2003	2002	2001	2000	1999	1998
\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62	\$ 11.90	\$ 11.90	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62	\$ 11.90	\$ 11.90
\$ 39.35	\$ 39.35	\$ 39.35	\$ 39.35	\$ 27.55	\$ 27.55	\$ 39.35	\$ 39.35	\$ 39.35	\$ 39.35	\$ 27.55	\$ 27.55
\$ 77.10	\$ 77.10	\$ 77.10	\$ 77.10	\$ 53.50	\$ 53.50	\$ 77.10	\$ 77.10	\$ 77.10	\$ 77.10	\$ 53.50	\$ 53.50
\$ 122.46	\$ 122.46	\$ 122.46	\$ 122.46	\$ 84.70	\$ 84.70	\$ 122.46	\$ 122.46	\$ 122.46	\$ 122.46	\$ 84.70	\$ 84.70
\$ 243.42	\$ 243.42	\$ 243.42	\$ 243.42	\$ 167.90	\$ 167.90	\$ 243.42	\$ 243.42	\$ 243.42	\$ 243.42	\$ 167.90	\$ 167.90
\$ 379.50	\$ 379.50	\$ 379.50	\$ 379.50	\$ 261.50	\$ 261.50	\$ 379.50	\$ 379.50	\$ 379.50	\$ 379.50	\$ 261.50	\$ 261.50
\$ 757.50	\$ 757.50	\$ 757.50	\$ 757.50	\$ 521.50	\$ 521.50	\$ 757.50	\$ 757.50	\$ 757.50	\$ 757.50	\$ 521.50	\$ 521.50
\$ 1,211.10	\$ 1,211.10	\$ 1,211.10	\$ 1,211.10	\$ 833.50	\$ 833.50	\$ 1,211.10	\$ 1,211.10	\$ 1,211.10	\$ 1,211.10	\$ 833.50	\$ 833.50
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ 1.55	\$ 1.55	\$ -	\$ -	\$ -	\$ 1.55	\$ 1.55	\$ 1.55
\$ 2.30	\$ 2.30	\$ 2.00	\$ -	\$ -	\$ -	\$ 2.30	\$ 2.30	\$ 2.00	\$ -	\$ -	\$ -
\$ 2.75	\$ 2.75	\$ 2.35	\$ -	\$ -	\$ -	\$ 2.75	\$ 2.75	\$ 2.35	\$ -	\$ -	\$ -
\$ 15.12	\$ 15.12	\$ 15.12	\$ 15.12	\$ 10.40	\$ 10.40	\$ 15.12	\$ 15.12	\$ 15.12	\$ 15.12	\$ 10.40	\$ 10.40
\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55
\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.10	\$ 0.10	\$ 0.10
\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.10	\$ 0.10	\$ 0.10
\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.10	\$ 0.10	\$ 0.10
\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.10	\$ 0.10	\$ 0.10

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

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

Total Direct Monthly Rate:	2007	2006	2005	2004
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(Continued)

Secondary Tier Rate:

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

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

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

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

**Table 9**

Fiscal Year					
2003	2002	2001	2000	1999	1998
\$ 16.29	\$ 16.29	\$ 16.29	\$ 10.80	\$ 10.80	\$ 10.80

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

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

	2007	2006	2005	2004
Electric.....	24,776	24,174	23,489	22,922
Water.....	23,388	22,765	21,905	20,980
Wastewater.....	18,775	18,243	17,601	17,062
Reclaimed water.....	732	570	501	462

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

**Table 10**

Fiscal Year					
2003	2002	2001	2000	1999	1998
22,126	21,702	21,330	21,134	20,920	20,644
20,122	19,348	18,569	17,937	17,516	16,988
16,485	15,832	15,423	14,940	14,600	14,355
417	401	346	306	286	248

**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, 2007

<b>Electric Customers</b>	<b>Kilowatt Hour Sales</b>			<b>Revenues Billed</b>	
	kWh (000's)	Percent of Total	Rank	Amount	Percent of Total
Bert Fish Medical Center.....	7,735	2.04%	1	\$ 870,730	1.88%
UCNSB-Wastewater Treatment Plant.....	4,803	1.27%	2	544,988	1.17%
Volusia School District #532568.....	4,414	1.17%	3	539,556	1.16%
Publix Food - Store #2019100.....	3,683	0.97%	4	418,531	0.90%
Reddy Ice Corp.....	3,527	0.93%	5	406,398	0.88%
Winn Dixie - Store #2304.....	2,927	0.77%	6	332,593	0.72%
Publix Food - Store #2033500.....	2,680	0.71%	7	304,512	0.67%
UCNSB-Water Plant.....	2,105	0.56%	8	244,728	0.53%
Volusia School District.....	2,093	0.55%	9	265,269	0.57%
Wal-Mart - Store #01-1079.....	2,008	0.53%	10	230,892	0.50%
Food Lion - Store #829.....	-	-		-	-
K-Mart (#7447).....	-	-		-	-
Totals.....	<u>35,975</u>	9.50%		<u>\$ 4,158,197</u>	8.98%

