

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

CITY OF NEW SMYRNA BEACH, FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2013

Prepared By:

City of New Smyrna Beach Finance Department

Cover photograph provided by Renee Richards

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Introductory Section

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City of New Smyrna Beach, Florida

Comprehensive Annual Financial Report
For the fiscal year ended September 30, 2013

City Commission

Honorable Adam Barringer, Mayor

J.S. Grasty, Vice Mayor

Judith A. Reiker

Jason McGuirk

Kirk Jones

City Manager

Pam Brangaccio

City Attorney

Frank B. Gummey, III

Director of Finance

Althea Philord

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Letter of Transmittal

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City of New Smyrna Beach

March 25, 2014

Honorable Mayor Barringer, and
Members of the City Commission
City of New Smyrna Beach, Florida

The City Charter and Florida Statutes require that all general-purpose local governments publish a complete set of financial statements presented in accordance with generally accepted accounting principles (GAAP) and be audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed public accountants. Pursuant to that requirement, we hereby submit the comprehensive annual financial report of the City of New Smyrna Beach, Florida for the fiscal year ended September 30, 2013, as prepared by the City's Finance Department.

Management Representations and Internal Controls

The City's Finance Department is responsible for the content of this financial report and management's representations of the financial activity of the City of New Smyrna Beach. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of implementing these internal controls should not outweigh their benefits, the City's internal controls have been designed to provide reasonable, but not absolute, assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief we believe that this financial report is complete and, in all respects, free from material misstatement.

Independent Audit

James Moore & Company, P.L., a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the financial statements for the fiscal year ended September 30, 2013. Their report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federal and state mandated single audit, which is designed to meet the special needs of the federal and state grantor agencies. The single audit was conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments*. There are supplementary reports and a schedule of expenditures of federal awards relative to a single audit presented in the last section of this report.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City of New Smyrna Beach's MD&A can be found immediately following the report of the independent accountants.

Honorable Mayor Barringer, and
Members of the City Commission
City of New Smyrna Beach, Florida
March 25, 2014

Financial Reporting Entity

The City provides a full range of municipal services including: general government administration, law enforcement and fire protection, community redevelopment, stormwater management, sanitation and solid waste, as well as construction and maintenance of infrastructure, recreational, and other cultural facilities. The City also operates a municipal airport, golf course, and marina.

The Utilities Commission, City of New Smyrna Beach, is a legally separate entity and is reported separately as a discretely presented component unit. The financial data of the Housing Authority of New Smyrna Beach is not included in this report as it does not qualify as a component unit. Additional information about these legally separate entities is located in Notes 1(b) and 1(c) respectively beginning on page 62.

City Profile

New Smyrna Beach is approximately 38 square miles in size and serves a population of approximately 23,000. It is located on Florida's east coast, in the County of Volusia, just north of Cape Canaveral with easy access to both Interstate 95 and Interstate 4 and is:

- 15 miles south of Daytona Beach
- 56 miles east of Orlando
- 40 miles north of Kennedy Space Center
- 109 miles south of Jacksonville
- 250 miles north of Miami

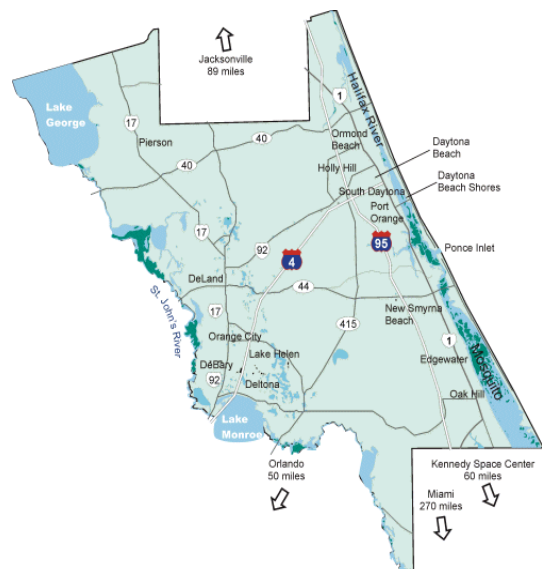
The City also boasts an estimated 7 miles of beachfront property and approximately 8 miles of intra-coastal waterway frontage.

The City was created in 1887 by adoption of its first charter, which was eventually replaced by the present charter through Chapter 224.08, Special Acts of Florida, 1943.

The legislative branch of the City is composed of an elected five-member City Commission consisting of the Mayor and four commissioners. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Manager.

Economic Condition and Outlook

New Smyrna Beach prides itself on being a charming coastal community. It is rich in history, has a thriving artist community and is surrounded by many natural preserve areas. The City of New Smyrna Beach is known for its laid-back attitude; safe, wide white-sand beaches; and eclectic mix of history, culture, the arts and nature. The City is slowly recovering from the effect of past years reduction in property tax values. Part of the local economic recovery, which is outpacing the majority of Volusia County, has been the result of City Commission policy directives in creating an "Open for Business" model. Initiatives range from numerous capital reinvestments in community infrastructure; forming an Economic Development Advisory Board and adopting an Economic Development Plan; hosting regional economic development summits to identify best practices and review economic development trends.



Honorable Mayor Barringer, and
Members of the City Commission
City of New Smyrna Beach, Florida
March 25, 2014

Specific economic conditions affecting the City's financial position are discussed in greater detail in the MD&A in this report.

Relevant Financial Policies

Budgetary Controls The City adopts its annual budget by the end of the previous fiscal year. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, function (i.e. Public safety), and department (i.e. Police). Shifts in appropriations within fund totals may be done administratively on authority of the City manager. Total fund appropriations and use of contingency appropriations must be approved by the City Commission. Original and final budget to actual comparisons are included in this report for each governmental fund.

Cash Management and Emergency Reserves The City administers a cash management and investment program that seeks to maximize, in order of priority, the preservation of funds, liquidity, and interest earnings over its cash and investments. During the fiscal year, the City's cash resources (excluding pension investments) were primarily invested in U.S. Agency and Treasury issues. The City did not invest in any derivatives or similar debt and investment instruments. The interest received on cash resources approximated .25 percent.

For the general fund, the City Commission adopted an emergency reserve policy based upon recommendations of management and Government Finance Officers Association (GFOA) recommended practices. The policy states that general fund unassigned fund balance equal to 25% of the current fiscal year budgeted expenditures less capital outlay and transfers out, will be maintained for emergency purposes and are not otherwise to be appropriated. At the end of the fiscal year, unassigned fund balance for the general fund was at 30% of the current year budgeted expenditures, net of capital outlay and transfers out.

Risk Management The City contracts for all known risk elements through the purchase of insurance from outside insurance companies. The City maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard assets of the City. In the opinion of management and legal counsel, outstanding legal claims are not expected to have a material impact on the financial position of the City.

Major Events and Initiatives

The City has chosen capital projects strategically. In most cases, the City has partnered with another local government (namely County of Volusia, Florida) or a state or federal agency to help offset the costs of the various projects. Major projects during the year include:

Public Safety:

- The new Central Fire Station which will replace aging Station 50 is under construction. Estimated completion date is 2014. This project will be funded by proceeds from the 2005 general obligation bond.
- Approval of purchase of replacement Fire Truck. City Commission approved the utilization of Sanitation Fund reserves to purchase the replacement. Delivery of Fire Truck expected in 2014.

Stormwater Management:

- Design for the Flood Mitigation project for Central Beach, Phase III is underway. FEMA Hazard Mitigation grant is secured for \$3.78M which will offset cost. Project cost estimated at \$7.4M. Construction is underway in FY2014.

Honorable Mayor Barringer, and
Members of the City Commission
City of New Smyrna Beach, Florida
March 25, 2014

Recreation/Parks/Golf Course:

- Numerous improvements are under construction at several recreational facilities including a riverside park and the north causeway boat ramp improvements.
- Improvements to the Sports Complex bleachers (Phase I) is scheduled for completion in 2014. Phase I replaced the existing bleachers located on the visitor's side of the complex. Phase II is scheduled to begin in 2014. Phase II which will replace the home side bleachers. The second phase is expected to be funded by newly issued debt proceeds scheduled for approval in 2014.
- Design for new boat ramps is complete at the Swoope site, with construction in progress in 2014. FIND, ECHO, and FWC grants will help offset the costs associated with both the design and construction.
- Design was completed for the Cross Volusia Multi-Use Trail project. Construction is expected to be underway during 2014. As part of the design phase, the City purchased two land parcels for use in the park. The cost of the land was reimbursed 50% by the Volusia County ECHO program.

Airport:

- Design phase of Airport Taxiway E&D and Rehab of Runway 11/29 is complete. The construction phase of the project is underway in 2014; 95% of the project to be funded with the assistance of FAA and FDOT grants.
- Design phase of terminal apron and additional hangar improvements at 1501 Airway Circle are scheduled for 2014. Project includes the rehabilitation of the terminal apron area, and expansion of the existing apron area. Project to be funded with the assistance of FDOT grants.

Community Redevelopment Area:

- Washington St. Streetscape project is scheduled for completion in first quarter of 2014. Project included improvements the reconstruction of the stormwater system and roadway, new sidewalks, improvements at the Florida East Coast Railway crossing, decorative streetlights, landscaping, and irrigation.
- Second phase of Esther Street Park Project completed in 2013. Project included constructing a new restroom facility, playground, paved parking lot, and wood boardwalk. The project also replaced the existing seawall along the property and new pavilions and parking are being installed. The project will also include stormwater drainage improvements funded by the Department of Environmental Protection, and the city's stormwater fund.
- Mary Ave Tot Lot playground completed in 2013. Improvements included construction of restrooms, the replacement of playground equipment, new sod and mulch fencing and a sidewalk.
- New parking lot to serve the Canal Street Historic District, at the NW corner of US1 and Canal St. is under construction and is scheduled for completion in the first quarter of FY2014.
- The City has been awarded a US EPA Brownfield grant which will allocate \$200K for environmental site assessments.
- As the existing CRA is scheduled to sunset in FY2015, City staff is preparing to submit plans, for approval, to the Volusia County Council for a new designated CRA area.

Planning:

- Since FY2013, the Planning & Engineering Division has focused on finalizing the Interlocal Service Boundary Agreement (ISBA) with the County of Volusia. This agreement, which allows the City to annex more than 1,800 non-contiguous parcels within the designated annexation area was approved by the City Commission and County Council in 2013. As of fiscal year end 2013, staff has received and processed over 100 annexation applications.N

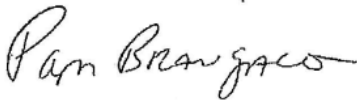
Honorable Mayor Barringer, and
Members of the City Commission
City of New Smyrna Beach, Florida
March 25, 2014

Other Information


Awards The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of New Smyrna Beach, Florida for its comprehensive annual financial report for the fiscal year ended September 30, 2012. This is the 33rd consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report 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 that our current comprehensive annual financial report meets the requirements for this program and are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments The preparation of the comprehensive annual financial report was made possible by the dedicated service 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. In closing, we would also like to thank the members of the City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Pamela Brangaccio
City Manager



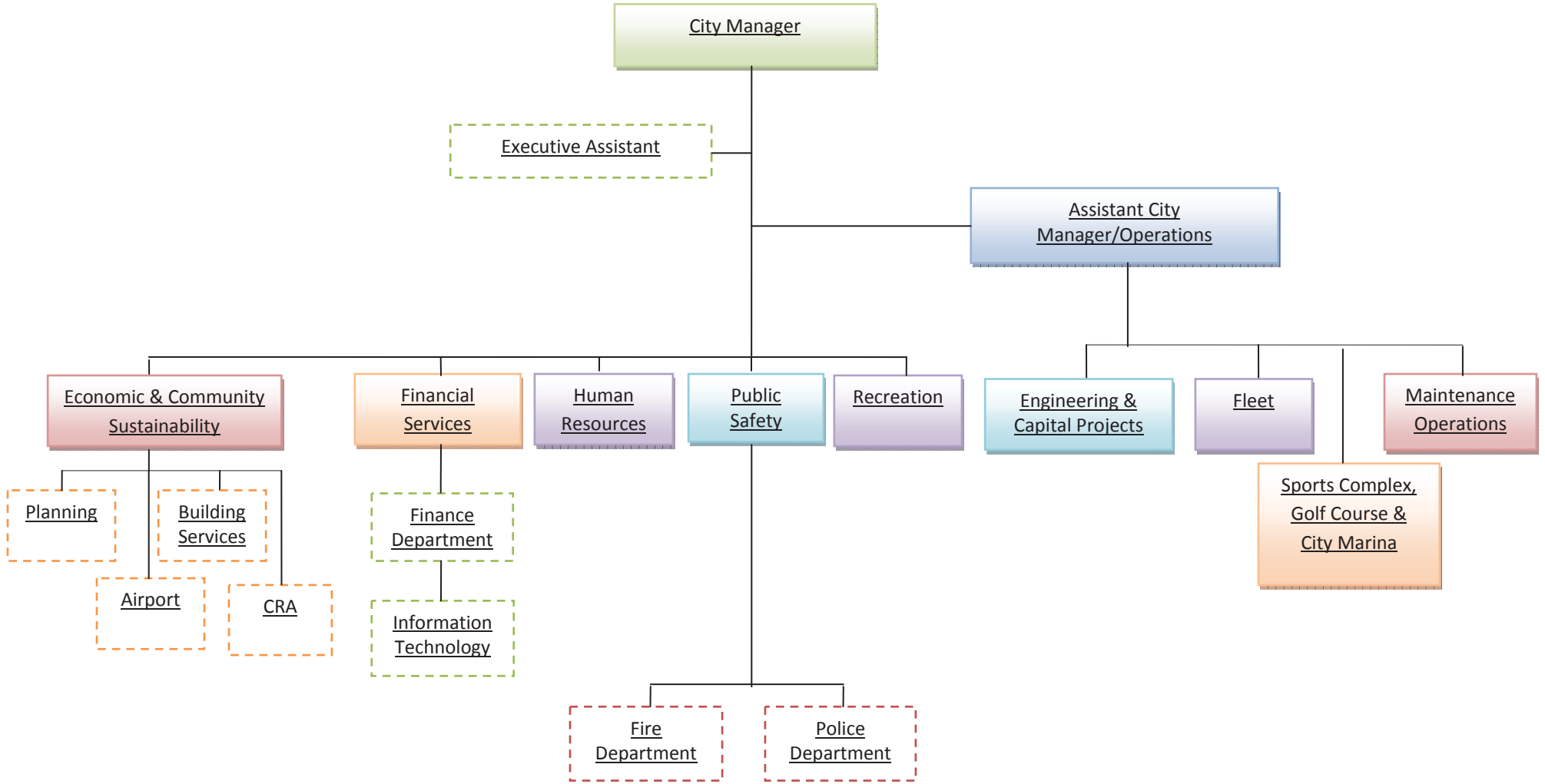
Althea Philord
Finance Director

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Organizational Chart

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**CITY OF NEW SMYRNA BEACH, FLORIDA
ORGANIZATIONAL CHART
SEPTEMBER 30, 2013**



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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of New Smyrna Beach
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

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Financial Section

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Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission, and City Manager,
City of New Smyrna Beach, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of New Smyrna Beach, Florida, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of New Smyrna Beach, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

City of New Smyrna Beach's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Utilities Commission, City of New Smyrna Beach, Florida, which represent 64 percent, 61 percent, and 63 percent, respectively, of the assets, net position, and revenues of the City. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Utilities Commission, City of New Smyrna Beach, Florida, is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of New Smyrna Beach, Florida, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Community Redevelopment Agency, and Airport Industrial Park funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Smyrna Beach, Florida's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules and schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and schedules and schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, the combining and individual nonmajor fund financial statements and schedules and schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of City of New Smyrna Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of New Smyrna Beach, Florida's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large, looped initial 'J'.

Daytona Beach, Florida
March 25, 2014

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Management's Discussion and Analysis

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City of New Smyrna Beach, Florida, (hereinafter referred to as the "City"), we offer the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year that ended on September 30, 2013. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section, taken as a whole.

Financial Highlights

- General Fund unassigned fund balance is \$5,267,581 at year end, which is 28% of the budgeted FY2012/2013 General Fund expenditures. This is above the required 25% reservation policy.
- Government-wide the City's assets exceeded its liabilities by \$92.2 million at year end, which is an increase in net position of \$2,381.283, or 3%, when compared to September 2012.
- Compared to 2012, total liabilities City-Wide decreased by \$2,092,013, or 7% at year end.
- Capital assets increased in 2013 compared to 2012 by \$3.1 million, Government-Wide.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of New Smyrna's basic financial statements prepared in compliance with the pronouncements of the Governmental Accounting Standards Board. The City's basic financial statements are comprised of three separate components: (1) management's discussion and analysis (2) the basic financial statements (including government-wide financial statements, fund financial statements, and notes to the financial statements), and (3) required supplementary information, including budgetary comparisons and other selected financial and fiduciary fund data.

Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements and required supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and financial performance as a whole. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, and other management tools were used for this analysis.

The *basic financial statements* include two types of statements that present different views of the City. The first two statements consist of entity-wide financial statements that provide both the short and long-term financial information about the City's overall financial status, including its governmental activities and its business-type activities. These statements report information about the City using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the City's assets and liabilities, both financial and capital, and short-term and long-term debt 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 governmental utilities. The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements. The governmental funds' statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities which the government operates like businesses, such as the City's municipal golf course, marina, and solid waste collection system. Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others (like the retirement plan for the City's employees), to whom the resources in question belong.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The basic financial statements of the City include a statement of net position and a statement of activities, which are described as follows:

- The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflow and outflow at the end of its fiscal year, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial condition.
- The *statement of activities* presents information showing how the government's net position changed during the most recently completed fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*government activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government services, public safety (police, fire and building inspection), highways and streets, airport operations, stormwater management, economic development, and recreation and leisure services. The business-type activities of the City include its municipal golf course and solid waste utility operations. The government-wide financial statements include not only the City of New Smyrna Beach itself (known as the *primary government*), but also a legally separate electric, water, wastewater and telecommunications utility (Utilities Commission, City of New Smyrna Beach) for which the City of New Smyrna Beach is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 45 - 47.

Fund Financial Statements

A *fund financial statement* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted into cash. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 49 and 51.

The City maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Community Redevelopment Agency (special revenue) Fund, and the Airport Industrial Park (special revenue) Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from the fourteen other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriations budget for each of its governmental funds in accordance with state statutes. Budgetary comparison statements have been provided for each fund to demonstrate compliance with the budget and are presented as other supplemental information. The basic governmental fund financial statements can be found on pages 48 to 54 of this report.

Proprietary funds. The City maintains three types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the fiscal activities of the City's marina, municipal golf course operations, and solid waste operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City various functions. The City uses an internal service fund to account for its vehicle fleet maintenance operations.

Because services accounted for in the internal service fund are charged back to the appropriate fund/department on services provided, its activities are already included in the financial statements of the governmental and business-type funds. Individual fund data for the internal service fund is provided in the proprietary fund financial statement.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate financial information for the golf course and solid waste operations, both of which are considered to be major funds of the City. Conversely, the internal service fund's financial activities are presented separately in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 55 to 57 of this report.

Fiduciary funds. The City is the trustee, or fiduciary, for its public safety employees' pension plans. Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are separately reported in the statements of fiduciary net position and changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. Rather, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The basic fiduciary fund financial statements can be found on pages 58 to 59 of this report.

Notes to the Financial Statements. The financial statements also include notes which 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 City's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 62 to 93 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the City's progress in funding its obligation for other post-employment benefits and to provide certain pension benefits to its employees. Required supplementary information can be found on pages 96 to 98 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 102 to 114.

Government-wide Financial Analysis

Reviewing the changes in assets, liabilities, resources and outlays during the fiscal period allows management to assess the City's current financial position and the results of operations for the last year. The following condensed information includes some of the basic data used to measure the City's progress over the past two years.