<b>Water/Wastewater Customers</b>	<b>Consumption</b>			<b>Revenues Billed</b>	
	Gallons (000's)	Percent of Total	Rank	Amount	Percent of Total
Reddy Ice Corp.....	18,985	1.15%	1	\$ 64,853	0.98%
Volusia School District #532568.....	10,070	0.61%	2	25,122	0.38%
Volusia School District #522249.....	9,333	0.56%	3	30,706	0.46%
Islander Beach Lodge.....	8,580	0.52%	4	24,218	0.37%
Bert Fish Medical Center (52230).....	8,330	0.50%	5	20,420	0.31%
Bert Fish Medical Center (52231).....	7,902	0.48%	6	26,838	0.41%
Chatham by the Sea.....	7,386	0.45%	7	17,008	0.26%
Quail Hollow Assoc Lmt.....	7,100	0.43%	8	7,950	0.12%
Oceanview Nursing Home.....	6,516	0.39%	9	14,133	0.21%
Ebb Tide Condominium.....	6,510	0.39%	10	12,366	0.19%
Sea Woods Homeowners Association.....	-	-		-	-
Federal Housing Authority.....	-	-		-	-
Errol by the Sea Condominium Association.....	-	-		-	-
The Inlet Condominium Association.....	-	-		-	-
Pelican Condominium Association.....	-	-		-	-
Board of Public Instruction.....	-	-		-	-
Sandpiper Owners Association.....	-	-		-	-
Totals.....	<u>90,712</u>	5.48%		<u>\$ 243,614</u>	3.69%

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

**Table 11**

Fiscal Year Ended September 30, 1998

Kilowatt Hour Sales			Revenues Billed	
(kWh) (000's)	Percent of Total	Rank	Amount	Percent of Total
8,087	2.42%	1	\$ 557,859	2.20%
2,910	0.87%	4	203,024	0.80%
-			-	
3,000	0.90%	3	206,933	0.82%
2,488	0.75%	6	173,216	0.68%
3,178	0.95%	2	219,043	0.86%
2,783	0.83%	5	192,271	0.76%
-			-	
2,287	0.69%	8	185,942	0.73%
2,430	0.73%	7	168,631	0.67%
2,276	0.68%	9	156,281	0.62%
<u>2,228</u>	0.67%	10	<u>157,624</u>	0.62%
<u>31,667</u>	9.49%		<u>\$ 2,220,824</u>	8.76%

Consumption			Revenues Billed	
Gallons (000's)	Percent of Total	Rank	Amount	Percent of Total
-			\$ -	
-			-	
-			-	
10,417	0.73%	7	19,634	0.45%
16,929	1.18%	4	30,062	0.68%
-			-	
-			-	
-			-	
18,495	1.29%	3	31,744	0.72%
-			-	
18,744	1.31%	2	34,000	0.77%
15,319	1.07%	5	37,378	0.85%
12,984	0.90%	6	23,749	0.54%
9,206	0.64%	9	13,048	0.30%
10,033	0.70%	8	13,819	0.31%
24,297	1.69%	1	47,276	1.07%
<u>7,898</u>	0.55%	10	<u>13,760</u>	0.31%
<u>144,322</u>	10.06%		<u>\$ 264,470</u>	6.00%



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

**Table 12**

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

Fiscal Year Ended September 30,	Revenue Certificates <sup>(1)</sup>	Revenue Notes	State Revolving Fund	Total		
				Amount	Per Capita <sup>(2)</sup>	Percent of Personal Income <sup>(3)</sup>
1998	57,268,300	-	8,921,581	66,189,881	3,558	16.71%
1999	55,225,319	-	18,204,608	73,429,927	3,869	17.60%
2000	53,068,892	14,635,747	18,144,866	85,849,505	4,282	18.36%
2001	50,804,487	23,706,468	17,435,927	91,946,882	4,559	18.80%
2002	45,754,090	23,052,000	16,704,331	85,510,421	4,152	16.79%
2003	44,766,225	22,278,000	15,949,355	82,993,580	3,890	15.52%
2004	43,265,547	20,869,000	15,170,251	79,304,798	3,601	13.79%
2005	40,749,837	19,572,000	14,366,249	74,688,086	3,341	12.27%
2006	37,603,838	18,471,000	13,536,552	69,611,390	3,044	10.73%
2007	34,320,704	17,529,000	12,680,339	64,530,043	2,810	9.51%

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

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

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

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

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

Year Ending September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2007	2006	2005	2004
Revenues as defined by Certificate Resolution: <sup>(1)</sup>				
Operating revenues.....	\$ 59,476,142	\$ 63,950,363	\$ 58,967,403	\$ 54,613,482
Interest and other income.....	1,751,065	1,925,869	1,772,305	1,406,072
Capital contributions (excluding donated property).....	1,881,126	1,577,701	3,428,529	1,854,598
Assessment collections.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>63,108,333</u>	<u>67,453,933</u>	<u>64,168,237</u>	<u>57,874,152</u>
Expenses as defined by Certificate Resolution: <sup>(2)</sup>				
Operating expenses.....	53,920,931	59,689,977	57,380,632	53,335,909
Less:				
Depreciation expense.....	(6,037,349)	(5,558,449)	(5,272,971)	(5,009,752)
Required payments to City.....	<u>(3,670,560)</u>	<u>(3,665,315)</u>	<u>(3,328,647)</u>	<u>(3,262,587)</u>
	<u>44,213,022</u>	<u>50,466,213</u>	<u>48,779,014</u>	<u>45,063,570</u>
Net revenues available for debt service.....	<u>18,895,311</u>	<u>16,987,720</u>	<u>15,389,223</u>	<u>12,810,582</u>
Annual Debt Service Requirements: <sup>(3)</sup>				
Principal.....	5,388,214	5,415,697	4,988,773	5,018,426
Interest.....	<u>2,645,894</u>	<u>2,727,810</u>	<u>2,405,067</u>	<u>2,407,605</u>
	<u>8,034,108</u>	<u>8,143,507</u>	<u>7,393,840</u>	<u>7,426,031</u>
Coverage ratio (times).....	<u>2.35</u>	<u>2.09</u>	<u>2.08</u>	<u>1.73</u>

Notes:

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

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

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

<sup>(4)</sup>The rate covenant established for revenue certificates requires that net revenues must equal or exceed 125% of annual debt service principal and interest requirements. The rate covenant for FMPA Pooled Loan Revenue Notes requires net revenues equal to or exceeding 110% of annual debt service principal and interest requirements. The rate covenant for the State Revolving Fund Loan requires net revenues equal to or exceeding 120% of annual debt service principal and interest requirements.

**Table 13**

Fiscal Year					
2003	2002	2001	2000	1999	1998
\$ 46,347,066	\$ 40,612,225	\$ 42,715,387	\$ 41,419,907	\$ 32,552,181	\$ 32,913,781
694,980	894,508	1,345,251	1,471,189	1,292,757	1,436,271
4,474,157	960,595	1,185,634	773,198	1,774,292	1,755,040
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,408</u>	<u>40,878</u>
<u>51,516,203</u>	<u>42,467,328</u>	<u>45,246,272</u>	<u>43,664,294</u>	<u>35,622,638</u>	<u>36,145,970</u>
39,807,203	35,090,229	37,049,738	36,247,872	28,339,261	29,087,843
(4,904,128)	(4,737,946)	(4,360,451)	(3,656,949)	(3,502,707)	(3,490,562)
<u>(2,706,427)</u>	<u>(2,509,729)</u>	<u>(2,625,008)</u>	<u>(2,214,486)</u>	<u>(2,016,471)</u>	<u>(2,018,552)</u>
<u>32,196,648</u>	<u>27,842,554</u>	<u>30,064,279</u>	<u>30,376,437</u>	<u>22,820,083</u>	<u>23,578,729</u>
<u>19,319,555</u>	<u>14,624,774</u>	<u>15,181,993</u>	<u>13,287,857</u>	<u>12,802,555</u>	<u>12,567,241</u>
5,211,498	3,715,412	3,448,286	2,460,000	2,350,000	2,255,000
<u>2,592,401</u>	<u>3,292,614</u>	<u>3,921,252</u>	<u>2,857,214</u>	<u>2,948,209</u>	<u>3,054,404</u>
<u>7,803,899</u>	<u>7,008,026</u>	<u>7,369,538</u>	<u>5,317,214</u>	<u>5,298,209</u>	<u>5,309,404</u>
<u>2.48</u>	<u>2.09</u>	<u>2.06</u>	<u>2.50</u>	<u>2.42</u>	<u>2.37</u>



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

**Table 14**

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

Fiscal Year Ended September 30,	Population <sup>1</sup>	Personal Income <sup>2</sup>	Per Capita Personal Income <sup>3</sup>	Median Household Income <sup>3</sup>	Median HUD Income <sup>3</sup>	County Unemployment Rate <sup>3</sup>
1998	18,603	\$ 396,113,679	\$ 21,293	\$ 31,269	n/a	3.30%
1999	18,977	417,266,276	21,988	33,016	41,767	3.20%
2000	20,048	467,659,696	23,327	35,278	n/a	3.50%
2001	20,169	489,158,757	24,253	34,740	n/a	4.00%
2002	20,595	509,314,350	24,730	35,010	n/a	5.20%
2003	21,334	534,672,708	25,062	36,038	n/a	5.10%
2004	22,025	575,248,950	26,118	37,247	n/a	4.60%
2005	22,356	608,496,676	27,218	n/a	n/a	3.40%
2006	22,870	648,715,785	28,365	n/a	50,300	3.10%
2007	22,963	678,798,883	29,561	n/a	n/a	4.30%

Source: <sup>1</sup> U.S. Department of Commerce, Bureau of Census, for 2000 and 2005. All other periods are estimated.