Assets – Government-wide assets decreased over the prior year by \$493,123 for a balance at year-end of \$119.6 million in total assets. This decrease was primarily due to a combination of activities which took place in 2013 which includes: an increase in capital assets (less depreciation) of \$3.1 million, or 3.6%. Cash and cash equivalents decreased by 11.6%, or \$2.65 million. Amounts due from other government units decreased by \$522,716 or 23.34%. This decrease is attributable to capital projects completed in FY13. A decrease in net pension asset of \$349,025 due to the City utilizing amounts accumulated in the funding standard account.

Liabilities - Total Government-wide liabilities decreased by over \$2.1 million; this is mainly due to the payment of debt principal of over \$2.1 million.

Net Position - As noted previously, net position may serve as a useful indicator of a government's financial position over time. Approximately 78% of the City's net position reflect its investment in capital assets (land, equipment, buildings, improvements other than buildings, machinery and equipment and infrastructure). The City uses these capital assets to provide services to its citizens; so consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay for these liabilities.

In the case of the City, assets exceeded liabilities, Government-wide, at the end of the fiscal year by over \$93.3 million. Total net position increased \$1.6 million from last year. Net position of the City's governmental activities increased by \$2,381,263 and totaled \$92,200,645 at the end of the fiscal year. Of this amount, approximately 86% is either restricted as to the purposes they can be used for or is invested in capital assets. Consequently, unrestricted net position, the part of net position than can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, totaled \$12,386,601 at the end of 2013.

In FY2013, the City's business-type activities experienced an overall reduction in net position of \$782,378 in 2013 for a total of \$782,361 compared to \$1,564,739 total net position in 2012. The decrease is due to the transferring of \$1,012,006 from the Sanitation Fund to finance capital replacements and improvements in the General Fund.

The following is a summary of net position for the years ended September 30, 2013 and 2012:

Net Position						
As of September 30,						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets:						
Current and other assets	\$ 28,725,238	\$ 31,566,988	\$ 1,404,426	\$ 2,177,712	\$ 30,129,664	\$ 33,744,700
Capital assets, net	89,393,965	86,297,639	108,271	82,689	89,502,236	86,380,328
Total Assets	118,119,203	117,864,627	1,512,697	2,260,401	119,631,900	120,125,028
Liabilities:						
Current liabilities	5,419,526	5,470,326	581,860	560,719	6,001,386	6,031,045
Long-term debt outstanding	19,859,555	21,984,012	103,953	92,850	19,963,508	22,076,862
Other liabilities	639,477	590,907	44,523	42,093	684,000	633,000
Total Liabilities	25,918,558	28,045,245	730,336	695,662	26,648,894	28,740,907
Net Position:						
Invested in capital assets	72,837,452	68,309,381	108,271	82,689	72,945,723	68,392,070
Restricted	6,976,592	10,563,863	-	-	6,976,592	10,563,863
Unrestricted	12,386,601	10,946,138	674,090	1,482,050	13,060,691	12,428,188
Total net position	\$ 92,200,645	\$ 89,819,382	\$ 782,361	\$ 1,564,739	\$ 92,983,006	\$ 91,384,121

Changes in Net Position. While the statement of net position shows a snapshot of the City's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and source of those changes. During 2013, the City's combined net position totaled \$93.0 million, which is up \$1.7 million over last year's reported \$91.3 million. In fiscal year 2012, the City's combined net position totaled \$91.3 Million, which was up \$4.5 million over previous year's (2011) reported \$86.9 million.

During fiscal year 2013 the City's total revenues decreased by approximately \$117,469 to a total of \$35.8 million. In fiscal year 2012, the City's total revenues decreased by \$200,000 to total of \$36.0 million. Approximately 30% of the City's combined activities revenue comes from property taxes (29% in 2012), and 22% (22% in 2012) of every dollar raised comes from another type of tax. Another 38% (33% in 2012) comes from fees charged for services and 7% (13% in 2012) is from grant contributions, while most of the remaining revenue is state and federal financial assistance and interest and other earnings.

Government-wide operating expenses increased by \$2.8M during the period. This increase is the result of increase in capital expenses during the year.

The following is a summary of changes in net position for the years ended September 30, 2013 and 2012:

Changes in Net Position						
As of September 30,						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 7,200,413	\$ 5,350,858	\$ 6,520,279	\$ 6,434,737	\$ 13,720,692	\$ 11,785,595
Operating grants/contributions	1,079,061	1,023,888	-	-	1,079,061	1,023,888
Capital grants/contributions	1,486,748	3,635,971	-	-	1,486,748	3,635,971
General Revenues						
Property taxes	10,829,994	10,510,181	-	-	10,829,994	10,510,181
Other taxes	4,482,819	4,493,691	-	-	4,482,819	4,493,691
6% payment from the						
Utilities Commission	3,235,374	3,388,376	-	-	3,235,374	3,388,376
Intergovernmental Revenues	848,741	814,428	-	-	848,741	814,428
Other revenues	186,966	337,325	3,426	1,835	190,392	339,160
Total revenues	<u>29,350,116</u>	<u>29,554,718</u>	<u>6,523,705</u>	<u>6,436,572</u>	<u>35,873,821</u>	<u>35,991,290</u>
Expenses:						
General government	2,900,453	2,805,324	-	-	2,900,453	2,805,324
Public safety	12,065,182	11,854,367	-	-	12,065,182	11,854,367
Transportation	4,665,184	3,318,479	-	-	4,665,184	3,318,479
Economic environment	3,306,426	2,237,200	-	-	3,306,426	2,237,200
Physical environment	932,060	977,478	-	-	932,060	977,478
Culture/recreation	2,790,501	2,760,098	-	-	2,790,501	2,760,098
Buildings & maintenance	429,002	352,355	-	-	429,002	352,355
Interest on long-term debt	922,751	995,642	-	-	922,751	995,642
Golf course operations	-	-	1,114,149	1,099,174	1,114,149	1,099,174
Marina operations	-	-	173,757	183,250	173,757	183,250
Solid waste operations	-	-	4,975,471	4,903,865	4,975,471	4,903,865
Total expenses	<u>28,011,559</u>	<u>25,300,943</u>	<u>6,263,377</u>	<u>6,186,289</u>	<u>34,274,936</u>	<u>31,487,232</u>
Increase in net position, before transfers	1,338,557	4,253,775	260,328	250,283	1,598,885	4,504,058
Transfers in (out)	1,042,706	30,700	(1,042,706)	(30,700)	-	-
Changes in net position	<u>2,381,263</u>	<u>4,284,475</u>	<u>(782,378)</u>	<u>219,583</u>	<u>1,598,885</u>	<u>4,504,058</u>
Net Position, beginning of year	89,819,382	85,534,907	1,564,739	1,345,156	91,384,121	86,880,063
Net Position, end of year	<u>\$ 92,200,645</u>	<u>\$ 89,819,382</u>	<u>\$ 782,361</u>	<u>\$ 1,564,739</u>	<u>\$ 92,983,006</u>	<u>\$ 91,384,121</u>

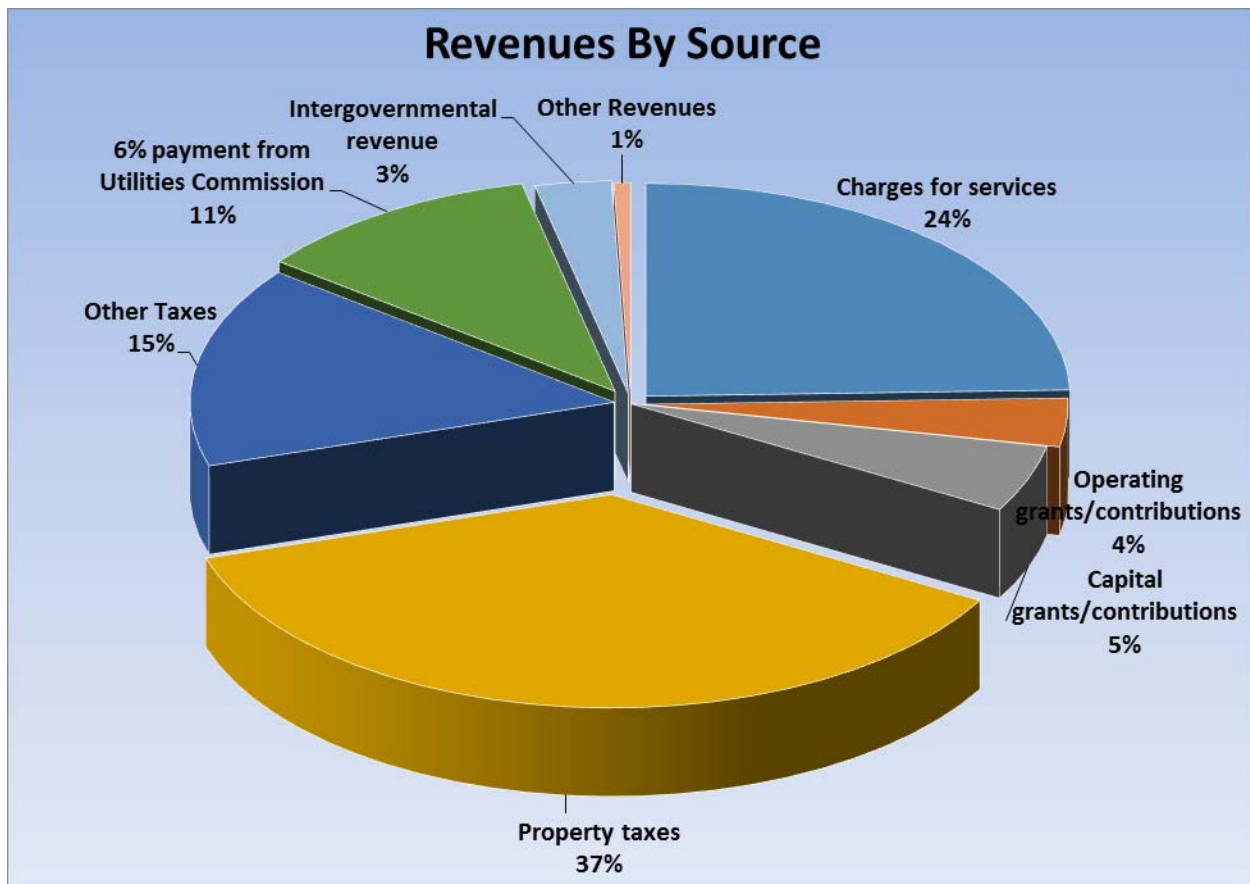
Governmental Activities

In 2013, net position for governmental activities improved by \$2.4 million, accounting for 3% of the total growth in the City's net position. This is \$1.5M less than the previous year's increase of \$4.2 million.

The decrease in overall revenues of \$204,602 or .5% from the previous year is due to decrease in several revenue streams and increases in others. The increase in property tax revenue of \$319,813 represents a 2.72% increase from the previous year. The increase in property taxes is attributable to an increase of 2% in taxable property values with no increase in millage. The 6% payment from the City's component unit decreased \$153,002, or 4.5% which is in addition to the prior year's decrease of 175,901. In 2013 capital grants decreased by \$2,149,223 (59.1%), operating grants increased \$55,173 (5.4%).

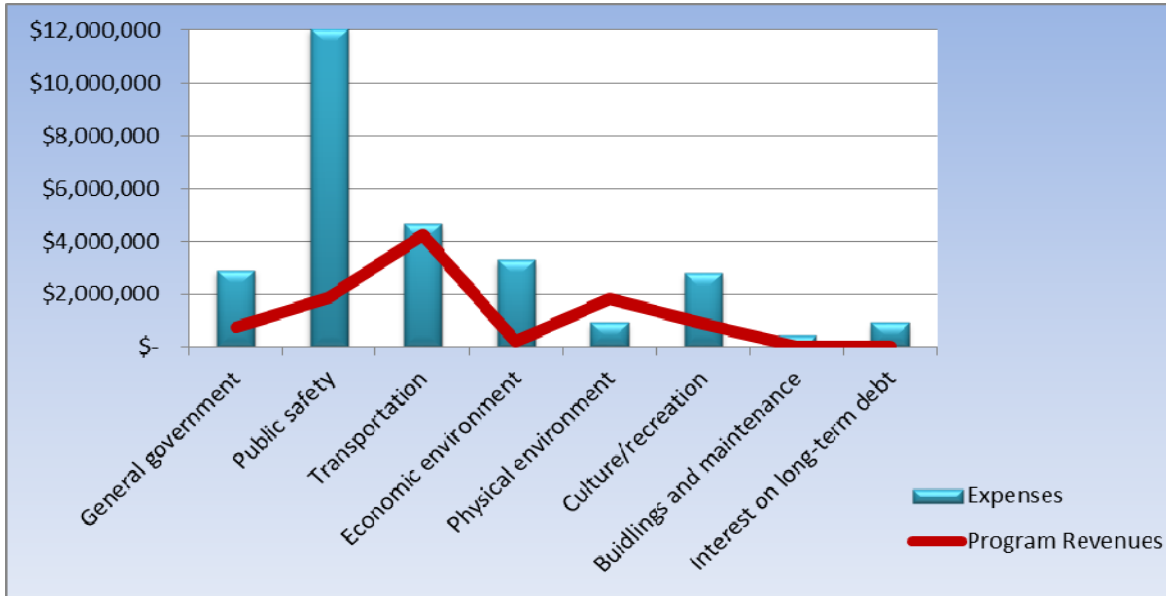
The following is a summary of the City's governmental revenues - by source for fiscal year 2013:

Revenues by Source - Governmental Activities



An individual comparison of the City's functional program revenues and costs of providing program services to its citizens during fiscal year 2012 is useful in identifying the programs, and the extent of which each are dependent on taxes and other non-exchange revenues to subsidize their program operations. They are presented in the following graph:

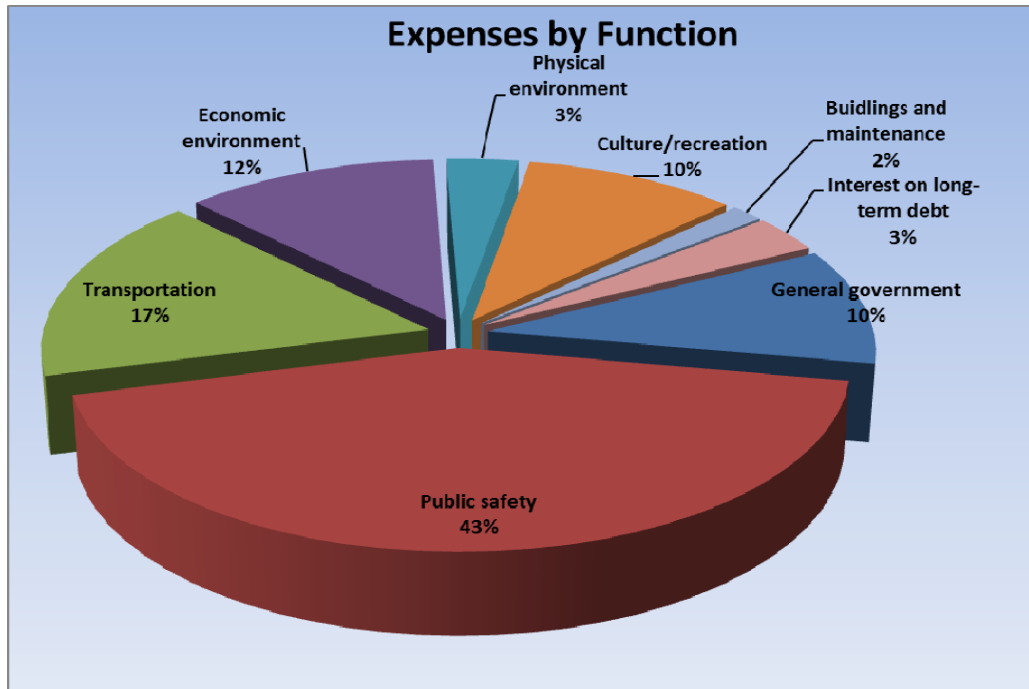
Expenses and Program Revenues - Governmental Activities



Combined governmental activities expenses for fiscal year 2013 totaled \$28,011,559 which represents an increase of \$2.7M or 10.7% more than last year's expenses of \$25,300,943. The increase in expenditures is primarily due to the increase in capital improvements in economic environment and transportation activities.

The following is a summary of the City's governmental expenses - by function for fiscal year 2013:

Expenses by Function - Governmental Activities



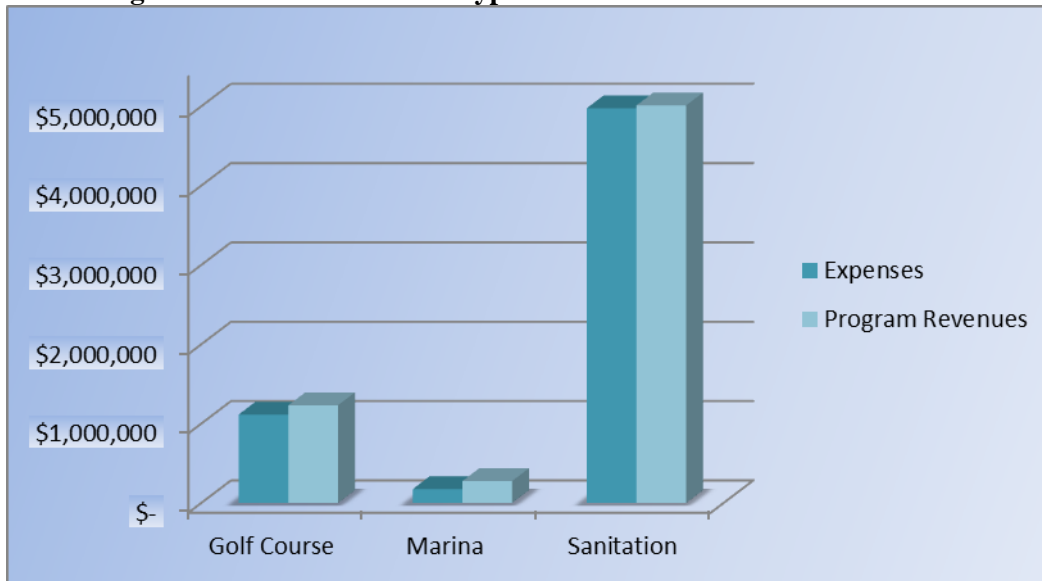
Business-type Activities

Business-type activities reduced the total City's net position by \$782,378 in 2013, but increased by \$219,583 in 2012. Overall, net position from the City's business-type activities account for only .84% and 1.7% of the City's combined total net position at September 30, 2013 and 2012, respectively. The Golf Course fund is reporting operating income of \$121,769, which is an increase from 2012 operating income \$95,941. FY12 was the third year in a row the Golf Course Fund has generated operating income. The Sanitation fund had operating income of \$36,780, this is a decrease of \$15,836 from the prior year operating income of \$52,516. However, this the second year the Sanitation Fund has generated an operating income since renegotiating the City's waste collection contract to acquire lower prices, without having to increase costs passed to the citizens The Marina fund also had operating income in the amount of \$103,402. The City continues to review the operations of its Enterprise Funds to identify costs savings and revenue generating opportunities, to continue to increase the strength of its business-type activities operations.

The major sources of operating revenues for the City's business-type activities include charges for services for solid waste utilities (Municipal Sanitation Fund), the City Marina charges for live aboard fees, and for use of the City-owned golf course facility (Municipal Golf Course Fund). Combined operating revenues from these three activities increased slightly in 2013 and totaled \$6,520,279 compared to \$6,434,737 generated in 2012 and \$6,383,782 reported in 2011.

A comparison of the City’s functional program revenues and costs of providing business-type services to its customers in fiscal year 2013 is useful in identifying the capabilities of producing revenues sufficient to operate their programs. They are presented in the following graph:

Expenses and Program Revenues - Business-type Activities



Operating expenses of the business-type activities increased in 2013 to \$6,263,377, as compared to \$6,186,289 incurred in 2012, and \$6,406,324 in 2011.