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

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

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

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

Employer	September 30, 2007		
	Total Employees	Rank	Percent to Total City Employment
Bert Fish Medical Center.....	730	1	9.14%
Publix Supermarkets (2 stores).....	275	2	3.44%
City of New Smyrna Beach.....	260	3	3.25%
Wal-Mart Stores.....	215	4	2.69%
Oceanview Nursing Home.....	185	5	2.32%
Utilities Commission, City of New Smyrna Beach.....	160	6	2.00%
New Smyrna Chevrolet Chrysler Jeep Dodge.....	160	7	2.00%
Winn-Dixie Supermarkets.....	150	8	1.88%
Vern's Insulation.....	135	9	1.69%
Home Depot.....	<u>130</u>	10	1.63%
Total.....	<u><u>2,400</u></u>		30.05%
Estimated Civilian Labor Force (2005 Census).....			<u><u>7,988</u></u>

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

The September 30, 2007 employment data is derived from September 30, 2006 data. The September 30, 2007 employment data was unavailable at date CAFR produced.

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



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

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

	Full-Time			
	2007	2006	2005	2004
Utilities Commissioners.....	5.0	5.0	5.0	5.0
Executive Management	5.0	6.0	2.0	4.0
Finance and Accounting:				
Accounting.....	8.0	7.0	6.0	5.0
Billing and collections.....	22.0	20.8	17.5	17.3
MIS/metering.....	-	-	-	-
Materials management.....	5.0	4.0	4.0	4.0
Information Technology.....	5.0	6.0	4.0	-
Personnel.....	5.0	4.0	4.0	5.0
Engineering:				
Management.....	3.0	3.0	2.0	2.0
Environmental.....	4.0	3.0	3.0	3.0
Electrical engineering.....	4.0	4.0	2.0	2.0
Electric:				
Operations.....	12.0	13.0	13.0	11.0
Fleet Maintenance.....	3.0	3.0	3.0	3.0
Transmission and distribution.....	26.0	24.0	24.0	22.0
Construction.....	-	-	-	-
Substation and relay.....	5.0	3.0	3.0	3.0
Water, Wastewater and Water Reuse:				
Water production.....	13.0	13.0	12.0	12.0
Water distribution.....	19.0	17.0	16.0	15.0
Wastewater collection.....	5.0	4.0	4.0	4.0
Wastewater treatment.....	19.0	16.0	16.0	17.0
Water reuse operations.....	-	-	-	-
Internet.....	4.0	-	-	-
Communications:				
Call center.....	-	33.0	41.0	16.5
Sales/marketing.....	-	7.0	6.0	-
Other operations.....	-	22.8	21.0	-
<b>Total.....</b>	<b><u>172.0</u></b>	<b><u>218.5</u></b>	<b><u>208.5</u></b>	<b><u>150.8</u></b>

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

**Table 16**

Equivalent Employees at September 30,

2003	2002	2001	2000	1999	1998
5.0	5.0	5.0	5.0	5.0	5.0
2.0	2.0	2.0	2.0	3.0	2.0
6.0	7.0	6.0	6.0	5.0	5.0
16.3	17.3	17.0	16.3	15.5	11.0
-	-	-	-	2.0	9.0
4.0	3.8	3.8	4.8	5.8	6.0
-	-	-	-	-	-
4.0	5.0	3.0	3.0	3.0	5.0
2.0	2.0	2.0	2.0	2.0	2.0
3.0	3.0	3.0	3.0	3.0	4.0
2.0	2.0	2.0	2.0	2.0	2.0
12.0	12.0	13.0	13.0	12.0	12.0
3.0	3.0	3.0	3.0	3.0	4.0
22.0	22.0	22.0	21.0	22.0	22.0
-	4.0	4.0	9.0	-	-
3.0	2.0	2.0	2.0	2.0	2.0
12.0	13.0	13.0	13.0	13.0	16.0
15.0	9.0	9.0	9.0	17.0	16.0
4.0	5.0	5.0	5.0	7.0	6.0
17.0	14.0	14.0	14.0	15.0	15.0
-	1.0	1.0	1.0	1.0	1.0
-	-	-	-	-	-
11.5	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>143.8</u>	<u>132.0</u>	<u>129.8</u>	<u>134.0</u>	<u>138.3</u>	<u>145.0</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

	2007	2006	2005	2004
<b>Electric:</b>				
Net energy for load (million kWh).....	400.816	402.421	396.806	385.510
Retail energy sales (million kWh).....	378.244	383.185	371.219	361.426
Distribution loss factor (%).....	5.63%	4.78%	6.45%	6.25%
Annual peak energy demand (kW).....	91,000	94,000	91,000	89,000
<b>Peaking Power Systems Nameplate rating (kW):</b>				
Smith Street Generating Station (fuel oil).....	12,540	12,540	12,540	12,540
Field Street Generating Station (fuel oil).....	53,059	53,059	53,059	53,059
W.E. Swoope Generating Station (fuel oil).....	5,145	5,145	5,145	5,145
<b>Water:</b>				
Maximum daily flow (MGD).....	6.51	6.93	6.07	7.12
Average daily treated flow (MGD).....	4.93	4.80	4.42	4.53
Minimum daily treated flow (MGD).....	3.60	3.11	3.08	2.17
Raw water pumped and treated (MG).....	1,805.00	1,735.33	1,616.61	1,660.32
CUP Allowance <sup>(1)</sup> .....	6.04	5.58	5.17	5.63
Storage capacity (MGD) <sup>(2)</sup> .....	5.07	5.07	5.07	5.07
Water mains (miles) <sup>(3)</sup> .....	180.51	179.83	177.37	175.55
Pumping stations <sup>(2)</sup> .....	3	3	3	3
<b>Wastewater/Reclaimed Water:</b>				
Maximum daily flow (MGD).....	5.57	7.26	4.80	9.65
Average daily treated flow (MGD).....	3.12	3.30	3.73	3.93
Minimum daily treated flow (MGD).....	1.95	2.43	2.06	2.44
Wastewater collected and treated (MG).....	1,140.23	1,203.83	1,262.52	1,369.39
Reclaimed water treated and pumped (MG).....	1,032.29	870.89	830.48	684.94
Collection system (miles) <sup>(3)</sup> .....	99.02	99.02	98.92	98.82
Number of treatment plants.....	1	1	1	1
Treatment capacity (MGD) <sup>(4)</sup> .....	7.00	7.00	7.00	7.00
Maximum plant capacity (MGD).....	14.00	14.00	14.00	14.00
Amount treated annually (MGY).....	1,140	1,204	1,274	1,369
Percent of capacity utilized (MG).....	45.00%	47.10%	49.90%	53.60%
Percent of unused capacity (MG).....	55.00%	52.90%	50.10%	46.40%

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

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

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

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

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

Table 17

Fiscal Year					
2003	2002	2001	2000	1999	1998
386.385	367.175	361.159	360.759	355.599	352.623
370.242	342.753	344.820	340.632	340.606	333.519
4.18%	6.65%	4.52%	5.58%	4.22%	5.42%
100,200	87,900	91,100	87,300	85,700	80,200
12,540	12,540	12,540	12,540	12,540	12,540
53,059	53,059	53,059	-	-	-
5,145	5,145	5,145	5,145	5,145	5,145
7.20	6.62	5.96	7.06	6.13	6.62
4.78	4.73	4.54	4.82	4.57	4.54
3.40	2.16	2.11	2.77	2.56	2.88
1,743.83	1,718.62	1,658.42	1,762.93	1,667.35	1,659.00
5.53	5.44	4.80	4.73	-	-
5.07	5.07	5.07	5.07	6.07	6.07
173.52	166.51	164.04	161.00	157.90	155.18
3	3	3	3	4	4
6.45	9.77	9.29	5.72	7.55	4.23
3.83	3.92	3.81	3.30	2.97	2.49
2.30	2.40	1.97	2.25	1.25	1.94
1,339.03	1,422.28	1,307.30	1,203.43	1,083.48	909.00
793.17	1,050.08	955.17	610.87	674.69	432.17
98.66	98.55	98.35	98.21	96.63	96.39
1	2	2	1	1	2
6.00	6.25	6.25	6.00	6.00	10.00
12.00	12.50	12.50	12.00	12.00	20.00
1,357	1,429	1,304	1,203	1,096	909
62.00%	62.60%	57.20%	54.90%	50.00%	24.90%
38.00%	37.40%	42.80%	45.10%	50.00%	75.10%



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***SUPPLEMENTAL AUDIT REPORTS***



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# BM&C

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

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

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

We have audited the financial statements of Utilities Commission, City of New Smyrna Beach, Florida, a component unit of City of New Smyrna Beach, Florida, as of and for the year ended September 30, 2007, and have issued our report thereon dated December 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Utilities Commission, City of New Smyrna Beach, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Utilities Commission, City of New Smyrna Beach, Florida's financial statements that is more than inconsequential will not be prevented or detected by Utilities Commission, City of New Smyrna Beach, Florida's internal control. We consider the deficiencies described in the accompanying Management Letter dated December 21, 2007; specifically, items 1 through 3, under the heading *Prior Year Matters*, and item 1 under the heading *Current Year Matters*, to be significant deficiencies in internal control over financial reporting.