Financial Analysis of the City’s Funds

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

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

As the City completed the current fiscal year, its governmental funds reported a combined fund balance of \$24,906,879, which is \$2.5 million or 9.22% less than the \$27,437,976 reported in 2012. Approximately 21.1% of this amount (\$5,267,581) is comprised of unassigned General Fund balance, which is available for spending at the City’s discretion. In 2012, the combined fund balance of governmental funds was 11% less than the \$30,674,523 reported in 2011. The remainder of fund balance at the end of 2013 is restricted or committed for specific purposes. Restricted fund balance (totaling \$11,690,997) has legal restrictions from an outside third party and can only legally be spent for the following: Economic Environment (CRA); Capital projects; Debt service; public safety; and tree replacement. Committed fund balance is comprised of items which have been pledged for specific purposes by the City Commission. While these amounts are not legally restricted, they have been committed via Resolution or Ordinance by the Commission. Committed fund balance is comprised items set-aside for stormwater improvements (\$3,483,609). Assigned fund balance is comprised of items which have been “ear-marked” by the City for a particular purpose (\$3,151,238).

As of September 30, 2013, the unassigned fund balance in the general fund totaled \$5,267,581, while total fund balance for the general fund reached \$8,998,462. General fund unassigned fund balance decreased 14.95%, or \$926,224, from the 2012 general fund assigned fund balance of \$6,193,805. This reduction is due to the City utilizing unassigned fund balance for one-time capital improvement expenditures.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance at the end of 2013 represents approximately 29.4% of the total general fund expenditures (\$19,149,128). At the end of 2012, unassigned fund balance represented 31.2% of the total general fund expenditures (\$19,848,662).

Community Redevelopment Agency. The Community Redevelopment Agency trust fund is a major special revenue fund that accounts for tax increment revenue that is used to finance improvements in the community redevelopment district of the City. In 2013 the City's portion of the tax increment revenue increased slightly by \$1,974, to \$538,519 collected in 2012. Intergovernmental revenue decreased by \$643,453 in 2013, primarily due to the completion of grant related capital projects in the prior year (2012). As the end of the current CRA district nears (2015), the City is aggressively completing capital improvements planned for the designated areas. This is evident based on the reduction in fund balance of \$3.9M compared to the 2012 fund balance of \$6.7M in the CRA Fund. The CRA's fund balance remains strong as money is available for planned capital improvements and economic development in the CRA district.

Municipal Airport. The airport industrial park fund is a major special revenue fund that accounts for the City's airport operations and rents collected from commercial tenants at the adjacent industrial park complex. In 2013 this fund experienced an increase in fund balance of \$49,855, which is attributable to the increase in rents collected.

Capital Projects Fund. In 2013 the City spent down funds provided through the issuance of Series 2005 General Obligation Bonds for planned public safety improvements. As of September 30, 2013 the unspent proceeds from the issuance of the Series 2005 General Obligation Bonds totaled \$4.4 million, as a fire station and a police station was completed in 2011. The remaining proceeds will be spent in the next fiscal year as the City completes the construction of another fire station and new sidewalks as approved by voters that resulted in the issuance of this debt.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Please refer to the government-wide analysis on page 37 for more information on the City's Golf Course, Sanitation, and Marina funds.

General Fund Budgetary Highlights

Accurate revenue projection is critical to sound budgeting. The amount of resources available for appropriation is the foundation for any budget and should be the basis for decision-making in the budget process. The City Commission periodically revises the budget throughout the year to recognize projects carried over from the previous year, grant awards received during the year and to adjust budgets to reflect actual circumstances. In fiscal year 2013, the City Commission amended the General Fund budget on ten separate occasions for changes in various departmental appropriations, to increase the amount of appropriated fund balance to cover estimated operating and capital expenditures. Actual expenditures in the General Fund for the current fiscal year were less than the budgetary amounts appropriated by \$4,423,054. This is largely due to capital projects budgeted in entirety, but not completed in a single fiscal year, resulting in additional amounts budgeted, not yet spent.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2013, the City's investment in capital assets for its governmental and business-type activities totaled \$89,502,237 (net of accumulated depreciation of \$37,421,106). This investment in capital assets, net of depreciation, for all activities is reflected in the following comparative schedule:

Capital Assets						
As of September 30,						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Assets:						
Land and Improvements	\$ 30,408,647	\$ 30,354,990	\$ -	\$ -	\$ 30,408,647	\$ 30,354,990
Construction in progress	4,558,562	6,882,421	-	-	4,558,562	6,882,421
Buildings	33,071,835	32,310,610	-	-	33,071,835	32,310,610
Improvements other than buildings	23,376,255	20,067,171	-	-	23,376,255	20,067,171
Equipment and furniture	11,336,607	10,985,646	655,903	612,882	11,992,510	11,598,528
Infrastructure	23,515,534	19,697,055	-	-	23,515,534	19,697,055
Accumulated depreciation	(36,873,474)	(34,000,253)	(547,632)	(530,192)	(37,421,106)	(34,530,445)
Total net of accumulated depreciation	\$ 89,393,966	\$ 86,297,640	\$ 108,271	\$ 82,690	\$ 89,502,237	\$ 86,380,330

This year's major additions to capital assets are as follows:

General Government:

- Information Technology upgrades \$ 66,367

Public Safety

- Mainland fire station design – construction in progress 840,300
- Video surveillance equipment 50,590
- Vehicle Purchase 64,609

Physical Environment:

- Central Beach Phase III stormwater project – design phase 233,658

Transportation:

- Dump Truck 118,814
- S. Atlantic pedestrian Safety Improvements 113,813
- Runway 11-29 Resurfacing 116,565
- Colony Park Road expansion construction in progress 159,394

Culture/ Recreation:

- Pettis Park improvements 24,525
- Sports complex bleachers construction in progress 179,697
- Esther Street Land/Easement property acquisition 53,657
- Swoope site boat ramp construction in progress 744,283
- Cross Volusia Multi-Use Trail construction in progress 21,176

Economic Environment:

- Washington Street Improvements 1,166,735

Items completed from construction in progress and placed in service include:

- Hangar Improvements 189,548
- Construction in progress for new gateway signage at SR44 and Canal St. and I-95 and SR 44 241,669
- Wayfinding & Signage 256,257
- Fairmount & Westwood 29,378
- Mary Tot Lot Playground & Restroom improvements 141,738
- Esther street improvements and drainage 1,014,268

Significant additions

\$ 5,827,041

Additional information on the City's capital assets can be found in Note 10 to the financial statements.

Long-term Debt. At year end, the City had \$21,119,649 in bonds, notes and other long-term obligations outstanding, all of which are secured solely by specified revenue sources. More detailed information about the City's long-term debt is presented in Note 11 to the financial statements.

The City has outstanding a general obligation bond in the amount of \$12,125,000 at year end. The proceeds of these bonds were used to finance the construction of a police station, three fire stations, an emergency operations center and certain public sidewalks. These bonds constitute general obligations of the City, and the full faith, credit and taxing power of the City is pledged for the payment of the principal and interest on the bonds.

The City has outstanding revenue bond obligations in the amount of \$167,281 at year end. The proceeds of these bonds were used to finance public improvements in the City's designated community redevelopment corridor. These bonds are payable from tax-increment revenues generated from the real property improvements made in these designated areas and are payable through 2014.

The City has four outstanding revenue note obligations totaling \$6,712,512 at year end. The proceeds from these obligations were used to consolidate several of the City's existing debt obligations and to provide financing resources for several capital projects programs. These notes are payable from all of the City's general revenues with the exception of its ad valorem tax revenue and are payable in varying amounts through 2015, with the capital improvement revenue refunding bonds due through 2029.

The City has four revenue note obligations payable to the State of Florida, Department of Environmental Protection State Revolving Fund Loan Program totaling \$1,909,850 at year end. The proceeds of these loans were used to finance the construction of needed stormwater drainage improvements. These notes are secured by the City's stormwater utility revenues and are payable in varying amounts through 2028.

Economic Factors and Next Year's Budgets and Rates

Many factors are considered each year by the City Commission in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop uniform user 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.

- Local Governments (cities, counties, and school boards) primarily rely on property and a limited array of other permitted taxes (sales, gas, utilities services, etc.) and fees (franchise, business taxes, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments. For the business-type and certain governmental activities (permitting, recreational programs, etc.) the user pays a related fee or charge associated with the services.
- 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 6.8% at the end of September 2013, which is lower than the 8.8% rate experienced one year earlier. The 2013 estimate is consistent with the State of Florida unemployment rate of 6.7% for 2013.
- Property values for 2013 (revenues to be collected during FY14) saw an increase of 3.2%, the second increase since FY08. Total property tax values increased to \$2.52 billion, up from 2.45 billion. For the budget year FY2014, the City Commission voted to adopt an operating millage rate of 3.5764 mills which is an increase of 3.8% when compared to last year's (2013) 3.4445 mills. The adopted operating millage rate (3.5764) is 5.85% above the roll-back rate of 3.3786. This is the first increase in millage since FY2006. The increase in millage and taxable value will generate an additional \$574,473 in ad valorem tax revenues. The increase in revenue will solely fund the replacement of capital equipment which have exceeded their useful life.
- The City appropriated \$550K in general fund reserves to balance the general fund budget for FY2014. The appropriation of \$160K is to fund the maintenance of a Canal, which the residents benefitting from the improvement will be liable for 50% of the cost and the remainder for the Multi-Use Trail Project. In addition, the original general fund budget adopted operating budget increased slightly from \$18,825,965 for 2013 to \$18,831,027 for 2014.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Office of the Finance Director, City of New Smyrna Beach, 210 Sams Avenue, New Smyrna Beach, Florida 32168-9985.

Basic Financial Statements

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CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Utilities Commission
Assets				
Equity in pooled cash and investments	\$ 18,764,940	\$ 1,523,497	\$ 20,288,437	\$ 861,100
Receivables, net:				
Accounts receivable	905,851	22,637	928,488	7,673,049
Delinquent taxes	220,860	-	220,860	-
Due from other governments	1,716,386	-	1,716,386	-
Due from component unit	469,718	414,289	884,007	-
Internal balances	599,881	(599,881)	-	-
Inventories and prepaids	788,971	43,884	832,855	2,744,858
Unamortized regulatory and nonregulatory studies cost	-	-	-	167,433
Restricted equity in pooled cash and investments	4,883,116	-	4,883,116	44,997,082
Investment in joint venture	150,959	-	150,959	-
Net pension asset	224,556	-	224,556	-
Capital assets not being depreciated	34,967,208	-	34,967,208	40,353,652
Capital assets being depreciated, net of accumulated depreciation:	54,426,757	108,271	54,535,028	120,287,530
Total assets	<u>118,119,203</u>	<u>1,512,697</u>	<u>119,631,900</u>	<u>217,084,704</u>
Deferred Outflow of Resources				
Deferred charge on refunding	-	-	-	92,807
Total Assets and Deferred Outflow of Resources	<u>\$ 118,119,203</u>	<u>\$ 1,512,697</u>	<u>\$ 119,631,900</u>	<u>\$ 217,177,511</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,954,076	\$ 427,033	\$ 2,381,109	\$ 2,667,740
Due to other governments	-	-	-	214,689
Due to primary government	-	-	-	884,007
Unearned income	137,586	82,258	219,844	-
Payable from restricted assets:				
Deposits	165,479	28,325	193,804	3,358,250
Interest payable	300,427	-	300,427	696,132
Accounts payable	-	-	-	308,452
Noncurrent liabilities:				
Due within one year:				
Bonds and notes payable	2,161,266	-	2,161,266	6,670,000
Compensated absences payable	700,692	44,244	744,936	433,696
Due in more than one year:				
Bonds and notes payable	18,958,381	-	18,958,381	48,270,000
Compensated absences payable	901,174	103,953	1,005,127	433,696
Net OPEB obligation	639,477	44,523	684,000	237,506
Asset retirement obligation	-	-	-	5,245,942
Total liabilities	<u>25,918,558</u>	<u>730,336</u>	<u>26,648,894</u>	<u>69,420,110</u>
Deferred Inflow of Resources				
Deferred energy cost and fuel adjustments	-	-	-	2,342,963
Net Position				
Net investment in capital assets	72,837,452	108,271	72,945,723	105,701,182
Restricted for:				
Capital projects	2,728,836	-	2,728,836	7,207,564
Debt service	-	-	-	16,143,848
Community redevelopment	2,805,545	-	2,805,545	-
Public safety	1,369,074	-	1,369,074	-
Tree replacement	73,137	-	73,137	-
Unrestricted	12,386,601	674,090	13,060,691	16,361,844
Total net position	<u>92,200,645</u>	<u>782,361</u>	<u>92,983,006</u>	<u>145,414,438</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 118,119,203</u>	<u>\$ 1,512,697</u>	<u>\$ 119,631,900</u>	<u>\$ 217,177,511</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Governmental activities				
General government	\$ 2,900,453	\$ 735,488	\$ -	\$ -
Public safety	12,065,182	1,675,729	91,360	108,224
Transportation	4,665,184	2,672,797	987,701	593,406
Economic environment	3,306,426	-	-	196,442
Physical environment	932,060	1,815,929	-	190
Culture/ recreation	2,790,501	300,470	-	588,486
Buildings and maintenance	429,002	-	-	-
Interest on long-term debt	922,751	-	-	-
Total governmental activities	<u>28,011,559</u>	<u>7,200,413</u>	<u>1,079,061</u>	<u>1,486,748</u>
Business-type activities				
Golf course	1,114,149	1,232,023	-	-
Marina	173,757	276,005	-	-
Sanitation	4,975,471	5,012,251	-	-
Total business-type activities	<u>6,263,377</u>	<u>6,520,279</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 34,274,936</u>	<u>\$ 13,720,692</u>	<u>\$ 1,079,061</u>	<u>\$ 1,486,748</u>
Component unit - Utilities Commission	<u>\$ 56,848,657</u>	<u>\$ 60,005,062</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues

Property taxes
Sales tax
Public service tax
State revenue sharing not restricted to specific programs
Intergovernmental revenues not restricted to specific programs
Franchise fees
Required payment from component unit
Interest revenue
Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Continued)

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Utilities Commission
\$ (2,164,965)	\$ -	\$ (2,164,965)	
(10,189,869)	-	(10,189,869)	
(411,280)	-	(411,280)	
(3,109,984)	-	(3,109,984)	
884,059	-	884,059	
(1,901,545)	-	(1,901,545)	
(429,002)	-	(429,002)	
(922,751)	-	(922,751)	
(18,245,337)	-	(18,245,337)	
-	117,874	117,874	
-	102,248	102,248	
-	36,780	36,780	
-	256,902	256,902	
(18,245,337)	256,902	(17,988,435)	
			\$ 3,156,405
10,829,994	-	10,829,994	-
1,049,653	-	1,049,653	-
2,839,351	-	2,839,351	-
387,873	-	387,873	-
460,868	-	460,868	-
593,815	-	593,815	-
3,235,374	-	3,235,374	-
24,808	-	24,808	34,260
162,158	3,426	165,584	571,813
1,042,706	(1,042,706)	-	-
20,626,600	(1,039,280)	19,587,320	606,073
2,381,263	(782,378)	1,598,885	3,762,478
89,819,382	1,564,739	91,384,121	141,651,960
\$ 92,200,645	\$ 782,361	\$ 92,983,006	\$ 145,414,438

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF NEW SMYRNA BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	General	Community Redevelopment Agency	Airport Industrial Park	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Equity in pooled cash and investments	\$ 7,333,144	\$ 2,750,570	\$ 519,240	\$ 4,563,135	\$ 7,795,688	\$ 22,961,777
Receivables, net:						
Accounts receivable	446,895	300	279,937	-	177,616	904,748
Delinquent taxes	207,663	-	-	-	13,197	220,860
Due from component unit	469,718	-	-	-	-	469,718
Due from other governments	1,317,210	275,000	121,648	-	2,528	1,716,386
Advances to other funds	599,881	-	-	-	-	599,881
Inventories	500	-	29,392	-	-	29,892
Prepaid items	672,880	8,653	2,113	-	35	683,681
Total Assets	<u>\$ 11,047,891</u>	<u>\$ 3,034,523</u>	<u>\$ 952,330</u>	<u>\$ 4,563,135</u>	<u>\$ 7,989,064</u>	<u>\$ 27,586,943</u>
Liabilities, Deferred Inflow of Resources, and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,361,047	\$ 228,978	\$ 60,885	\$ 160,023	\$ 111,419	\$ 1,922,352
Deposits	109,346	-	56,133	-	-	165,479
Unearned income	137,586	-	-	-	-	137,586
Total liabilities	<u>1,607,979</u>	<u>228,978</u>	<u>117,018</u>	<u>160,023</u>	<u>111,419</u>	<u>2,225,417</u>
Deferred inflow of resources:						
Unavailable revenue - taxes	207,663	-	-	-	13,197	220,860
Unavailable revenue - special assessments	233,787	-	-	-	-	233,787
Total deferred inflow of resources	<u>441,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,197</u>	<u>454,647</u>
Fund balances:						
Nonspendable:						
Inventories and prepaids	673,380	8,653	31,505	-	35	713,573
Advances	599,881	-	-	-	-	599,881
Spendable:						
Restricted for:						
Public safety	7,052	-	-	-	1,361,987	1,369,039
Economic environment	-	2,796,892	-	-	-	2,796,892
Debt service	-	-	-	-	319,981	319,981
Capital projects	30,000	-	-	4,403,112	2,698,836	7,131,948
Tree replacement	73,137	-	-	-	-	73,137
Committed to:						
Physical environment	-	-	-	-	3,483,609	3,483,609
Assigned for:						
General government	638,564	-	-	-	-	638,564
Public safety	269,325	-	-	-	-	269,325
Transportation	492,499	-	803,807	-	-	1,296,306
Culture/ recreation	304,383	-	-	-	-	304,383
Parks & rec assistance program	23,094	-	-	-	-	23,094
Special events	69,707	-	-	-	-	69,707
2014 budget	549,859	-	-	-	-	549,859
Unassigned	5,267,581	-	-	-	-	5,267,581
Total fund balances	<u>8,998,462</u>	<u>2,805,545</u>	<u>835,312</u>	<u>4,403,112</u>	<u>7,864,448</u>	<u>24,906,879</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 11,047,891</u>	<u>\$ 3,034,523</u>	<u>\$ 952,330</u>	<u>\$ 4,563,135</u>	<u>\$ 7,989,064</u>	<u>\$ 27,586,943</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF NEW SMYRNA BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

Fund Balances - Total Governmental Funds \$ 24,906,879

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Governmental capital assets	125,618,127	
Accumulated depreciation	<u>(36,390,691)</u>	
		89,227,436

The cumulative effect of overfunding the actuarial required contributions to a pension fund does not represent a financial asset in the governmental funds. In the statement of net position, which is presented on an accrual basis, an asset is reported since the adjustment to expense is fully recognized in the statement of activities		224,556
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The investment in joint venture asset is not available to pay for current period expenditures and is therefore not recorded in the fund statements		150,959
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Internal service funds are used by management to charge the costs of fleet maintenance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position		840,951
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Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. Interest expense on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and non-current, are reported in the statement of net position. Long term liabilities at year end consist of:

Bonds and notes payable		(20,914,641)
Unamortized bond issuance discount		52,682
Unamortized bond issuance premium		(257,688)
Accrued interest payable		(300,427)
Compensated absences		(1,557,457)
Other post employment benefits		(627,252)

Because some taxes (\$220,860) and special assessment revenues (\$233,787) will not be collected within 60 days after the close of the City's fiscal year-end, they are not considered as "available" revenue in the governmental funds, and therefore, reported as deferred inflow of resources. In the statement of net position, which is on the accrual basis, no deferral is reported since the revenue is fully recognized in the statement of activities		454,647
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Net Position of Governmental Activities \$ 92,200,645