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

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Utilities Commission, City of New Smyrna Beach, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Management Letter dated December 21, 2007; specifically, item 2 under the heading *Current Year Matters*.

We also noted certain additional matters that we reported to management of Utilities Commission, City of New Smyrna Beach, Florida, in the accompanying Management Letter dated December 21, 2007.

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

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

December 21, 2007

# 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 "Commission") as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated December 21, 2007.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have also issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated December 21, 2007, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls, this letter is required to include the following information.

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report, except as note below under the heading *Exhibit A - Prior Year Matters*.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that Utilities Commission, City of New Smyrna Beach, Florida, complied with Section 218.415., Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we have included our findings and recommendations as reported in the attached Exhibit A under the headings *Prior Year Matters* and *Current Year Matters*.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; 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. In connection with our audit, we report items 2 and 3 under the heading *Exhibit A – Current Year Matters*.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Utilities Commission, City of New Smyrna Beach, Florida, was created in 1967 through the passage of Chapter 67-1754, Laws of Florida, Special Acts of 1967 (House Bill 1669), which amended the Charter of the City of New Smyrna Beach, Florida, to create the Utilities Commission as a component unit of the City of New Smyrna Beach, Florida.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Utilities Commission, City of New Smyrna Beach, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Utilities Commission, City of New Smyrna Beach, Florida for the fiscal year ended September 30, 2007, 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, 2007. 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, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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  
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This management letter is intended solely for the information of Utilities Commission, City of New Smyrna Beach, Florida and its management, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

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

December 21, 2007

**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:

**1. Monitoring for Fraud**

In prior years we have communicated to management it's increased responsibility in overseeing activities carried out by employees and for implementing and monitoring antifraud processes and controls as required under standards issued by the Comptroller General of the United States and the Institute of Certified Public Accountants, as outlined in Statements on Auditing Standards, No. 99 (SAS no. 99), *Consideration of Fraud in a Financial Statement Audit*. In performing our audit, we consider management's identification and measurement of the risks of fraud and whether preventive internal controls are implemented to mitigate those risks.

As of the most recent fiscal year ended management has not fully developed a fraud risk assessment and monitoring process. A Controller/Budget Supervisor was hired during the year that was assigned the responsibility of documenting internal controls for all departments and as part of those duties was to evaluate management's identification of fraud risk, implementation of antifraud measures and maintenance of the appropriate supervision of activities of senior management. Prior to documenting these systems, this employee had since left the employ of the Commission, requiring the hiring of a new Controller/Budget Supervisor in November 2007.

Recommendation: We continue to recommend that management establish a formal antifraud policy that will specifically address fraud risk factors, identify antifraud processes and controls, monitor such processes and controls, and to provide a means for reporting any wrongdoing. Appropriate oversight process is crucial. It is our understanding that the newly hired Controller/ Budget Supervisor will be completing this process and will be assigned the responsibility of continually monitoring the assessment of the Commission's vulnerabilities to fraudulent activity and adherence to internal controls over financial reporting and compliance with applicable laws and regulations.

**2. Accounting/Finance-Uniform Accounting Policies and Procedures Manual**

In the prior years, we noted that the Commission had never fully developed a formal, written, accounting policies and procedures manual. We recommended that management establish and implement a standard accounting and operating procedures manual outlining all fiscal policies to be followed. During fiscal year 2007, the Controller/Budget Supervisor was coordinating with various staff members in the Finance Department to document the procedures performed in the normal course of performing their assigned functions, but in some instances this documentation was in a draft outline format and was not sufficiently detailed to provide a connection with the control activities embodied in the Commission's internal controls over financial reporting.

Year Ended September 30, 2006

UTILITES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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We understand that the process of preparing and implementing such a comprehensive manual may take several years, but until such time that these important policies and procedures are fully documented in a comprehensive manual we are required to continue to communicate to management this internal control deficiency.

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

### **3. Accounting/Finance-Capital Assets Module-Depreciation Record**

In previous years, we commented on the use of a separate database by the Finance Department to account for capital assets and for purposes of maintaining a detailed depreciation schedule for utility plant in service. We noted discrepancies in arithmetic totals and erroneously computed depreciation on fully depreciated assets produced by this system. We recommended that management abandon the use of this stand alone database and implement the fixed asset module that integrates with the Microsoft Great Plains Dynamics general ledger and financial management system, to correct these problems. Due to the late date in upgrading to Great Plains Version 9.0, the fixed assets module was not deployed by fiscal year ended September 30, 2007.

Recommendation: We continue to recommend that management migrate to the new Great Plains fixed assets module to account for and record activity pertaining to the Commission's capital assets and utility plant. It is our understanding that the IT Department will be assisting the Finance Department in implementing the Great Plains fixed asset module in the coming year, which should correct these problems.