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Airport Industrial Park</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes	\$ 11,638,487	\$ 538,519	\$ -	\$ -	\$ 1,451,677	\$ 13,628,683
Licenses and permits	4,057,874	-	-	-	1,435,710	5,493,584
Intergovernmental	2,686,327	1,201,891	279,157	-	21,978	4,189,353
Charges for services	423,144	-	-	-	1,868,404	2,291,548
Fines and forfeitures	45,557	-	-	-	32,679	78,236
Investment income	24,124	-	29	2	653	24,808
Miscellaneous	333,143	-	2,764,445	3,850	456,874	3,558,312
Total revenues	<u>19,208,656</u>	<u>1,740,410</u>	<u>3,043,631</u>	<u>3,852</u>	<u>5,267,975</u>	<u>29,264,524</u>
Expenditures						
Current:						
General government	2,576,858	-	-	-	-	2,576,858
Public safety	10,377,783	-	-	4,197	739,251	11,121,231
Transportation	1,392,844	-	2,610,361	-	-	4,003,205
Economic environment	-	2,909,623	-	-	-	2,909,623
Physical environment	-	-	-	-	444,991	444,991
Culture/ recreation	2,249,784	-	-	-	-	2,249,784
Buildings and maintenance	413,832	-	-	-	-	413,832
Debt service:						
Principal	377,653	-	59,010	-	1,704,469	2,141,132
Interest	30,692	-	5,014	-	915,577	951,283
Capital outlay	1,729,682	2,625,241	319,391	840,300	511,774	6,026,388
Total expenditures	<u>19,149,128</u>	<u>5,534,864</u>	<u>2,993,776</u>	<u>844,497</u>	<u>4,316,062</u>	<u>32,838,327</u>
Excess (deficiency) of revenues over expenditures	<u>59,528</u>	<u>(3,794,454)</u>	<u>49,855</u>	<u>(840,645)</u>	<u>951,913</u>	<u>(3,573,803)</u>
Other financing sources (uses)						
Transfers in	1,095,915	172,222	-	-	1,197,753	2,465,890
Transfers out	(608,791)	(342,211)	-	-	(472,182)	(1,423,184)
Total other financing sources (uses)	<u>487,124</u>	<u>(169,989)</u>	<u>-</u>	<u>-</u>	<u>725,571</u>	<u>1,042,706</u>
Net change in fund balances	<u>546,652</u>	<u>(3,964,443)</u>	<u>49,855</u>	<u>(840,645)</u>	<u>1,677,484</u>	<u>(2,531,097)</u>
Fund balances, beginning of year	8,451,810	6,769,988	785,457	5,243,757	6,186,964	27,437,976
Fund balances, end of year	<u>\$ 8,998,462</u>	<u>\$ 2,805,545</u>	<u>\$ 835,312</u>	<u>\$ 4,403,112</u>	<u>\$ 7,864,448</u>	<u>\$ 24,906,879</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF NEW SMYRNA BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Net Change in Fund Balances - Total Governmental Funds	\$ (2,531,097)
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives</p>	
Expenditures for capital assets	5,967,776
Less: Current year depreciation	<u>(2,877,051)</u>
	3,090,725
<p>Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is recorded for each disposal</p>	
	(347)
<p>The repayment of the principal of long-term debt consumes the financial resources of the governmental fund. However, it has no effect on net position.</p>	
	2,141,134
<p>Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is as follows:</p>	
Compensated absences payable	(55,440)
Other post employment benefits liability	(47,517)
Accrued interest on debt	28,532
Amortization of bond issuance discount	(3,293)
Amortization of bond issuance premium	23,426
Investment in joint venture	(96,105)
<p>Some taxes and special assessment revenues will not be collected within 60 days of year end, therefore they are not considered as available revenues in the governmental funds. In the statement of activities, presented on the accrual basis, these revenues are recognized.</p>	
Unavailable revenue - taxes	213,757
Unavailable revenue - special assessments	(128,165)
<p>In the governmental funds, contributions made to a pension fund in excess of the actuarial required contribution amount are reported as an expenditure. In the statement of net position, which is presented on the accrual basis, this amount is reported as an asset. Thus, the change in net position, differs from fund balance by the amount contributed in excess of the actuary's requirement.</p>	
	(349,025)
<p>An Internal service fund is used by management to charge the costs of fleet maintenance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.</p>	
	94,678
Change in Net Position of Governmental Activities	<u><u>\$ 2,381,263</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 11,046,392	\$ 11,494,573	\$ 11,638,487	\$ 143,914
Licenses and permits	4,458,496	4,458,496	4,057,874	(400,622)
Intergovernmental revenue	1,777,696	4,018,456	2,686,327	(1,332,129)
Charges for services	437,273	398,273	423,144	24,871
Fines and forfeitures	76,238	76,238	45,557	(30,681)
Investment income	17,153	11,153	24,124	12,971
Miscellaneous	285,537	354,287	333,143	(21,144)
Total revenues	<u>18,098,785</u>	<u>20,811,476</u>	<u>19,208,656</u>	<u>(1,602,820)</u>
Expenditures				
Current:				
General government	2,951,792	2,845,598	2,576,856	268,742
Public safety	9,654,323	10,928,554	10,377,783	550,771
Transportation	1,423,992	1,880,857	1,392,844	488,013
Culture and recreation	2,364,075	2,454,504	2,249,784	204,720
Buildings and maintenance	421,155	436,265	413,832	22,433
Debt service:				
Principal	379,229	379,229	377,655	1,574
Interest	31,013	31,013	30,692	321
Capital outlay	991,595	4,616,162	1,729,682	2,886,480
Total expenditures	<u>18,217,174</u>	<u>23,572,182</u>	<u>19,149,128</u>	<u>4,423,054</u>
Excess (deficiency) of revenues over expenditures	<u>(118,389)</u>	<u>(2,760,706)</u>	<u>59,528</u>	<u>2,820,234</u>
Other financing sources (uses)				
Transfers in	106,478	1,149,478	1,095,915	(53,563)
Transfers out	(608,791)	(608,791)	(608,791)	-
Total other financing sources (uses)	<u>(502,313)</u>	<u>540,687</u>	<u>487,124</u>	<u>(53,563)</u>
Net change in fund balances	<u>(620,702)</u>	<u>(2,220,019)</u>	<u>546,652</u>	<u>2,766,671</u>
Fund balances, beginning of year	8,451,810	8,451,810	8,451,810	-
Fund balances, end of year	<u>\$ 7,831,108</u>	<u>\$ 6,231,791</u>	<u>\$ 8,998,462</u>	<u>\$ 2,766,671</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COMMUNITY REDEVELOPMENT AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual	Variance with Final budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 539,276	\$ 538,519	\$ 538,519	\$ -
Intergovernmental revenue	1,125,959	1,179,006	1,201,891	22,885
Total revenues	<u>1,665,235</u>	<u>1,717,525</u>	<u>1,740,410</u>	<u>22,885</u>
Expenditures				
Current:				
Economic environment	2,412,473	4,149,658	2,909,621	1,240,037
Capital outlay	2,060,992	3,999,166	2,625,243	1,373,923
Total expenditures	<u>4,473,465</u>	<u>8,148,824</u>	<u>5,534,864</u>	<u>2,613,960</u>
Deficiency of revenues over expenditures	<u>(2,808,230)</u>	<u>(6,431,299)</u>	<u>(3,794,454)</u>	<u>2,636,845</u>
Other financing sources (uses)				
Transfers in	5,448	190,448	172,222	(18,226)
Transfers out	(341,861)	(341,861)	(342,211)	(350)
Total other financing uses	<u>(336,413)</u>	<u>(151,413)</u>	<u>(169,989)</u>	<u>(18,576)</u>
Net change in fund balances	<u>(3,144,643)</u>	<u>(6,582,712)</u>	<u>(3,964,443)</u>	<u>2,618,269</u>
Fund balances, beginning of year	6,769,988	6,769,988	6,769,988	-
Fund balances, end of year	<u><u>\$ 3,625,345</u></u>	<u><u>\$ 187,276</u></u>	<u><u>\$ 2,805,545</u></u>	<u><u>\$ 2,618,269</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
AIRPORT INDUSTRIAL PARK FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue	\$ 1,033,250	\$ 1,184,519	\$ 279,157	\$ (905,362)
Investment income	-	-	29	29
Miscellaneous	2,336,316	3,000,502	2,764,445	(236,057)
Total revenues	<u>3,369,566</u>	<u>4,185,021</u>	<u>3,043,631</u>	<u>(1,141,390)</u>
Expenditures				
Current:				
Transportation	2,074,752	2,738,938	2,610,361	128,577
Debt service:				
Principal	57,437	57,437	59,010	(1,573)
Interest	4,877	4,877	5,014	(137)
Capital outlay	1,232,500	1,388,031	319,391	1,068,640
Total expenditures	<u>3,369,566</u>	<u>4,189,283</u>	<u>2,993,776</u>	<u>1,195,507</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>(4,262)</u>	<u>49,855</u>	<u>54,117</u>
Net change in fund balances	<u>-</u>	<u>(4,262)</u>	<u>49,855</u>	<u>54,117</u>
Fund balances, beginning of year	785,457	785,457	785,457	-
Fund balances, end of year	<u>\$ 785,457</u>	<u>\$ 781,195</u>	<u>\$ 835,312</u>	<u>\$ 54,117</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Fund
	Golf Course	Sanitation	Nonmajor Marina	Total	Garage
Assets					
Current assets:					
Equity in pooled cash and investments	\$ 101,073	\$ 812,974	\$ 609,450	\$ 1,523,497	\$ 686,280
Accounts receivable, net	17,871	-	4,766	22,637	1,103
Due from component unit	-	414,289	-	414,289	-
Inventories	39,794	-	-	39,794	74,436
Prepaid items	2,378	-	1,712	4,090	962
Total current assets	<u>161,116</u>	<u>1,227,263</u>	<u>615,928</u>	<u>2,004,307</u>	<u>762,781</u>
Capital assets, net:					
Building and improvements	-	-	-	-	254,654
Improvements other than buildings	-	-	-	-	219,622
Equipment	137,681	518,222	-	655,903	175,036
Accumulated depreciation	<u>(29,410)</u>	<u>(518,222)</u>	<u>-</u>	<u>(547,632)</u>	<u>(482,784)</u>
Capital assets, net	108,271	-	-	108,271	166,528
Total Assets	<u>\$ 269,387</u>	<u>\$ 1,227,263</u>	<u>\$ 615,928</u>	<u>\$ 2,112,578</u>	<u>\$ 929,309</u>
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 30,565	\$ 386,015	\$ 5,992	\$ 422,572	\$ 31,724
Compensated absences	38,416	1,651	4,177	44,244	14,022
Gift cards outstanding	4,461	-	-	4,461	-
Unearned income	82,258	-	-	82,258	-
Deposits	5,000	-	23,325	28,325	-
Total current liabilities	<u>160,700</u>	<u>387,666</u>	<u>33,494</u>	<u>581,860</u>	<u>45,746</u>
Noncurrent liabilities:					
Compensated absences	99,812	101	4,040	103,953	30,387
Advances from other funds	599,881	-	-	599,881	-
Net OPEB liability	37,520	3,998	3,005	44,523	12,225
Total noncurrent liabilities	<u>737,213</u>	<u>4,099</u>	<u>7,045</u>	<u>748,357</u>	<u>42,612</u>
Total liabilities	<u>897,913</u>	<u>391,765</u>	<u>40,539</u>	<u>1,330,217</u>	<u>88,358</u>
Net Position					
Net investment in capital assets	108,271	-	-	108,271	166,528
Unrestricted	<u>(736,797)</u>	<u>835,498</u>	<u>575,389</u>	<u>674,090</u>	<u>674,423</u>
Total net position	<u>(628,526)</u>	<u>835,498</u>	<u>575,389</u>	<u>782,361</u>	<u>840,951</u>
Total Liabilities and Net Position	<u>\$ 269,387</u>	<u>\$ 1,227,263</u>	<u>\$ 615,928</u>	<u>\$ 2,112,578</u>	<u>\$ 929,309</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Fund
	Golf Course	Sanitation	Nonmajor Marina	Total	Garage
Operating revenues					
Charges for services	\$ 1,232,023	\$ 5,012,251	\$ 276,005	\$ 6,520,279	\$ 1,176,285
Miscellaneous	2,272	-	1,154	3,426	7,265
	<u>1,234,295</u>	<u>5,012,251</u>	<u>277,159</u>	<u>6,523,705</u>	<u>1,183,550</u>
Operating expenses					
Personal services	644,486	56,246	87,163	787,895	225,631
Utilities	67,382	208	33,561	101,151	9,194
Supplies and materials	151,619	2,449	1,178	155,246	13,954
Consulting engineers and contractual services	24,561	4,915,202	-	4,939,763	1,667
Cost of sales	48,057	-	943	49,000	803,925
Depreciation and amortization	17,440	-	-	17,440	10,713
Repairs and maintenance	104,054	-	4,256	108,310	10,888
Other services and charges	54,927	1,366	46,656	102,949	12,900
Total operating expenses	<u>1,112,526</u>	<u>4,975,471</u>	<u>173,757</u>	<u>6,261,754</u>	<u>1,088,872</u>
Operating income	<u>121,769</u>	<u>36,780</u>	<u>103,402</u>	<u>261,951</u>	<u>94,678</u>
Nonoperating revenues (expenses)					
Interest revenue	-	-	-	-	-
Interest/amortization expense	(1,623)	-	-	(1,623)	-
Total nonoperating revenues (expenses)	<u>(1,623)</u>	<u>-</u>	<u>-</u>	<u>(1,623)</u>	<u>-</u>
Income before transfers	<u>120,146</u>	<u>36,780</u>	<u>103,402</u>	<u>260,328</u>	<u>94,678</u>
Transfers out	<u>-</u>	<u>(1,012,006)</u>	<u>(30,700)</u>	<u>(1,042,706)</u>	<u>-</u>
Changes in net position	<u>120,146</u>	<u>(975,226)</u>	<u>72,702</u>	<u>(782,378)</u>	<u>94,678</u>
Total net position (deficit), beginning of year	(748,672)	1,810,724	502,687	1,564,739	746,273
Total net position (deficit), end of year	<u>\$ (628,526)</u>	<u>\$ 835,498</u>	<u>\$ 575,389</u>	<u>\$ 782,361</u>	<u>\$ 840,951</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Fund
	Nonmajor				Garage
	Golf Course	Sanitation	Marina	Total	
Cash flows from operating activities					
Cash received from customers	\$ 1,238,938	\$ 5,003,229	\$ 281,273	\$ 6,523,440	\$ 1,182,667
Cash paid to suppliers	(450,852)	(4,909,740)	(85,566)	(5,446,158)	(824,315)
Cash paid to employees	(637,534)	(56,912)	(85,759)	(780,205)	(230,102)
Net cash provided by operating activities	<u>150,552</u>	<u>36,577</u>	<u>109,948</u>	<u>297,077</u>	<u>128,250</u>
Cash flows from noncapital financing activities					
Transfers out	-	(1,012,006)	(30,700)	(1,042,706)	-
Net cash used in noncapital financing activities	<u>-</u>	<u>(1,012,006)</u>	<u>(30,700)</u>	<u>(1,042,706)</u>	<u>-</u>
Cash flows from capital and related financing activities					
Principal payments on advances from other funds	(48,377)	-	-	(48,377)	-
Interest paid	(1,623)	-	-	(1,623)	-
Acquisition and construction of capital assets	(43,022)	-	-	(43,022)	(16,660)
Net cash used in capital and related financing activities	<u>(93,022)</u>	<u>-</u>	<u>-</u>	<u>(93,022)</u>	<u>(16,660)</u>
Net increase (decrease) in cash and cash equivalents	<u>57,530</u>	<u>(975,429)</u>	<u>79,248</u>	<u>(838,651)</u>	<u>111,590</u>
Cash and cash equivalents, beginning of year	43,543	1,788,403	530,202	2,362,148	574,690
Cash and cash equivalents, end of year	<u>\$ 101,073</u>	<u>\$ 812,974</u>	<u>\$ 609,450</u>	<u>\$ 1,523,497</u>	<u>\$ 686,280</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income	\$ 121,769	\$ 36,780	\$ 103,402	\$ 261,951	\$ 94,678
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation	17,440	-	-	17,440	10,713
Decrease (increase) in certain assets:					
Accounts receivable	(6,374)	(9,022)	(3,843)	(19,239)	(883)
Inventories	1,246	-	-	1,246	7,668
Prepaid expenses and other assets	9	-	996	1,005	-
Increase (decrease) in certain liabilities:					
Compensated absences payable	6,902	32	1,632	8,566	4,893
Accounts payable and accrued liabilities	(3,308)	8,479	(467)	4,704	10,127
Unearned income	10,729	-	-	10,729	-
Gift cards outstanding	288	-	-	288	-
Deposits	-	-	7,957	7,957	-
Net OPEB liability	1,851	308	271	2,430	1,054
Net cash provided by (used in) operating activities	<u>\$ 150,552</u>	<u>\$ 36,577</u>	<u>\$ 109,948</u>	<u>\$ 297,077</u>	<u>\$ 128,250</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2013**

	Total Pension Trust Funds
Assets	
Cash and short-term investments	\$ 49,390
Receivables:	
Employer contributions	424,495
Employee contributions	6,785
State subsidy	166,394
Accrued income	56,567
Total receivables	654,241
Investments:	
Money funds	779,201
Common stocks	10,525,222
Government bonds	2,939,876
Corporate bonds	2,189,866
Exchange traded and closed end funds	8,569,409
Annuity Contract	2,979,647
Mutual funds	4,891,565
Total investments	32,874,786
Total assets	33,578,417
Liabilities	
Benefits payable	3,490
Net position held in trust for pension benefits	\$ 33,574,927

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF CHANGES IN PLAN NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Total Pension Trust Funds</u>
Additions	
Contributions	
Employees' contributions	\$ 213,422
Employer's contributions	1,415,311
State contributions	448,181
Buy Back	3,155
Total contributions	<u>2,080,069</u>
Investment earnings	
Net increase in fair value of investments	2,873,919
Interest income	629,538
Investment expense	(187,228)
Total investment earnings	<u>3,316,229</u>
Total additions	<u>5,396,298</u>
Deductions	
Benefits	2,786,769
Administrative expenses	41,178
Total deductions	<u>2,827,947</u>
Change in net position	<u>2,568,351</u>
Net position held in trust for pension benefits, beginning of year	31,006,576
Net position held in trust for pension benefits, end of year	<u><u>\$ 33,574,927</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

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Notes to Financial Statements

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(1) Summary of Significant Accounting Policies:

The City of New Smyrna Beach, Florida, was created in 1887 by adoption of its first charter, which was eventually replaced by the present charter through Chapter 224.08, Special Acts of Florida, 1943. The legislative branch of the City is composed of an elected five-member City Commission consisting of the Mayor and four commissioners. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Manager. The Utilities Commission, City of New Smyrna Beach, Florida (a discretely presented component unit) was created by a Special Act of the Legislature through Chapter 67-1754 in 1967 and is governed by a five member board of Commissioners who are appointed by the City Commission.

The financial statements of the City of New Smyrna Beach, Florida, have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

(a) **Reporting entity**—The accompanying financial statements present the financial position, results of operations and cash flows of the applicable fund types controlled by or dependent on the City. In evaluating the City as a reporting entity, management has addressed all potential component units for which the entity may or may not be financially accountable and, as such, be included within the City's financial statements.

(b) **Discretely presented component unit**—The component unit column in the basic financial statements includes the financial data of the Utilities Commission, City of New Smyrna Beach (the "Utilities Commission"). The financial statements of the Utilities Commission, City of New Smyrna Beach, are discretely reported in separate columns to emphasize that it is legally separate from the City (primary government). The Utilities Commission provides electric, water, wastewater and telecommunications utility services to the City, its citizens, and surrounding service areas located outside of the City limits. It is included as a component unit because the City Commission appoints the Commissioners, as well as approves the operating budget and issuance of debt. Therefore, its exclusion from the financial reporting entity would render the City's financial statements misleading.