### **4. General-New Accounting Pronouncements**

In the prior year, we indicated that the Commission should take steps to start planning for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 43 and Statement No. 45 that provide standards for accounting, reporting and disclosure requirements for postemployment benefits other than pensions, known as "OPEB". Even though the Commission is not required to implement these new accounting principles until the fiscal year beginning October 1, 2008, the formal steps required by the Commission to gather this information could be significant and difficult to employ. These new standards could potentially require the recognition of material increases in the expenses and liabilities reported in the financial statements of many governmental entities, even when those employers provide no postretirement benefits, such as medical, dental, long-term care or life insurance to exiting employees. However, since Florida municipalities are required to continue to offer these traditional benefits to retired employees (even though they reimburse the City for 100% of the premium costs), employers must recognize the potential incremental costs they assume from these actions. The GASB considers the resultant "implicit rate subsidy" for retirees, which is created from these actions, to be an OPEB that must be measured and reported by the Commission in its financial statements.

Year Ended September 30, 2007

UTILITES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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

## 5. Unrestricted Cash

In the prior year we noted that the Commission's year-end position in unrestricted cash and cash equivalents had dramatically decreased, as compared to the balance reported at the end of the prior fiscal year. During our current year audit we noted that the balance of unrestricted cash in the Commission's Master checking account was still negative. In the prior year we communicated that many factors contributed to the deficit in the unrestricted cash balance. Operating losses sustained by the telecommunications division, increasing fuel and purchased power costs not yet fully recovered through the fuel adjustment billed to customers, prior management's practice of internally financing significant utility plant expansion and improvements with increased amounts of transfers from operations to the Renewal and Replacement Fund, and prior management's reluctance to have an updated rate study, all had a draining impact on operating cash in years prior to the arrival of the current General Manager/CEO.

Current management has implemented a strategic plan to address many financial concerns of the Commission that have included: having the Commission approve exiting the telephone business to cut losses, having the Commission approve an appropriate fuel adjustment to help reduce the increasing amount of unbilled under-recovered fuel and purchased power costs, having the Commission approve increased rates for its core utility services in response to recommendations made in the recent cost of service analysis and rate study report, and having the Commission approve the issuance of external debt to help finance \$10 million in water system improvements. All of these actions have helped to reverse the negative trends and the impact on operating cash, resulting in a decrease in the amount of unrestricted cash deficit by approximately \$3.3 million in one year.

Recommendation: We recommend that management continue the course of its strategic plan, while continuing to implement the recommendations made by Black & Veatch in their Cost of Service Analysis and Rate Study Report prepared in March 2006, which should continue to replenish operating cash to an appropriate level for working capital needs and to cover contingencies, including revenue shortfalls due to weather depressed sales, among other reasons.

After the amount of uncommitted funds has been restored, we recommend that management give consideration to again setting aside funds in the Rate Stabilization Fund to be used for the intended purpose of managing and controlling cash flow in periods when the Commission experiences rising costs for fuel and purchased power.

**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:

**1. General-Personal Leave Time Policy**

During our current year audit we found that the Commission's Personnel Practices Manual does not have a policy that requires employees to take vacation and require other employees to perform those functions assigned when an employee is absent. One of the many basic tenets of internal control is that employees in sensitive positions be absent from their duties for a minimum of two weeks at any time during the year and that employees are required to take their earned vacation time. Such a requirement enhances the viability of a sound internal control environment because most frauds require the continual presence of the wrongdoer.

Recommendation: We recommend that management assess its significant risk areas before developing a policy regarding this matter. After making this assessment, the Commission should consider whether it is necessary to establish a policy that mandates vacation time be used for employees in sensitive key positions and that an individual's daily work be performed by another employee during the employee's absence.

**2. General-Taxable Fringe Benefit and IRS Issue**

In a December 18, 2007 article published by The Florida Times-Union, it was reported that the City of Jacksonville, Florida had recently undergone an audit by the Internal Revenue Service that resulted in the City paying a significant assessment for failure to demonstrate compliance with specific fringe benefit recordkeeping requirements. Among one of the cited findings was the City's lack of monitoring for city-issued cell phone for personal business. It appears that the Internal Revenue Service has been auditing local governments throughout Florida for similar compliance matters.

During our current year audit we noted that the Utilities Commission provides some of its employee with commission-issued cell phones. We also noted that there was no monitoring of cell phone usage by Commission employees for possible personal phone calls. While the Utilities Commission has a pending cell phone policy that prohibits personal use for commission-issued cell phone to its employees working in the field, the policy does not effectively eliminate the requirement for active monitoring for possible personal use that is required to be reported as additional compensation to those employees that fail to reimburse the employer for employer-provided cell phones.