Complete financial statements of the component unit can be obtained directly from the Utilities Commission's administrative offices, which is as follows:

Administrative Office:
Utilities Commission
City of New Smyrna Beach
P.O. Box 100
New Smyrna Beach, FL 32170

(c) **Related organizations**—The City commission is also responsible for appointing the members of the board of directors for the Housing Authority of New Smyrna Beach. The City's accountability for this organization does not extend beyond making the appointments. The board members do not serve at the discretion of the Commission and can only be removed for cause. The City cannot impose its will on the Housing Authority and does not derive any financial benefit or burden from the relationship.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Government-wide and fund financial statements**—The government-wide financial statements, comprised of the statement of net position and the statement of activities, report aggregated information for the overall government for all of the activities of the primary government and the discretely presented component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues are reported separately from *business-type activities*, which rely to a significant extent on fees charged to external parties for goods or services for support. Likewise, the *primary government* is reported separately from the legally separate *component unit*, for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual business-type funds are reported in separate columns in the fund financial statements.

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

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

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

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(1) **Summary of Significant Accounting Policies:** (Continued)

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary fund and pension trust fund financial statements are reported using the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports the following major governmental funds:

General Fund—The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds.

Community Redevelopment Agency Trust Fund—The Community Redevelopment Agency Trust Fund (CRA) is a special revenue fund established by the City as authorized under Chapter 163, Part III, Florida Statutes for the economic development of designated areas of the City that receives special incremental ad-valorem tax levies to pay for rehabilitation and redevelopment of the specified area in need of improvement to sustain the tax base.

Airport Industrial Park Fund—The Airport Industrial Park Fund is a special revenue fund used to account for user charges for those using the airport facilities and to account for user charges assessed for the use of industrial park area facilities. Federal awards and state financial assistance is also often a major source of revenue to assist with the maintenance and improvements of these facilities.

Capital Projects Fund—Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

The City reports the following major proprietary funds:

Municipal Golf Course Fund—The Municipal Golf Course Fund accounts for the costs and recovery of costs in the form of user charges related to the use of the 18 hole golf course owned and operated by the City. The maintenance and improvement of the golf course required to provide these goods and services are financed primarily from user charges, existing cash resources, and other City funds.

Municipal Sanitation Fund—The Municipal Sanitation Fund provides the community with refuse and recycling services provided by third-party contracted vendors, the costs of which are recovered by user charges.

Additionally, the City reports the following fund types:

Special Revenue Funds—These funds account for the proceeds of specific revenue sources (other than special assessments, or capital projects) which are legally restricted to finance particular functions or activities of the City.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(1) **Summary of Significant Accounting Policies:** (Continued)

Debt Service Funds—These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Nonmajor Enterprise Fund— The City’s only nonmajor enterprise fund accounts for the financial activities of the City owned and operated Marina. Revenues are derived from fees charged to customers.

Internal Service Fund—The City’s only internal service fund accounts for the financial activities of the Municipal garage that provides fleet management services to other departments and agencies of the City, or to other governments, on a cost reimbursement basis.

Pension Trust Funds—Pension trust funds are accounted for by the City to provide data on the accumulation of financial resources to pay pension benefits to qualified participants in the City’s Police and Fire pension trust funds.

Amounts reported in the funds as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances due to and due from these different types of activities within the primary government.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing activities. For the City, operating revenues come from municipal golf course greens fees and related charges and refuse and recycling collection fees for sanitation services, which are the principal ongoing operations of the city’s Golf Course and Sanitation Fund. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

(f) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (i) On or before July 1st, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
- (ii) Budget workshop sessions are scheduled by the City Manager as needed.
- (iii) The general summary of the budget and notice of public hearing is published in the local newspaper.
- (iv) Prior to October 1, the budgets are legally enacted through passage of an ordinance.
- (v) The City Commission, by ordinance, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue in accordance with Sections 54 to 57 of the City Charter. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.
- (vi) The City Commission must approve all inter-fund budget amendments and/or appropriations transfers. Budgetary control is exercised at the fund level.
- (vii) Every appropriation lapses at the close of the fiscal year.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **Cash and cash equivalents**—Cash and cash equivalents include amounts in demand deposits as well as investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

(h) **Deposits and investments**—The City's investment policies are governed by state statutes and local resolution. These policies authorize the City to invest in bonds, notes, and 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. All of the City's investments are reported at fair market value.

(i) **Interfund receivables and obligations**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

(j) **Inventories and prepaid items**—The cost of inventory is accounted for on the consumption method wherein inventories are charged as expenditures when used rather than when purchased. All inventories are valued at cost, which approximates market, by using the first-in, first-out valuation method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and are accounted for using the consumption method.

(k) **Restricted assets**—Certain proceeds of the City's revenue note obligations, as well as certain resources set aside for their repayment, are classified as restricted assets in the government-wide financial statements because their use is limited by applicable bond covenants or laws/regulations imposed by other governmental agencies. The restricted assets are used to report resources set aside to 1) provide a reserve for debt service, 2) provide a reserve for maintenance and replacement costs, and 3) acquire capital assets.

(l) **Capital assets**—Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant, and equipment with initial, individual costs that equal \$5,000 and estimated useful lives of over one year are recorded as capital assets. For all infrastructure assets, costs must exceed \$5,000 or more before the assets are capitalized. Capital assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Contributed assets are recorded at fair market value as of the date received.

Buildings, improvements other than buildings, machinery and equipment, and infrastructure assets of the government are depreciated using the straight line method based upon the following estimated useful lives in years: Buildings 10 – 40, Improvements other than buildings 6 – 40, Machinery and equipment 1 – 30, and Infrastructure 10 – 50.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(1) **Summary of Significant Accounting Policies:** (Continued)

(m) **Unearned income**—Unearned revenues are recorded on the governmental funds balance sheet in the amount of \$137,586. The same amount is shown as unearned on the government-wide statement of net position. This amount is related to business tax monies received prior to year-end, which are applicable to the subsequent year.

(n) **Long-term obligations**—In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount.

(o) **Deferred outflows/ inflows of resources**—In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and will *not* be recognized as a outflow of resources (expense/ expenditure) until then. The City does not have any items reported in this category. The Utilities Commission, the city's component unit has one item; the deferred charge on refunding reports in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item, which arises under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet and is from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The Utilities Commission, the city's component unit has one item; the deferred energy costs and fuel adjustments in the government-wide statement of net position. This is a result of unearned rate and fuel adjustment collections. This amount is deferred and recognized in period it becomes available.

(p) **Fund balance**—Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are not in spendable form (such as prepaid expenses and advances due from other funds) or are required to be maintained intact.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(1) **Summary of Significant Accounting Policies:** (Continued)

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority through formal action. The city commission is the highest level of decision-making authority that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance - amounts the City intends to use for a specific purpose, but do not meet the criteria to be classified as committed. The city commission has by resolution, authorized the city manager to assign fund balance.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Disbursements of fund balance reserves will first be made from restricted amounts when both restricted and unrestricted fund balance is available. Additionally, the City will first use committed fund balance, followed by assigned fund balance, and then unassigned fund balance when expenditures are incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used.

(q) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in the above referenced financial statement.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in the above referenced financial statement.

(3) **Fund Balance Policy:**

The City has a policy establishing minimum levels of unassigned fund balance for the general fund, which is fund balance equal to 25% (or 90 days) of the current fiscal year budgeted expenditures less capital outlay and transfers out, using the adopted budget figures. At September 30, 2013, the minimum fund balance is \$4,759,753.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(4) Property Tax Calendar:

Under Florida law, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the offices of the County Property Appraiser and County Finance Director. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City on the tax roll certified on November 1, 2012 was 4.0575.

The property tax calendar is as follows:

Valuation Date		January 1
Property Appraiser prepares the assessment roll with values as of January 1, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.		July 1
City Commission holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year.		September
Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy date).		November 1
A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes may be paid November through March, with the following applicable discounts:		November 1
	<u>Month Paid</u>	<u>Discount Percent</u>
	November	4
	December	3
	January	2
	February	1
	March	0
All unpaid taxes on real and tangible personal property become delinquent.		April 1
A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.		April and May
Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date).		May 31
A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent personal property taxes.		August 29

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(5) Deposits and Investments:

The City maintains a cash pool that is used by all funds. This pool consists of an interest bearing checking account and a zero balance checking account.

Deposits: All bank balance deposit amounts are covered by federal depository insurance or collateral with the State of Florida under the Florida Security for Public Deposits Act.

The Florida Security for Public Deposits Act, establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under the Act, City deposits in qualified public depositories are fully insured. The qualified public depository must pledge 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer.

Investments: The City's investment policies are governed by state statutes and City Ordinances. As of September 30, 2013 no separate written investment policy had been adopted, and therefore, the City is restricted to investments as authorized under Section 218.415(17), Florida Statutes. Investments authorized under this provision of the state statutes are limited to: the Florida Local Government Surplus Funds Trust Fund (SBA), 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 or savings accounts in state-certified qualified public depositories; direct obligations of the U.S. Treasury.

Investments administered by the trustees of the City's Municipal Firefighters' Pension Trust Fund Board and Municipal Police Officers' Pension Trust Fund Board are restricted to investments as defined under State statutes; specifically, Section 175.071(a) and (b), Florida Statutes, and Section 185.06(a) and (b), Florida Statutes, respectively. The provision under both statutes limit investments to: Investment in annuity and life insurance contracts of life insurance companies; Time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund, or savings, building and loan association insured by the Savings Association Insurance Fund which is administered by the Federal Deposit Insurance Corporation or a state or federal chartered credit union with share accounts insured by the National Credit Union Share Insurance Fund; Obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States; Bonds issued by the State of Israel; Bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided that: The corporation is listed on any one or more of the recognized national stock exchanges or on the National Market System of the NASDAQ Stock Market and, in case of bonds only, holds a rating in of the three highest classifications by a major rating service. Also, the board of trustees shall not invest more than 5 percent of its assets in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 12 percent of the outstanding capital stock of that company.

At the close of the fiscal year, the City held investments in United States government bonds, notes, money funds, and corporate stocks and bonds, as well as an annuity contract.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(5) **Deposits and Investments:** (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. In accordance with the provisions of the state statutes governing allowable investments, the City manages its exposure to declines in fair values by limiting the maturity of specific investments to provide sufficient liquidity to pay obligations as they come due.

Credit Risk: Credit rate risk is the risk of losses due to the failure of the security issue or backer. This is mitigated by investing in the assets allowed under State Ordinance and by diversifying the portfolio so that potential losses on individual securities will be minimized.

Custodial Credit Risk: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2013, the City's investment in the guaranteed annuity contract is not subject to custodial credit risk. The City's investments are held in street name in the form of stock, corporate bonds, and U.S. Government bonds through a financial brokerage firm segregated out from the assets and investments held by other clients of the investment firm and their own assets.

Concentrations of Credit Risk: The provisions under Sections 218.415(17), 175.071 (b) and 185.06(b), Florida Statutes, for general investments, and investments held by the trustees for the Municipal Firefighters' and Municipal Police Officers' Pension Trust Funds, respectively, generally limit the City's investment to securities that by their nature are either guaranteed by a life insurance company or the United States, or have the highest credit rating. With respect to investments in common or capital stock the City is restricted to investing not more than 5% of its total assets held in the pension trust funds in any one issuing company. These provisions exist to limit the concentration of credit risk that can arise from the failure to adequately diversify investments.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The City has no investments in foreign currencies.

At September 30, 2013 the city had the following deposits and investments:

<u>Investment Type</u>	<u>Credit Quality</u>	<u>Fair Value</u>	<u>Maturity within 1 year</u>	<u>Maturity from 1-5 years</u>	<u>Maturity from 5-10 years</u>
Money funds	N/A	\$ 779,201	\$ 779,201	\$ -	\$ -
Mutual funds	N/A	4,891,565	4,891,565	-	-
Exchange traded and closed end funds	N/A	8,569,409	8,569,409	-	-
Insurance group annuity contracts	N/A	2,979,647	2,979,647	-	-
Government bonds	AAA	2,939,876	231,796	1,914,321	793,759
Domestic corporate bonds	AA+/A-	2,189,866	353,966	1,835,900	-
Common stocks	N/A	10,525,222	10,525,222	-	-
Total fiduciary fund investments		<u>32,874,786</u>	<u>\$ 28,330,806</u>	<u>\$ 3,750,221</u>	<u>\$ 793,759</u>
Cash and cash equivalents		20,288,437	N/A	N/A	N/A
Restricted cash and cash equivalents		4,883,116	N/A	N/A	N/A
Fiduciary fund cash		49,390	N/A	N/A	N/A
Total carrying value of cash and investments		<u>\$ 58,095,729</u>			

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(6) Restricted Assets:

A summary of restricted cash of the City at September 30, 2013, is as follows:

Debt service funds	\$ 319,981
Capital projects funds - Series 2005 GOB proceeds	<u>4,563,135</u>
Total restricted assets	<u><u>\$ 4,883,116</u></u>

(7) Receivables:

The City's receivables at September 30, 2013, consist of the following:

	<u>Accounts Receivable</u>	<u>Special Assessments Receivable</u>	<u>Notes Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Accounts Receivable, Net</u>
Governmental Activities:					
General Fund	\$ 106,877	\$ 340,018	\$ -	\$ -	\$ 446,895
Special Revenue Funds:					
Community Redevelopment Agency	300	-	-	-	300
Airport/Industrial Park	446,528	-	15,518	(182,109)	279,937
Building Inspections	177,616	-	-	-	177,616
Internal Service Fund	1,103	-	-	-	1,103
Total Governmental Activities	<u>732,424</u>	<u>340,018</u>	<u>15,518</u>	<u>(182,109)</u>	<u>905,851</u>
Business-Type Activities:					
Municipal Golf Course	17,871	-	-	-	17,871
Sanitation	-	-	-	-	-
Municipal Marina	4,766	-	-	-	4,766
Total Business-Type Activities	<u>22,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,637</u>
Totals	<u><u>\$ 755,061</u></u>	<u><u>\$ 340,018</u></u>	<u><u>\$ 15,518</u></u>	<u><u>\$ (182,109)</u></u>	<u><u>\$ 928,488</u></u>

(8) Interfund Accounts:

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system and when payments between funds are made. Individual fund interfund receivables and payables, at September 30, 2013, consist of the following:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Governmental Funds:		
General Fund	\$ 599,881	\$ -
Enterprise Funds:		
Golf Course Fund	-	599,881
	<u><u>\$ 599,881</u></u>	<u><u>\$ 599,881</u></u>

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(8) **Interfund Accounts:** (Continued)

	Due from Component Unit	Due to Primary Government
Primary Government:		
General Fund	\$ 469,718	\$ -
Sanitation Fund	414,289	-
Component Unit:		
Utilities Commission, City of New Smyrna Beach	-	884,007
	\$ 884,007	884,007

The interfund loan from the General Fund to the Golf Course Fund was made to cover operating costs of the golf course in excess of revenues received by the golf course. The loan payable by the Golf Course Fund to the General Fund bears interest at a variable rate, based on the average annual yield of the City's invested cash and cash equivalents. For the year ended September 30, 2013, the applicable interest rate on the loan was .25% per annum and total interest charged on the loan was \$1,623. The loan will balloon in 2025, if the principal has not been paid off with the use of available cash.

(9) **Interfund Transfers:**

Transfers occur to move monies from various funds to debt service funds as debt service principal and interest payments become due and to move funds to finance various programs, provide grant matching funds, or to subsidize operations that the City must account for in other funds in accordance with budgetary authorizations.

During the fiscal year ended September 30, 2013, the City made the following transfers.

	General Fund	Community Redevelop- ment Agency Fund	Nonmajor Debt Service Funds	Total Transfers Out
Nonmajor – Stormwater Improvement Fund	\$ 5,000	\$ 166,774	\$ 246,751	\$ 418,525
Nonmajor – Parks and Recreation General Fund	53,657	-	-	53,657
Community Redevelopment Agency Fund	-	-	608,791	608,791
Sanitation	-	-	342,211	342,211
Nonmajor Proprietary – Marina	1,006,558	5,448	-	1,012,006
	30,700	-	-	30,700
Total transfers in	\$ 1,095,915	\$ 172,222	\$ 1,197,753	\$ 2,465,890

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(9) **Interfund Transfers:** (Continued)

The Stormwater Fund transferred \$5,000 and \$166,774 to the General Fund and Community Redevelopment Agency Fund, respectively to reimburse for stormwater work paid for out of the respective funds. The Parks and Recreation Impact Fee fund transferred \$53,657 to reimburse the General Fund for a property purchase necessary to construct a new park during the year. The Community Redevelopment Fund, Stormwater Utility Fund, and the General Fund transferred monies to the Debt service funds for debt service payments. The Marina transferred \$30,700 to the General Fund for reimbursement of repair and maintenance costs incurred during a prior year. The Sanitation fund transferred \$5,448 and \$77,778 to the Community Redevelopment Agency Fund and the General Fund, respectively to cover budget shortfalls as a result of the commission adopting the “roll-back” millage rate. The Sanitation Fund also transferred \$465,540 to the General Fund for the purchase of the fire truck, \$250,000 for street repaving, and \$215,240 for Flagler Avenue repaving.

(10) **Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 30,114,044	\$ 53,657	\$ -	\$ 30,167,701
Improvements	240,946	-	-	240,946
Construction in progress	6,882,421	5,548,268	(7,872,128)	4,558,561
Total capital assets, not being depreciated	<u>37,237,411</u>	<u>5,601,925</u>	<u>(7,872,128)</u>	<u>34,967,208</u>
Capital assets, being depreciated:				
Buildings and improvements	32,310,610	761,225	-	33,071,835
Improvements other than buildings	20,067,171	3,309,084	-	23,376,255
Machinery and equipment	10,985,646	365,851	(14,890)	11,336,607
Infrastructure	19,697,055	3,818,479	-	23,515,534
Total capital assets, being depreciated	<u>83,060,482</u>	<u>8,254,639</u>	<u>(14,890)</u>	<u>91,300,231</u>
Accumulated depreciation for:				
Buildings and improvements	(9,305,284)	(725,783)	-	(10,031,067)
Improvements other than buildings	(11,856,895)	(709,369)	-	(12,566,264)
Machinery and equipment	(8,280,104)	(546,669)	14,543	(8,812,230)
Infrastructure	(4,557,970)	(905,943)	-	(5,463,913)
Total accumulated depreciation	<u>(34,000,253)</u>	<u>(2,887,764)</u>	<u>14,543</u>	<u>(36,873,474)</u>
Total capital assets, being depreciated, net	<u>49,060,229</u>	<u>5,366,875</u>	<u>(347)</u>	<u>54,426,757</u>
Governmental activities capital assets, net	<u>\$ 86,297,640</u>	<u>\$ 10,968,800</u>	<u>\$ (7,872,475)</u>	<u>\$ 89,393,965</u>

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(10) **Capital Assets:** (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery equipment	\$ 612,882	\$ 43,021	\$ -	\$ 655,903
Total capital assets, being depreciated	<u>612,882</u>	<u>43,021</u>	<u>-</u>	<u>655,903</u>
Accumulated depreciation for:				
Machinery and equipment	(530,192)	(17,440)	-	(547,632)
Total accumulated depreciation	<u>(530,192)</u>	<u>(17,440)</u>	<u>-</u>	<u>(547,632)</u>
Total capital assets, being depreciated, net	<u>82,690</u>	<u>25,581</u>	<u>-</u>	<u>108,271</u>
Business-type activities capital assets, net	<u>\$ 82,690</u>	<u>\$ 25,581</u>	<u>\$ -</u>	<u>\$ 108,271</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 283,401
Public safety	538,753
Transportation	656,830
Economic environment	397,622
Physical environment	474,901
Culture and recreation	509,731
Buildings and maintenance	15,813
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>10,713</u>
Total depreciation expense-governmental activities	<u>\$ 2,887,764</u>
Business-type activities:	
Municipal Golf Course	\$ 17,440
Municipal Sanitation	-
Total depreciation expense-business-type activities	<u>\$ 17,440</u>

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(11) Long-Term Debt:

Governmental Activities—The City has entered into several long-term debt obligations where it pledges specific income streams or income derived from the acquired or constructed assets to pay debt service.

The City's revenue obligations outstanding at September 30, 2013 are summarized as follows:

General Obligation Revenue Bonds, Series 2005 - 2.75% to 5.00% dated February 1, 2005, due serially to 2024; general obligation of the city secured by full faith, credit and taxing power as pledged by the City	\$ 12,125,000
Capital Improvement Refunding Revenue Bonds, Series 2005 - 3.00% to 4.50% dated March 30, 2005, due serially to 2029, secured by a lien and pledge of the non-ad valorem tax revenues and any other revenues appropriated by the City	5,985,000
Public Improvement Refunding Revenue Bonds, Series 1998 - 4.46% fixed due serially to 2013, secured by a lien and pledge of the Community Redevelopment Agency's tax increment revenues, non-ad valorem tax revenues and any other revenue appropriated by the City	167,281
4.63% promissory note payable to Wachovia Bank dated August 27, 1999; various maturities and amortization through April, 2014; secured by general revenue of the City	415,144
4.46% promissory note payable to Wachovia Bank dated April 30, 1998; various maturities and amortization through October, 2013; secured by general revenue of the City	22,368
3.03% to 3.07% State Revolving Fund promissory note payable dated May 4, 2001; with various maturities and amortization; secured by the stormwater utility revenue of the City. Loan payments made May 15, 2001 through 2021.	1,019,155
3.09% State Revolving Fund promissory note payable dated August 12, 2002; with semiannual loan payments of \$20,204 beginning August 15, 2003 through 2022; secured by the stormwater utility revenue of the City	330,472
2.96% State Revolving Fund promissory note payable dated December 31, 2003; with semiannual loan payments of \$16,655 beginning November 15, 2004 through 2023; secured by the stormwater utility revenue of the City	310,801
2.47% State Revolving Fund promissory note payable dated September 19, 2006; with semiannual loan payments of \$10,000 beginning January 15, 2009 through 2028; secured by the stormwater utility revenue of the City	249,422
Florida Municipal Loan Council promissory note payable dated November 15, 2000; 4.25% to 5.75%, due serially to 2015; secured by general revenue of the City	290,000
Total debt obligation in form of bond and notes	20,914,643
Less: current maturities	2,026,345
Total governmental long-term debt	\$ 18,888,298

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(11) **Long-Term Debt:** (Continued)

The authorization for the General Obligation Bonds, Series 2005 (collectively referred to as the "GOB") was adopted by the City in Resolution No. 17-04 on August 10, 2004, whereby the City ordered a referendum election for the purpose of the issuance of debt not to exceed \$18,800,000 of general obligation bonds for the City to finance the construction and equipping of a police station, three fire stations, an emergency operations center and certain public sidewalks. On October 5, 2004, the qualified electors of the City authorized the City to issue the GOB up to \$18,800,000. On February 1, 2005, the City issued \$18,330,000, General Obligation Bonds, Series 2005. The estimated costs of the projects total \$18,260,000. An arbitrage valuation was completed during the fiscal year, at which no rebate amount is required as of September 30, 2013.

On March 8, 2005, the City adopted Resolution No. 12-05 authorizing issuance of not to exceed \$7,500,000 in principal amount for the purpose of refunding the City's outstanding line of credit that was originally established pursuant to Resolution No. 40-03, adopted by the City on November 25, 2003. On March 30, 2005, the City issued \$7,335,000 Capital Improvement Refunding Revenue Bonds, Series 2005 for this purpose.

The authorization for the Public Improvement Revenue Bonds outstanding (collectively referred to as the "Bonds") was adopted by the City in Resolution No. 11-92 on August 11, 1992, as supplemented by Resolution No. 23-98 on April 28, 1998. The Series 1992 Bonds were issued for the purpose of construction of certain capital improvements within the City's Community Redevelopment Agency district. The Series 1992 bonds were subsequently redeemed. The Series 1998 Bonds were issued as additional bonds on parity with the Series 1992 Bonds for the purpose of refunding Series 1992 bonds maturing on October 1, 2003 or thereafter subject to call on or after October 1, 2002. The Bonds are payable from and secured by a lien and pledge of the Community Redevelopment Agency's tax increment revenues, non-ad valorem tax revenues and any other revenue appropriated by the City. The Bonds do not constitute general indebtedness of the City of New Smyrna Beach, Florida, and the City is not obligated to levy any taxes for the payment thereof.

On June 30, 1999, the City executed a Master Plan Improvements Loan Agreement with the Florida Department of Environmental Protection to provide State Revolving Fund assistance for the construction of stormwater system improvements. The loan proceeds were disbursed on a reimbursement basis with loans made at various interest rates. The original award of \$959,000 was loaned at a fixed interest rate of 3.03%, with the first amendment award of \$1,010,000 loaned at a fixed interest rate of 3.05%, and the final amendment award of \$285,670 loaned at a fixed interest rate of 3.07%. The loan is secured by a pledge of the City's stormwater utility fees. Repayments are made semiannually on November 15th and May 15th with principal and interest payments of \$76,516 each period.

On August 27, 1999, the City executed a 4.63% fixed rate promissory note payable to Wachovia Bank in the original amount of \$5,000,000 to finance the construction of several governmental capital projects. The note is payable in 30 separate semi-annual installments (ranging from \$270,409 to \$213,311) with various principal maturities based on the City's existing scheduled debt service requirements through 2014. The loan is secured by a pledge of the City's non-ad valorem revenues.

On April 30, 1998, the City executed a 4.46% fixed rate promissory note payable to Wachovia Bank in the original amount of \$1,170,686 to refinance several existing installment note obligations originally issued to finance the acquisition of various capital projects. Various principal maturities on the obligation were structured to be funded over periods from three to fifteen years based on the useful lives of the equipment items acquired. The loan is secured by a pledge of the City's non-ad valorem revenues.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(11) **Long-Term Debt:** (Continued)

On August 12, 2002, the City executed a separate loan agreement with the Florida Department of Environmental Protection to provide State Revolving Fund assistance for the construction of additional stormwater system improvements. The total amount disbursed under this agreement was \$651,331. The loan terms require 40 semiannual payments at a fixed interest rate of 3.09%. The loan is secured by a pledge of the City's stormwater utility fees. Repayments are made semiannually on August 15th and February 15th with principal and interest payments of \$20,204 each period.

On November 15, 2000, the City executed a loan agreement with the Florida Municipal Loan Council to provide funds for capital projects. The amount borrowed under this agreement was \$1,985,000. The terms of the loan require repayments at 4.25% to 5.75% through November 1, 2015. Interest is payable semiannually on May 1 and November 1. Principal is payable annually on November 1. This loan is secured by the non-ad valorem revenues of the City.

On December 31, 2003, the City executed a loan agreement with the Florida Department of Environmental Protection to provide State Revolving Fund assistance for the construction of additional stormwater system improvements. The loan terms require 40 semiannual payments at a fixed interest rate of 2.96%. Repayments are made semiannually on November 15th and May 15th, with principal and interest payments of \$16,655 each period.

On September 19, 2006, the City executed a Clean Water State Revolving Fund Loan Agreement with the Florida Department of Environmental Protection to borrow \$466,402 to finance costs related to the Central Beach Phase 2 Flood Mitigation Improvements project. Repayments are made semiannually on January 15th and July 15th, with principal and interest payments of \$10,000 each period until paid in full.

Business-Type Activities—The City had no outstanding long-term indebtedness in its business-type activities.

A summary of the changes in the City's total long-term debt for the year ended September 30, 2013, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds, Series 2005	\$ 12,990,000	\$ -	\$ (865,000)	\$ 12,125,000	\$ 890,000
Capital Improvement Refunding Revenue Bonds, Series 2005	6,230,000	-	(245,000)	5,985,000	250,000
Public Improvement refunding Revenue Bonds, Series 1998	490,817	-	(323,536)	167,281	167,281
Promissory notes	3,344,958	-	(707,596)	2,637,362	719,064
Bond issuance discount	(55,975)	-	3,293	(52,682)	(3,293)
Bond issuance premium	281,114	-	(23,426)	257,688	23,426
Total bonds and notes payable	<u>23,280,914</u>	<u>-</u>	<u>(2,161,265)</u>	<u>21,119,649</u>	<u>2,046,478</u>
Compensated absences payable	1,541,533	1,420,871	(1,360,538)	1,601,866	700,692
Net OPEB Obligation	590,907	48,570	-	639,477	-
Total Governmental Activities	<u>\$ 25,413,354</u>	<u>\$ 1,469,441</u>	<u>\$ (3,521,803)</u>	<u>\$ 23,360,992</u>	<u>\$ 2,747,170</u>
Business-Type Activities					
Compensated absences payable	\$ 139,631	\$ 128,094	\$ (119,528)	\$ 148,197	\$ 44,244
Net OPEB Obligation	42,093	2,430	-	44,523	-
Total Business-Type Activities	<u>\$ 181,724</u>	<u>\$ 130,524</u>	<u>\$ (119,528)</u>	<u>\$ 192,720</u>	<u>\$ 44,244</u>

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(11) **Long-Term Debt:** (Continued)

Aggregate long-term debt obligation debt service requirements in each of the next five years and to maturity is as follows:

Fiscal Year Ending September 30,	General Obligation Bonds Series 2005		Capital Improvement Refunding Series 2005		Public Improvement Refunding Series 1998		Notes Payable		Total Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 890,000	\$ 529,048	\$ 250,000	\$ 249,892	\$ 167,281	\$ 3,730	\$ 719,064	\$ 84,513	\$ 2,893,528
2015	920,000	498,788	260,000	240,192	-	-	292,344	58,175	2,269,499
2016	955,000	466,588	270,000	229,862	-	-	308,310	46,458	2,276,218
2017	1,000,000	418,838	280,000	219,132	-	-	209,458	37,292	2,164,720
2018	1,040,000	381,838	290,000	207,732	-	-	215,792	30,958	2,166,320
2019-2023	5,955,000	1,150,694	1,650,000	845,712	-	-	766,280	64,686	10,432,372
2024-2028	1,365,000	56,306	2,035,000	450,056	-	-	126,114	7,194	4,039,670
2029-2030	-	-	950,000	43,201	-	-	-	-	993,201
Totals	<u>\$12,125,000</u>	<u>\$3,502,100</u>	<u>\$5,985,000</u>	<u>\$ 2,485,779</u>	<u>\$ 167,281</u>	<u>\$ 3,730</u>	<u>\$2,637,362</u>	<u>\$329,276</u>	<u>\$ 27,235,528</u>

Internal service funds predominately serve the governmental funds. Accordingly, \$44,409 of internal service fund compensated absences and \$12,225 of net OPEB liability are included in the above amounts. Also, for the governmental activities, compensated absences and the net pension obligation are generally liquidated by the general fund.

Utilities Commission, City of New Smyrna Beach, Florida (a discretely presented component unit):

A summary of long term debt activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Utilities revenue certificates	\$ 46,995,000	\$20,000,000	\$(12,055,000)	\$ 54,940,000	\$ 6,670,000
Deferred amount on refunding	(157,432)	-	64,625	(92,807)	-
Total bonds payable	<u>\$ 46,837,568</u>	<u>\$ 20,000,000</u>	<u>\$(11,990,375)</u>	<u>\$ 54,847,193</u>	<u>\$ 6,670,000</u>

The above Utilities Commission, City of New Smyrna Beach, Florida (the Commission) long-term debt presentation contains highly summarized select data. A more detailed debt presentation is available in the Commission's separately issued financial report, which may be obtained by contacting the administrative office of the Commission at P.O. Box 100, New Smyrna Beach, Florida 32170.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(12) **Employees' Pension Plans:**

Florida Retirement System—The City's employees (regular full time and part time hired prior to January 1, 1996) participate in the Florida Retirement System (FRS), a cost-sharing, multiple-employer defined benefit public employee retirement system, administered by the State of Florida, Department of Administration. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Florida Statutes Chapter 121, as may be amended from time to time by the state legislature, provides the methodology for determining contribution rates for the various membership classes of the FRS. The FRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to:

State of Florida Department of Administration
Division of Retirement
1317 Winewood Boulevard, Building 8
Tallahassee, FL 32399-1560

Funding Policy—The City participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2013 as follows (contribution rates are in agreement with the actuarially determined rates):

	Employer Contribution Percentage	Employee Contribution Percentage
<u>Regular Class</u> - Members who are eligible to participate in the plan, but do not qualify for membership in other classes.	6.95%	3.00%
<u>Senior Management Service Class</u> - Members of senior management.	18.31%	3.00%
<u>Special Risk Class</u> - Members employed as law enforcement officers or firefighters.	19.06%	3.00%
<u>Special Risk Administrative Support Class</u> - Special risk members who are transferred or reassigned to non-special risk law enforcement or firefighting administrative support positions.	35.96%	3.00%
<u>Elected Officer's Class</u> - Elected City officials.	33.03%	3.00%
<u>Deferred Retirement Option Program (DROP)</u> - Members who have reached eligible retirement age and have elected to defer the receipt of benefits, allowing them to accumulate benefits within the FRS Trust Fund, while continuing their employment.	12.84%	N/A

The contribution rate of current year covered payroll is 7.8 percent. For the years ended September 30, 2013, 2012, and 2011, total contributions were \$78,303, \$58,771, and \$144,640, respectively. The City made 100% of its required contributions for each year.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(12) **Employees' Pension Plans:** (Continued)

General Employees - Defined Contribution Plan—The City contributes to a defined contribution plan which is administered by the Principal Mutual Life Insurance Company, P. O. Box 9396, Des Moines, IA 50306-9396. The City established the plan for all regular full time and regular part time employees hired on or after January 1, 1996 by revoking its participation in the FRS, 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 employee gross wages. Employees may make supplemental contributions to the extent permitted by law. The City Commission has the authority to amend the Plan's provisions including any amendments to the contribution rate.

Employer contributions to the defined contribution plan for the years ended September 30, 2013, 2012 and 2011 were \$330,292, \$292,306, and \$295,797, respectively. Employee contributions to the defined contribution plan for the years ended September 30, 2013, 2012, and 2011 were \$22,926, \$20,049, and \$23,649, respectively.

Municipal Police Officers and Firefighters - Defined Benefit Pension Plans—The City maintains and administers separate single-employer pension plans for all eligible police officers and firefighters, which assets are included in the Municipal Police Officers' Retirement Trust Fund (the "Police Plan") and Municipal Firefighters' Pension Trust Fund (the "Fire Plan").

All certified police officers and firefighters are eligible to participate in the respective systems after a six-month probationary period. Benefits vest with eligible employees after ten years of participation. The funding methods and the determination of benefits payable are provided in the various acts of the Florida Legislature, which created the funds, including subsequent amendments thereto. These statutes provide, in general, that funds are to be accumulated from employee contributions, City contributions, State appropriations and income from investments from accumulated funds. The statutes also provide that should the accumulated funds at any time be insufficient to meet and pay the benefits due, the City shall supplement the funds by an appropriation from current funds or from any revenues which may be lawfully used for said purposes in an amount sufficient to make up the deficiency. The investments of the two funds are administered, managed, and operated by their respective boards of trustees using the services of the City staff and local financial institutions.

For police officers, the normal retirement age is the earlier of attained age 55 with ten years of service, or the completion of 20 years of service. An early retirement benefit is available for those police officers having attained age 50 with at least ten years of plan participation. The normal retirement benefit for police officers is 3% of average compensation multiplied by the number of years of service. The early retirement benefit for police officers is the accrued benefit on early retirement reduced by 3% for each year that the early retirement precedes the normal retirement date.

For firefighters, the normal retirement age is earlier of age 55 with ten years of service, or the completion of 25 years of credited service, regardless of age. An early retirement benefit is available for those firefighters having attained age 50 with at least ten years of service. The normal retirement benefit for firefighters is 3% of average compensation multiplied by the number of years of service. The early retirement benefit for firefighters is the accrued benefit on early retirement reduced by 3% for each year that the early retirement precedes the normal retirement date.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(12) **Employees' Pension Plans:** (Continued)

The Plans also provide death and disability benefits. The survivor's death benefit is 50% of the earned benefit which is payable monthly for as long as the spouse lives. The disability benefit is the greater of 42% (25% if not incurred in the line of duty) of the average monthly pay or the earned benefit for as long as there is a total disability.

Basis of Accounting. The financial statements of the Plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Plan investments are reported at fair value and are managed by an independent third party money manager. Investments that do not have an established market are reported at estimated fair value. Performance reporting, administrative expenses and the City's asset valuation are based on the custodians' determination of value. Administrative costs of the Plan are financed through investment earnings or, at the exclusive annual option of the City, from expense reimbursements made by the City.

Funding Policy. Authority to establish and amend benefits rests with the City Commission. The contribution requirements are actuarially determined and employees covered under the plans are required to make contributions of 8.1% (Police Plan) and 4% for employees hired prior to July 1, 2012 or 10% for employees hired on or after July 1, 2012 (Fire Plan) of their eligible compensation.

Annual Pension Cost and Net Pension Obligation. The City's contributions to the plans were made in accordance with actuarially determined requirements computed through independent actuarial valuations performed as of October 1, 2013 for both the Firefighter's Pension Trust and Police Officers' Pension Trust Fund. The required contribution represents a level of funding, that if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over periods not to exceed 20 years for the Police Plan and 30 years for the Fire Plan.

The City's annual pension cost and net pension obligations to the pension plans for the year ended September 30, 2013 were as follows:

	Municipal Police Officers' Retirement Trust Fund	Municipal Firefighters' Retirement Trust Fund
Pension Obligation		
Annual required contribution (ARC)	\$ 766,873	\$ 1,376,122
Interest accrued on net pension obligation (NPO)	(35,746)	(10,014)
ARC Adjustment	60,218	11,132
Annual Pension Cost	791,345	1,377,240
Contributions made	443,438	1,376,122
Decrease in Net Pension Asset	347,907	1,118
Net Pension (Asset) Obligation, 9/30/12	(446,826)	(126,755)
Net Pension (Asset) Obligation, 9/30/13	\$ (98,919)	\$ (125,637)

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(12) **Employees' Pension Plans:** (Continued)

Based on the available information provided by the actuaries for both plans the City's annual pension cost and net pension obligations to fund were as follows:

Municipal Police Officers' Retirement Trust Fund Annual Pension Cost - Trend Information			
Year Ended September 30,	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2013	\$791,345	56.0%	\$(98,919)
2012	891,503	93.0%	(446,826)
2011	971,138	87.0%	(505,124)

Municipal Firefighters' Retirement Trust Fund Annual Pension Cost - Trend Information			
Year Ended September 30,	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2013	\$1,377,240	100.0%	\$(125,637)
2012	1,370,515	100.0%	(126,755)
2011	855,473	100.0%	(129,656)

State Contributions - The City of New Smyrna Beach, Florida participates under Chapters 175 and 185, Florida Statutes in establishing its own Municipal Police Officers' and Firefighters' Retirement Trust Funds. As a participating city, the City of New Smyrna Beach, Florida receives annual distributions of fire insurance premium tax and casualty insurance premium tax on property and casualty insurance policies written within the City's legal limits. The tax monies are collected by the Florida Department of Revenue and disbursed by the Florida Division of Retirement to each participating city or district. Amounts received by the City are legally restricted to be deposited directly into the respective retirement trust funds. These contributions are recorded and recognized in the General Fund as intergovernmental revenue with a corresponding expenditure reported in Public Safety personal service costs.