Year Ended September 30, 2007

UTILITES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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We also noted that the plans established for Commission-provided cell phones allow for the accumulation of roll-over minutes and in some instances unlimited calling, that would not appear to have any impact on the monthly billing amount for such phones. However, the IRS takes the position that regardless of such plans, any personal use of an employer-provided cell phone is a taxable fringe benefit and is required to be reported as additional compensation subject to employment and income tax withholding requirements.

Recommendation: We recommend that steps be taken to ensure that effective monitoring of all commission-provided cell phones be maintained sufficiently to demonstrate compliance with the IRS requirements and that absent reimbursement from employees, that such personal use be valued appropriately and reported as additional compensation in conformity with IRS regulations.

### 3. Internet Division-Operating Loss

After exiting the telephone business in the prior year, the Commission began separately reporting the financial activity for internet services it provides to its customer under the separate Internet Division. For the fiscal year ended September 30, 2007 this division reported a loss of \$53,173. Previously, the Commission reported the revenues and related operating expenses of these services under other operating systems; most recently, under the Communications Division for the previous three years.

Pursuant to the provisions outlined in Section 350.81, Florida Statutes, the Commission is required to conduct an annual review at a formal public meeting to consider the progress it is making toward reaching its business plan goals and objectives for providing these services. Also, if after four (4) years following the date of enactment (June 2, 2005) of the act (Chapter 2005-132, Laws of Florida, *Communication Services*), revenues do not exceed operating expenses and payment of principal and interest on any debt for a governmental entity's provision of communications services, then no later than 60 days following the end of the 4-year period the governmental entity shall hold a public hearing at which the governmental entity shall do at least one of the following: (1) approve a plan to cease providing communications services; (2) approve a plan to dispose of the system the governmental entity is using to provide communications services and, accordingly, to cease providing communications services; (3) approve a plan to create a partnership with a private entity in order to achieve operations in which revenues exceed operating expenses and payment of principal and interest on debt; or (4) approve the continuing provision of communications services by a majority vote of the governing body of the governing authority.

It is possible that the Commission experienced prior year losses related to internet services provided to its customers, which may not be readily apparent, since the revenues and related operating expenses were previously reported under other systems. Based on these provisions the Utilities Commission is not required to take any immediate action to determine whether it should continue providing internet services until June 2, 2009. However, the law clearly requires an annual review of these operations.

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

# 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



## MANAGEMENT'S RESPONSE

### Prior Year Matters

1. **Monitoring for Fraud.**  
The UC has implemented a formal policy officially addressing this matter. A Controller's position has been established, filled, and is responsible for the establishment, documentation, and compliance monitoring of internal controls and determination and assessments of risk in this area.
2. **Accounting/Finance – Uniform Accounting Policies and Procedures Manual.**  
The UC has formally established a manual consisting of existing policies and procedures. As an ongoing action item, this manual will include the establishment of new policies and procedures for improvement areas as a routine responsibility of the Controller's position.
3. **Accounting/Finance – Capital Assets Module – Depreciation Record.**  
Finance and IT have implemented Great Plains 9.0 thereby upgrading the UC's accounting system and are currently working to include a fully integrated fixed assets module. Background asset identification is nearing completion and this fixed assets module is expected to be fully functioning within the next month.
4. **General – New Accounting Pronouncements**  
The UC has reviewed and completed an analysis of the UC's retirement benefits to comply with the new pronouncements and has made changes to the UC's retirement policy to minimize exposure to OPEB. Other post retirement topics are under review at the current time.
5. **Unrestricted Cash**  
The UC is continuing to implement objectives and tasks in conformance with the UC's Strategic Plan while Divisions routinely monitor revenues and expenses. Capital financial demands have been mitigated by implementing a developer contribution program, eliminating previous WAV financial commitments, and transitioning the UC's alternate water supply plan. No rate increases were budgeted for 2008 due to anticipated economic conditions in the area but the UC has retained its recently enacted operating emphasis on implementing only essential and prioritized R&R and maintenance projects to further improve the UC's cash balance.

*"Connecting You With Quality"*

## Current Year Matters

**1. General – Personal Leave Time Policy**

The UC has implemented a policy of mandatory threshold vacation use and has tasked the Human Resources Division to monitor and ensure all employees utilize personal leave time appropriately. The UC has also implemented a new personnel performance management system and a succession plan as defined in the UC's Strategic Plan for enhanced development and opportunity for vacation time.

**2. General – Taxable Fringe Benefit and IRS Issues**

The UC proactively researched many fringe benefits (cell phones, uniforms, vehicles and meal allowances) offered to employees and is appropriately revising applicable policies and modifying the payroll system and informing employees for compliance with the IRS requirements.

**3. Internet Division – Operating Loss.**

The UC routinely monitors this competitive operation and its market strategies to enhance this unit's profitability and to conform with the requirements of FS 350.81, which provides for a four year profitability assessment period ending June, 2009.

Signed:   
Robert J. Rodi  
General Manager/CEO

Signed:   
Laurie Klinkenberg  
Director of Finance