Actuarial Methods and Assumptions – The following as a summary of the significant actuarial methods and assumptions:

	Municipal Police Officers' Retirement Trust Fund	Municipal Firefighters' Retirement Trust Fund
Actuarial Valuation:		
Frequency	Annual	Annual
Latest Date	10/1/2013	10/1/2013
Cost Method	Frozen – Initial Liability	Entry Age Normal
UAAL Amortization:		
Method	Level Dollar	Level Percent of Pay
Open/Closed	Closed	Closed
Remaining Amortization Period	23 Years	20 Years
Asset Valuation	4 Year Smooth	4 Year Smooth (Market)
Actuarial Assumptions:		
Investment Return	8.00%	7.90%
Projected Salary Increases	Graduated	5.75%
Inflation rate	3.00%	3.00%
Post Retirement COLA	0.0%	0.00%

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(12) **Employees' Pension Plans:** (Continued)

Funded Status and Funding Progress – The funding status of the plan as of the latest actuarial valuation date, was as follows:

	Municipal Police Officers' Retirement Trust Fund	Municipal Firefighters' Retirement Trust Fund
	<hr/>	<hr/>
Actuarial Valuation date	10/1/2013	10/1/2013
Actuarial Accrued Liability (AAL)	\$ 15,811,168	\$ 25,243,083
Actuarial Value of Plan Assets	15,028,861	17,135,230
Unfunded Actuarial Accrued Liability (UAAL)	782,307	8,107,853
Funded Ratio (Actuarial Value of Plan Assets/AAL)	95%	68%
Covered Payroll (Active Plan Members)	1,711,793	1,669,590
UAAL as a Percentage of Covered Payroll	46%	486%

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

Additionally, at September 30, 2013, the Municipal Police Officers' Retirement Trust Fund has \$336,146 of accumulated funding in the Funding Standard Account, as determined by the actuary. During the current year ended September 30, 2013, the City utilized \$329,000 from the Funding Standard Account to meet the Annual Required Contribution.

Concentration of Investments. There were no individual investments in any one organization held in either of the pension trust funds that represent 5% or more of plan net position held at year end.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(13) Fiduciary Fund Financial Statements – Police and Fire Pension Trust Funds:

The City does not issue separate financial statements for the Municipal Police Officers’ Retirement Trust Fund or the Municipal Firefighters’ Retirement Trust Fund. The basic financial statements of the City include a statement of fiduciary net position and a statement of changes in fiduciary net position that presents a single column presented by fund type for both pension trust funds. Presented below are the financial statements for each pension trust fund as of and for the year ended September 30, 2013:

Statements of Fiduciary Net Position

	Police Officers’	Firefighters’
Assets		
Cash and short-term investments	\$ 100	\$ 49,290
Receivables:		
Employer contributions	198,939	225,556
Employee contributions	4,494	2,291
State subsidy	166,394	-
Accrued income	-	56,567
Total receivables	369,827	284,414
Investments:		
Money funds	682,742	96,459
Common stocks	-	10,525,222
Government bonds	-	2,939,876
Corporate bonds	-	2,189,866
Exchange traded and closed end funds	7,480,966	1,088,443
Annuity contract	2,979,647	-
Mutual funds	4,088,300	803,265
Total investments	15,231,655	17,643,131
Total assets	15,601,582	17,976,835
Liabilities		
Benefits payable	-	3,490
Net position held in trust for pension benefits	\$ 15,601,582	\$17,973,345

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(13) **Fiduciary Fund Financial Statements – Police and Fire Pension Trust Funds:** (Continued)

Statements of Changes in Fiduciary Net position

	Police Officers'	Firefighters'
Additions		
Contributions		
Employees' contributions	\$ 138,967	\$ 74,455
Employer's contributions	320,976	1,094,335
State contributions	166,394	281,787
Buy Back	3,155	-
Total contributions	629,492	1,450,577
Investment earnings		
Net increase in fair value of investments	1,333,733	1,540,186
Interest income	256,105	373,433
Investment expenses	(36,586)	(150,642)
Total investment earnings (loss)	1,553,252	1,762,977
Total additions	2,182,744	3,213,554
Deductions		
Benefits	1,073,513	1,713,256
Administrative expenses	18,695	22,483
Total deductions	1,092,208	1,735,739
Net increase	1,090,536	1,477,815
Net position held in trust for pension benefits, beginning of year	14,511,046	16,495,530
Net position held in trust for pension benefits, end of year	\$15,601,582	\$17,973,345

(14) **Deferred Employee Benefits:**

The City provides its employees with a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of these plans are administered by the International City Managers Association Retirement Corporation. The plans have been amended to include provisions changed by the Economic Growth and Tax Relief Reconciliation Act of 2001. Annual contributions, determined by the participant, may not exceed the lesser of \$17,500 or 100% of gross annual compensation for plan years beginning in 2013. Deferred compensation withheld from a participating employee's pay is taxable as current income. 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 FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(15) Other Post-Employment Benefits (OPEB):

Plan Description—Effective October 1, 2008, the City implemented GASB Statement No. 45, *Accounting and Reporting for Post Employment Benefits Other Than Pensions* (OPEB), for certain post employment healthcare benefits provided by the City. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$534,000 at October 1, 2008, the date of transition, amortized over 10 years. Accordingly, for financial reporting purposes, no liability is reported for the post employment healthcare benefit liability at the date of transition.

The OPEB Plan is a single-employer benefit plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverages elected, however, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. The older retirees actually have a higher cost which means the City is subsidizing the cost of the retiree coverage because it pays all or a significant portion of the premium on behalf of the active employee. GASB No. 45 calls this the “implicit rate subsidy.”

Retirees and their dependents are permitted to remain covered under the City’s respective health care plans as long as they pay a full premium applicable to the coverages elected. This conforms to the minimum required of Florida governmental employers per Chapter 112.08 of Florida Statutes. The OPEB Plan does not issue a stand-alone report.

At January 1, 2012, the date of the latest actuarial valuation, plan participation consisted of:

Active Employees	193
Inactive Employees	<u>15</u>
	<u><u>208</u></u>

Funding Policy—For the OPEB Plan, contribution requirements of the City are established and may be amended through action from the City Commission. Currently, the City’s OPEB Benefits are unfunded. The required contributions are based on pay-as-you-go financing requirements. There is no separate Trust fund or equivalent into which the City would make contributions to advance-fund the obligation. Therefore, ultimate subsidies which are provided over time are financed directly by general assets of the City, which are invested in very short-term fixed income instruments according to its current investment policy. The interest rate used to calculate the present value and costs of OPEB must be the long-range expected return on such short-term fixed income instruments. The City selected an interest discount of 4.00% for this purpose.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(15) Other Post-Employment Benefits (OPEB): (Continued)

Annual OPEB Cost and Net OPEB Obligation—The City’s annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities over a period not to exceed thirty years. The unfunded actuarial accrued liability represents an actuarial measurement of the obligation that has accrued so far based on the promise that has been made to current retirees and to current employees. Since the City’s OPEB is currently unfunded, the offset to that expense comes from actual subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the Employer Contribution and equals the total age-adjusted costs paid by the City for coverage for the retirees and their dependents for the year (net of the retiree’s own payments for the year). The components of the annual OPEB cost for the current year, the total contributions and the changes in the net obligation are as follows:

	2013 Fiscal Year Valuation as of 1/1/2012
Normal Cost (service cost for one year)	\$ 20,000
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	33,000
Amortization of Net OPEB Obligation	75,000
Annual Required Contribution (ARC)	128,000
Interest on Net OPEB Obligation	25,000
Adjustment to ARC	(75,000)
Annual OPEB Cost (Expense)	78,000
Less: Employer Contributions Made	(26,000)
Less: Interest on Employer Contributions	(1,000)
Increase in Net OPEB Obligation	51,000
Net OPEB Obligation at beginning of year	633,000
Net OPEB Obligation at end of year	\$ 684,000

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2012, and 2011 were as follows:

Year Ended September 30,	Annual OPEB Cost	City Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 78,000	\$ 26,000	33%	\$ 684,000
2012	\$ 79,000	\$ 25,000	32%	\$ 633,000
2011	\$ 69,000	\$ 21,000	30%	\$ 579,000

In the Statement of Net position, the City reports a Net OPEB Obligation of \$639,477 in governmental activities and \$44,523 in business-type activities.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(15) **Other Post-Employment Benefits (OPEB):** (Continued)

Funding Status and Funding Progress—The funding status of the plan as of January 1, 2012, the most recent actuarial valuation date, was as follows:

	2013 Fiscal Year Valuation as of 1/1/2012
Actuarial Accrued Liability (AAL)	\$ 871,000
Actuarial Value of Plan Assets	N/A
Unfunded Actuarial Accrued Liability (UAAL)	\$ 871,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	N/A
Covered Payroll (Active Plan Members)	\$ 8,030,000
UAAL as a Percentage of Covered Payroll	10.8%

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

Actuarial Methods and Assumptions—Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The projections do not explicitly incorporate the potential effects of legal or contractual funding limitations. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit cost method is used to determine the Plan’s liabilities and costs. For each participant, benefits earned to date are calculated using projected benefits based on accrual to the date of expected retirement and the participant’s benefit service, when eligible. Costs are attributed from the date of hire to the date first eligible for full benefits. The individual’s service cost is the actuarial present value of the benefit earned at the end of the plan year less the actuarial present value of benefits earned at the beginning of the plan year. The individual’s actuarial accrued liability is the actuarial present value of benefits earned as of the beginning of the plan year.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(15) **Other Post-Employment Benefits (OPEB):** (Continued)

The following is a summary of the significant actuarial methods and assumptions:

Actuarial Valuation:	
Frequency	Bi-Annual
Latest Date	1/1/2012
Cost Method	Projected Unit Cost
UAAL Amortization:	
Method	Level Dollar Payment
Open/Closed	Open
Remaining Amortization Period	10 Years
Asset Valuation	
	N/A
Actuarial Assumptions:	
Investment Return	4.00%
Projected Salary Increases	2.25%
Inflation Rate	2.75%
Post-retirement benefit increase	2.25%
Healthcare Cost Trend Rate	9.50% Initial 5.00% Ultimate

(16) **Legal Matters:**

The City is engaged in routine litigation incidental to the conduct of its business and municipal affairs. In the opinion of its Counsel, no legal proceedings are pending against them, not covered by insurance, which would inhibit the City's ability to perform its operations or materially affect its financial condition.

(17) **Commitments and Contingencies:**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts not recorded, if any, to be immaterial.

The City has active construction projects as of September 30, 2013. At year-end, the City's commitments with contractors are as follows:

	Remaining Commitment
Streets and stormwater projects	\$ 619,589
CRA projects and commitments	1,037,559
Public safety related projects	2,412,376
Culture/ recreation related projects	886,347
Miscellaneous capital projects	58,900
Total	<u>\$ 5,014,771</u>

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(17) **Commitments and Contingencies:** (Continued)

The commitments for park-related projects are financed by revenues derived from grants and user fees. Airport improvements are mainly funded by federal and state matching grants. CRA streetscape projects are funded via incremental tax revenues and federal grants. Public safety construction projects are funded through the issuance of bonds.

Additionally, the City’s CRA has offered incentives to a developer for a construction project to build a hotel within the CRA district. These incentives represent a commitment of the CRA and are summarized as follows: a) up to \$86,500 in construction costs for the provision of electrical power to the businesses east of the project that are currently served by the overhead line traversing the project property; b) a easement required by the Utilities Commission for electrical service, estimated to cost \$21,240; and c) payment of one-half of the impact fees not to exceed \$325,000. The developer may recapture the \$325,000 estimated impact fee cost from TIF tax payments once the project is built. Any TIF payments remaining after the developer’s reimbursement, shall be paid to the CRA trust fund. The CRA and project owner agree that TIF funds may be exhausted prior to the developer’s complete reimbursement due to the CRA expiration date in 2015. Through September 30, 2013, \$330,035 had been paid on this commitment. As of September 30, 2013, there was \$101,313 available on this commitment, which is related to the payment of one-half of the impact fees (item c).

(18) **Encumbrances:**

Encumbrances are reported in the fund balance classification which is going to fund the costs. At September 30, 2013, encumbrances were reported under various fund balance classifications within the following funds:

	Outstanding Encumbrance
General fund	\$ 1,704,771
Airport fund	2,300
Community redevelopment agency fund	1,037,559
Capital projects fund	2,143,051
Nonmajor – Transportation impact fee fund	5,833
Nonmajor – Stormwater utility fund	121,257
Total	\$ 5,014,771

(19) **Risk Management:**

The City of New Smyrna Beach 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 are, in the opinion of management, satisfactorily insured by general liability insurance. Commercial insurance policies are also obtained for all other risks of loss, including workers’ compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(19) **Risk Management:** (Continued)

In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the City has identified specific locations which may require site remediation due to various soil and groundwater pollutants. An assessment has been performed at two locations on City airport property as well as at the City garage. As of September 30, 2013, no costs of clean up have been determined with regards to the airport sites, rather the possible contaminated portions of the property have been roped off so as not to be disturbed. The garage property is undergoing additional assessments to determine the extent of the pollution. If it is determined the City is liable for clean up, the maximum exposure to the City will be the pollution remediation insurance deductible of \$25,000. All estimates of liability are subject to change over time due to changes in the costs of goods and services, changes in remediation technology, or changes in laws and regulations governing remediation efforts.

(20) **Fund Deficits:**

The golf course proprietary fund had a deficit of \$628,526 at September 30, 2013. The deficit is primarily a result of expenses exceeding revenues over time.

(21) **Investment in Joint Venture:**

On January 11, 2002, the cities of New Smyrna Beach, Port Orange and Edgewater entered into an interlocal agreement to provide a consolidated dispatch communications and records system servicing law enforcement, fire, rescue and emergency communications for each of the cities. This entity, known as the Communications Interlocal Agency (CIA), was established pursuant to Florida Statutes, Section 163.01(7). The CI Agency operates as a public entity using the same fiscal year as the City of New Smyrna Beach, ending on September 30th.

The CI Agency is an instrumentality of the municipal parties and is entitled to sovereign immunity, except where waived by general law. It operates pursuant to direction from its governing board. The governing board is comprised of three mayors from the respective cities mentioned above. Operating guidelines, procedures, designations and restrictions are determined by this governing body.

Substantially all costs of the CI Agency are allocated to Port Orange, New Smyrna Beach, and Edgewater in the respective amounts of 44%, 33%, and 23%. The books and records are maintained using accounting principles generally accepted in the United States of America. The City of Port Orange, as agent, performs all cash and accounting transactions.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2013**

(21) **Investment in Joint Venture:** (Continued)

The financial statements of the joint venture can be obtained by contacting the Finance Director of the City of Port Orange, Florida, at the following address: City of Port Orange, 1000 City Center Circle, Port Orange, FL 32129.

Summarized audited information of the Communications Interlocal Agency for the year ended September 30, 2012, the most recent year available, is as follows:

Operating revenues	\$ 649
Operating expenses	(286,610)
Non-operating expenses	<u>(5,269)</u>
Net income (loss)	<u>\$ (291,230)</u>

Total assets	<u>\$ 383,951</u>
Total liabilities	<u>\$ 24,119</u>
Total net assets	<u>\$ 359,832</u>

A summary of the changes in the City's investment in the Communications Interlocal Agency for the year ended September 30, 2012, the most recent year available, is as follows:

September 30, 2011 balance	\$ 247,064
Fiscal year 2012 Activity	(96,105)
Total investment at September 30, 2012	<u>\$ 150,959</u>

Effective September 30, 2011, the CIA was dissolved as the County of Volusia, Florida voted to go to a centralized dispatch service for the entire County. The CIA is still determining the dissolution of assets between the three cities, and the remaining assets are expected to be distributed during the year ended September 30, 2014.

(22) **Subsequent Event – Issuance of Debt:**

On December 17, 2013, the City issued a Capital Improvement Revenue Note in the amount of \$8,045,000. The proceeds will be used to fund various capital project initiatives within the City.

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Required Supplementary Information

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF FUNDING PROGRESS (1)
OTHER POST EMPLOYMENT BENEFITS FUNDING PROGRESS
SEPTEMBER 30, 2013**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit Cost (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a) / c)</u>
1/1/2012	\$ -	\$ 871,000	\$ 871,000	0.00%	\$ 8,030,000	10.85%
7/1/2010	-	777,000	777,000	0.00%	9,127,000	8.51%
4/1/2008	-	3,409,000	3,409,000	0.00%	7,351,000	46.37%

(1) For information regarding contribution percentage rates, assumptions, amortization method, etc. see Note 15

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
OTHER POST EMPLOYMENT BENEFITS
SEPTEMBER 30, 2013**

<u>Year Ended Sept. 30,</u>	<u>Annual Required City Contribution</u>	<u>City Contribution</u>	<u>Percentage Contribution</u>
2013	\$ 128,000	\$ 26,000	20.31%
2012	125,000	25,000	20.00%
2011	111,000	21,000	18.92%

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF FUNDING PROGRESS (1)
PENSION TRUST FUNDS
SEPTEMBER 30, 2013**

Actuarial Valuation Date 1-Oct	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
<u>Police Officers' Pension Plan Fund</u>						
2013	\$ 15,028,861	\$ 15,811,168	\$ 782,307	95.05%	\$ 1,711,793	45.70%
2012	14,129,104	14,902,092	772,988	94.81%	1,743,282	44.34%
2011	13,155,223	13,942,013	786,790	94.36%	2,265,207	34.73%
2010	13,749,671	14,575,907	826,236	94.33%	2,157,250	38.30%
2009	13,589,178	14,457,647	868,469	93.99%	2,213,393	39.24%
2008	13,381,225	14,291,699	910,474	93.63%	2,362,936	38.53%
<u>Firefighters' Pension Plan Fund</u>						
2013	\$ 17,135,230	\$ 25,243,083	\$ 8,107,853	67.88%	\$ 1,669,590	485.62%
2012	16,034,759	24,678,654	8,643,895	64.97%	1,887,813	457.88%
2011	13,148,857	22,366,521	9,217,664	58.79%	1,717,092	536.82%
2010	13,203,983	21,353,727	8,149,744	61.83%	1,756,147	464.07%
2009	12,853,518	20,626,459	7,772,941	62.32%	2,131,439	364.68%
2008	12,177,061	19,428,815	7,251,754	62.68%	2,282,370	317.73%

(1) For information regarding contribution percentage rates, assumptions, amortization method, etc. see Note 12

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND
OTHER CONTRIBUTING ENTITIES
PENSION TRUST FUNDS
SEPTEMBER 30, 2013**

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>City Contributions</u>	<u>State Contributions</u>	<u>Percentage Contributed</u>
-------------------------------------	---------------------------------------------	-------------------------------	--------------------------------	-----------------------------------

Police Officers' Pension Plan Fund

2013	\$ 772,439	*	\$ 320,976	\$ 166,394	63.09%
2012	863,838	**	671,824	\$ 161,381	96.45%
2011	937,987	***	689,995	157,163	90.32%
2010	754,482		632,020	157,027	104.58%
2009	625,287		502,825	156,429	105.43%
2008	556,534		434,072	155,377	105.91%

* The City used \$329,000 from the Funding Standard Account to meet the annual required contribution. \$384,317 remained in the Funding Standard Account at September 30, 2013.

** The City used \$30,633 from the Funding Standard Account to meet the annual required contribution for the year ended September 30, 2012.

*** The City used \$90,829 from the Funding Standard Account to meet the annual required contribution for the year ended September 30, 2011.

Firefighters' Pension Plan Fund

2013	\$ 1,376,122	\$	1,094,335	\$ 281,787	100.00%
2012	1,367,614		1,113,453	254,161	100.00%
2011	1,109,115		854,034	255,082	100.00%
2010	973,515		677,227	296,288	100.00%
2009	1,187,056		917,778	263,308	99.50%
2008	1,128,794		1,049,723	427,917	130.90%

Combining and Individual Fund Statements and Schedules

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Special Revenue Funds

Special Revenue Funds are used to account for specific taxes or other earmarked revenue sources that are legally restricted to expenditure for particular purposes.

Special Law Enforcement Trust Fund

This fund accounts for proceeds generated by confiscation activities of the Police Department. Expenditures are restricted for law enforcement purposes only.

Building Inspections Fund

This fund accounts for revenues generated from licenses and permits charged by the City to enforce State and City building codes.

Stormwater Improvement Fund

This fund accounts for maintenance to the City's existing stormwater drainage system. Revenues are provided from user charges to the utility customers.

Law Enforcement Capital Fund

This fund accounts for impact fees assessed and collected against new construction activities. Use of these funds is restricted for expansion of law enforcement facilities and services.

Fire and Emergency Service Capital Fund

This fund accounts for impact fees assessed and collected against new construction activities. Use of these funds is restricted for expansion of fire and emergency facilities and services.

Parks and Recreation Capital Fund

This fund accounts for impact fees assessed and collected against new construction activities. Use of these funds is restricted for construction or expansion of existing parks and recreation facilities.

Transportation Capital Fund

This fund accounts for impact fees assessed and collected against new construction activities. Use of these funds is restricted for expansion of existing local roadway links or construction of new local roadways.

Debt Service Funds

The City created a debt service fund to account for the payment of interest and principal on long term debt.

**CITY OF NEW SMYRNA BEACH, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	<u>Special Revenue Funds</u>				
	<u>Stormwater Improvement</u>	<u>Special Law Enforcement Trust</u>	<u>Building Inspections</u>	<u>Law Enforcement</u>	<u>Fire and Emergency Services</u>
Assets					
Equity in pooled cash and investments	\$ 3,534,283	\$ 67,414	\$ 1,144,897	\$ 926,885	\$ 409,750
Accounts receivable, net					
Accounts receivable	-	-	177,616	-	-
Delinquent taxes	-	-	-	-	-
Due from other governments	-	-	2,528	-	-
Prepaid items	-	-	35	-	-
Total Assets	<u>\$ 3,534,283</u>	<u>\$ 67,414</u>	<u>\$ 1,325,076</u>	<u>\$ 926,885</u>	<u>\$ 409,750</u>
Liabilities, Deferred Inflow of Resources and Fund Balance					
Liabilities:					
Accounts payable and accrued liabilities	\$ 50,674	\$ 681	\$ 29,787	\$ -	\$ -
Total liabilities	<u>50,674</u>	<u>681</u>	<u>29,787</u>	<u>-</u>	<u>-</u>
Deferred inflow of resources:					
Deferred inflow of resources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable:					
Inventories and prepaids	-	-	35	-	-
Spendable:					
Restricted for:					
Public safety	-	66,733	1,295,254	-	-
Capital projects	-	-	-	926,885	409,750
Debt service	-	-	-	-	-
Committed to:					
Physical environment	3,483,609	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>3,483,609</u>	<u>66,733</u>	<u>1,295,289</u>	<u>926,885</u>	<u>409,750</u>
Liabilities, Deferred Inflow of Resources and Fund Balance	<u>\$ 3,534,283</u>	<u>\$ 67,414</u>	<u>\$ 1,325,076</u>	<u>\$ 926,885</u>	<u>\$ 409,750</u>

Special Revenue Funds				
Parks and Recreation	Transportation	Total Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
\$ 94,286	\$ 1,298,192	\$ 7,475,707	\$ 319,981	\$ 7,795,688
-	-	177,616	-	177,616
-	-	-	13,197	13,197
-	-	2,528	-	2,528
-	-	35	-	35
<u>\$ 94,286</u>	<u>\$ 1,298,192</u>	<u>\$ 7,655,886</u>	<u>\$ 333,178</u>	<u>\$ 7,989,064</u>
\$ -	\$ 30,277	\$ 111,419	\$ -	\$ 111,419
-	30,277	111,419	-	111,419
-	-	-	13,197	13,197
-	-	35	-	35
-	-	1,361,987	-	1,361,987
94,286	1,267,915	2,698,836	-	2,698,836
-	-	-	319,981	319,981
-	-	3,483,609	-	3,483,609
-	-	-	-	-
<u>94,286</u>	<u>1,267,915</u>	<u>7,544,467</u>	<u>319,981</u>	<u>7,864,448</u>
<u>\$ 94,286</u>	<u>\$ 1,298,192</u>	<u>\$ 7,655,886</u>	<u>\$ 333,178</u>	<u>\$ 7,989,064</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Special Revenue Funds				
	Stormwater Improvement	Special Law Enforcement Trust	Building Inspections	Law Enforcement	Fire and Emergency Services
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	1,435,710	-	-
Intergovernmental revenue	-	-	21,978	-	-
Charges for services	1,815,929	-	52,475	-	-
Fines and forfeitures	-	32,679	-	-	-
Investment income	24	-	606	-	-
Miscellaneous	-	-	43,069	52,043	56,181
Total revenues	<u>1,815,953</u>	<u>32,679</u>	<u>1,553,838</u>	<u>52,043</u>	<u>56,181</u>
Expenditures					
Current:					
Public safety	-	56,153	683,098	-	-
Physical Environment	444,991	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	296,007	-	56,373	-	-
Total expenditures	<u>740,998</u>	<u>56,153</u>	<u>739,471</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,074,955</u>	<u>(23,474)</u>	<u>814,367</u>	<u>52,043</u>	<u>56,181</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(418,525)	-	-	-	-
Total other financing sources (uses)	<u>(418,525)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	656,430	(23,474)	814,367	52,043	56,181
Fund balances, beginning of year	2,827,179	90,207	480,922	874,842	353,569
Fund balances, end of year	<u>\$ 3,483,609</u>	<u>\$ 66,733</u>	<u>\$ 1,295,289</u>	<u>\$ 926,885</u>	<u>\$ 409,750</u>

Special Revenue Funds

Parks and Recreation	Transportation	Total Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 1,451,677	\$ 1,451,677
-	-	1,435,710	-	1,435,710
-	-	21,978	-	21,978
-	-	1,868,404	-	1,868,404
-	-	32,679	-	32,679
-	-	630	23	653
23,761	281,820	456,874	-	456,874
<u>23,761</u>	<u>281,820</u>	<u>3,816,275</u>	<u>1,451,700</u>	<u>5,267,975</u>
-	-	739,251	-	739,251
-	-	444,991	-	444,991
-	-	-	1,704,469	1,704,469
-	-	-	915,577	915,577
-	159,394	511,774	-	511,774
-	159,394	1,696,016	2,620,046	4,316,062
<u>23,761</u>	<u>122,426</u>	<u>2,120,259</u>	<u>(1,168,346)</u>	<u>951,913</u>
-	-	-	1,197,753	1,197,753
(53,657)	-	(472,182)	-	(472,182)
<u>(53,657)</u>	<u>-</u>	<u>(472,182)</u>	<u>1,197,753</u>	<u>725,571</u>
(29,896)	122,426	1,648,077	29,407	1,677,484
124,182	1,145,489	5,896,390	290,574	6,186,964
<u>\$ 94,286</u>	<u>\$ 1,267,915</u>	<u>\$ 7,544,467</u>	<u>\$ 319,981</u>	<u>\$ 7,864,448</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR STORMWATER IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Charges for services	1,314,657	1,314,657	1,815,929	501,272
Investment income	-	-	24	24
Total revenues	<u>1,314,657</u>	<u>1,314,657</u>	<u>1,815,953</u>	<u>501,296</u>
Expenditures				
Current:				
Physical environment	468,450	509,850	444,991	64,859
Capital outlay	1,713,088	1,775,591	296,007	1,479,584
Total expenditures	<u>2,181,538</u>	<u>2,285,441</u>	<u>740,998</u>	<u>1,544,443</u>
Excess (deficiency) of revenues over expenditures	<u>(866,881)</u>	<u>(970,784)</u>	<u>1,074,955</u>	<u>2,045,739</u>
Other financing uses				
Transfers out	(246,751)	(436,751)	(418,525)	18,226
Total other financing uses	<u>(246,751)</u>	<u>(436,751)</u>	<u>(418,525)</u>	<u>18,226</u>
Net change in fund balances	<u>(1,113,632)</u>	<u>(1,407,535)</u>	<u>656,430</u>	<u>2,063,965</u>
Fund balances, beginning of year	2,827,179	2,827,179	2,827,179	-
Fund balances, end of year	<u>\$ 1,713,547</u>	<u>\$ 1,419,644</u>	<u>\$ 3,483,609</u>	<u>\$ 2,063,965</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL LAW ENFORCEMENT TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeitures	\$ -	\$ -	\$ 32,679	\$ 32,679
Investment income	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>32,679</u>	<u>32,679</u>
Expenditures				
Current:				
Public safety	<u>58,379</u>	<u>58,379</u>	<u>56,153</u>	<u>2,226</u>
Total expenditures	<u>58,379</u>	<u>58,379</u>	<u>56,153</u>	<u>2,226</u>
Net change in fund balances	<u>(58,379)</u>	<u>(58,379)</u>	<u>(23,474)</u>	<u>34,905</u>
Fund balances, beginning of year	90,207	90,207	90,207	-
Fund balances, end of year	<u>\$ 31,828</u>	<u>\$ 31,828</u>	<u>\$ 66,733</u>	<u>\$ 34,905</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR BUILDING INSPECTIONS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 598,869	\$ 612,519	\$ 1,435,710	\$ 823,191
Intergovernmental revenue	20,000	21,978	21,978	-
Charges for services	93,425	93,425	52,475	(40,950)
Investment income	-	-	606	606
Miscellaneous	46,977	46,977	43,069	(3,908)
Total revenues	<u>759,271</u>	<u>774,899</u>	<u>1,553,838</u>	<u>778,939</u>
Expenditures				
Current:				
Public safety	695,005	712,983	683,098	29,885
Capital outlay	64,266	211,916	56,373	155,543
Total expenditures	<u>759,271</u>	<u>924,899</u>	<u>739,471</u>	<u>185,428</u>
Net change in fund balances	<u>-</u>	<u>(150,000)</u>	<u>814,367</u>	<u>964,367</u>
Fund balances (deficit), beginning of year	480,922	480,922	480,922	-
Fund balances (deficit), end of year	<u>\$ 480,922</u>	<u>\$ 330,922</u>	<u>\$ 1,295,289</u>	<u>\$ 964,367</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR LAW ENFORCEMENT CAPITAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ -	\$ -	\$ -	\$ -
Miscellaneous	16,680	16,680	52,043	35,363
Total revenues	<u>16,680</u>	<u>16,680</u>	<u>52,043</u>	<u>35,363</u>
Expenditures				
Current:				
Public safety	16,680	16,680	-	16,680
Net change in fund balances	<u>-</u>	<u>-</u>	<u>52,043</u>	<u>52,043</u>
Fund balances, beginning of year	874,842	874,842	874,842	-
Fund balances, end of year	<u>\$ 874,842</u>	<u>\$ 874,842</u>	<u>\$ 926,885</u>	<u>\$ 52,043</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR FIRE AND EMERGENCY SERVICES CAPITAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ -	\$ -	\$ -	\$ -
Miscellaneous	18,660	18,660	56,181	37,521
Total revenues	<u>18,660</u>	<u>18,660</u>	<u>56,181</u>	<u>37,521</u>
Expenditures				
Current:				
Public safety	18,660	18,660	-	18,660
Net change in fund balances	<u>-</u>	<u>-</u>	<u>56,181</u>	<u>56,181</u>
Fund balances, beginning of year	353,569	353,569	353,569	-
Fund balances, end of year	<u>\$ 353,569</u>	<u>\$ 353,569</u>	<u>\$ 409,750</u>	<u>\$ 56,181</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR PARKS AND RECREATION CAPITAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ -	\$ -	\$ -	\$ -
Miscellaneous	7,920	7,920	23,761	15,841
Total revenues	<u>7,920</u>	<u>7,920</u>	<u>23,761</u>	<u>15,841</u>
Expenditures				
Current:				
Capital outlay	7,920	7,920	-	7,920
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>23,761</u>	<u>23,761</u>
Other financing sources (uses)				
Transfers out	-	(63,000)	(53,657)	9,343
Net change in fund balances	<u>-</u>	<u>(63,000)</u>	<u>(29,896)</u>	<u>33,104</u>
Fund balances, beginning of year	124,182	124,182	124,182	-
Fund balances, end of year	<u><u>\$ 124,182</u></u>	<u><u>\$ 61,182</u></u>	<u><u>\$ 94,286</u></u>	<u><u>\$ 33,104</u></u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR TRANSPORTATION CAPITAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ -	\$ -	\$ -	\$ -
Miscellaneous	61,380	61,380	281,820	220,440
Total revenues	<u>61,380</u>	<u>61,380</u>	<u>281,820</u>	<u>220,440</u>
Expenditures				
Current:				
Transportation	61,380	61,380	-	61,380
Capital outlay	-	1,100,000	159,394	940,606
Total expenditures	<u>61,380</u>	<u>1,161,380</u>	<u>159,394</u>	<u>1,001,986</u>
Net change in fund balances	<u>-</u>	<u>(1,100,000)</u>	<u>122,426</u>	<u>1,222,426</u>
Fund balances, beginning of year	1,145,489	1,145,489	1,145,489	-
Fund balances, end of year	<u>\$ 1,145,489</u>	<u>\$ 45,489</u>	<u>\$ 1,267,915</u>	<u>\$ 1,222,426</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,430,803	\$ 1,430,803	\$ 1,451,677	\$ 20,874
Investment income	-	-	23	23
Miscellaneous	-	-	-	-
Total revenues	<u>1,430,803</u>	<u>1,430,803</u>	<u>1,451,700</u>	<u>20,897</u>
Expenditures				
Debt service				
Principal	1,704,469	1,704,469	1,704,469	-
Interest and fiscal charges	923,737	924,087	915,577	8,510
Total expenditures	<u>2,628,206</u>	<u>2,628,556</u>	<u>2,620,046</u>	<u>8,510</u>
Excess (deficiency) of revenues over expenditures	<u>(1,197,403)</u>	<u>(1,197,753)</u>	<u>(1,168,346)</u>	<u>29,407</u>
Other financing sources				
Transfers in	1,197,403	1,197,753	1,197,753	-
Total other financing sources	<u>1,197,403</u>	<u>1,197,753</u>	<u>1,197,753</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>29,407</u>	<u>29,407</u>
Fund balances, beginning of year	290,574	290,574	290,574	-
Fund balances, end of year	<u>\$ 290,574</u>	<u>\$ 290,574</u>	<u>\$ 319,981</u>	<u>\$ 29,407</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	2	2
Miscellaneous	-	-	3,850	3,850
Total revenues	<u>-</u>	<u>-</u>	<u>3,852</u>	<u>3,852</u>
Expenditures				
Current:				
Public safety	1,265	1,265	4,197	(2,932)
Capital outlay	<u>3,750,000</u>	<u>3,820,000</u>	<u>840,300</u>	<u>2,979,700</u>
Total expenditures	<u>3,751,265</u>	<u>3,821,265</u>	<u>844,497</u>	<u>2,976,768</u>
Excess (deficiency) of revenues over expenditures	<u>(3,751,265)</u>	<u>(3,821,265)</u>	<u>(840,645)</u>	<u>2,980,620</u>
Net change in fund balances	<u>(3,751,265)</u>	<u>(3,821,265)</u>	<u>(840,645)</u>	<u>2,980,620</u>
Fund balances, beginning of year	5,243,757	5,243,757	5,243,757	-
Fund balances, end of year	<u>\$ 1,492,492</u>	<u>\$ 1,422,492</u>	<u>\$ 4,403,112</u>	<u>\$ 2,980,620</u>

Statistical Section

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Statistical Section

This part of the 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 City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	118
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	123
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	127
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	132
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	134

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

TABLE 1

CITY OF NEW SMYRNA BEACH, FLORIDA
NET POSITION BY COMPONENT,
LAST TEN FISCAL YEARS
YEAR ENDING SEPTEMBER 30, 2013

	Fiscal Year Ending September 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities:										
Invested in capital assets	\$ 72,837,452	\$ 68,606,704	\$ 61,529,420	\$ 54,002,170	\$ 50,935,317	\$ 48,513,689	\$ 40,515,634	\$ 37,234,282	\$ 27,120,573	\$ 24,457,307
Restricted	6,976,592	10,144,140	13,093,265	16,870,174	15,146,650	12,938,547	12,221,370	7,898,924	5,608,588	7,359,780
Unrestricted	12,386,601	11,427,059	11,232,777	11,169,827	11,297,863	13,580,821	12,061,784	10,082,295	11,854,984	4,987,461
Total governmental activities net position	<u>\$ 92,200,645</u>	<u>\$ 90,177,903</u>	<u>\$ 85,855,462</u>	<u>\$ 82,042,171</u>	<u>\$ 77,379,830</u>	<u>\$ 75,033,057</u>	<u>\$ 64,798,788</u>	<u>\$ 55,215,501</u>	<u>\$ 44,584,145</u>	<u>\$ 36,804,548</u>
Business-type Activities:										
Invested in capital assets	\$ 108,271	\$ 82,689	\$ 44,049	\$ 2,748,890	\$ 2,955,440	\$ 3,111,596	\$ 3,305,043	\$ 3,088,419	\$ 439,518	\$ 501,741
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	674,090	1,482,050	1,301,107	(1,721,556)	(1,639,485)	(1,329,342)	(1,374,191)	(936,892)	2,037,314	1,692,123
Total business-type activities net position	<u>\$ 782,361</u>	<u>\$ 1,564,739</u>	<u>\$ 1,345,156</u>	<u>\$ 1,027,334</u>	<u>\$ 1,315,955</u>	<u>\$ 1,782,254</u>	<u>\$ 1,930,852</u>	<u>\$ 2,151,527</u>	<u>\$ 2,476,832</u>	<u>\$ 2,193,864</u>
Primary Government:										
Invested in capital assets	\$ 72,945,723	\$ 68,689,393	\$ 61,573,469	\$ 56,751,060	\$ 53,890,757	\$ 51,625,285	43,820,677	40,322,701	27,560,091	24,959,048
Restricted	6,976,592	10,144,140	13,093,265	16,870,174	15,146,650	12,938,547	12,221,370	7,898,924	5,608,588	7,359,780
Unrestricted	13,060,691	12,909,109	12,533,884	9,448,271	9,658,378	12,251,479	10,687,593	9,145,403	13,892,298	6,679,584
Total primary government net position	<u>\$ 92,983,006</u>	<u>\$ 91,742,642</u>	<u>\$ 87,200,618</u>	<u>\$ 83,069,505</u>	<u>\$ 78,695,785</u>	<u>\$ 76,815,311</u>	<u>\$ 66,729,640</u>	<u>\$ 57,367,028</u>	<u>\$ 47,060,977</u>	<u>\$ 38,998,412</u>

TABLE 2
(Continued next page)

CITY OF NEW SMYRNA BEACH, FLORIDA
CHANGES IN NET POSITION,
LAST TEN FISCAL YEARS
YEAR ENDING SEPTEMBER 30, 2013

	Fiscal Year Ending September 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses:										
Governmental Activities:										
General government	\$ 2,900,453	\$ 2,828,557	\$ 3,015,088	\$ 3,064,966	\$ 3,581,208	\$ 3,812,525	\$ 3,961,799	\$ 3,874,356	\$ 4,760,586	\$ 6,486,909
Public safety	12,065,182	11,793,168	12,296,368	10,501,207	13,049,015	12,916,101	13,304,055	12,119,668	10,796,109	9,801,504
Transportation	4,665,184	3,318,479	3,581,157	3,898,353	2,889,765	2,078,168	2,729,379	2,284,003	1,960,568	1,706,919
Economic environment	3,306,426	2,237,200	1,560,623	3,580,406	1,203,546	619,792	425,900	667,182	368,291	460,098
Physical environment	932,060	977,478	755,328	546,962	896,077	723,596	308,537	315,810	411,524	311,217
Human services	-	-	-	-	-	40,987	31,697	17,386	20,563	50,947
Culture/recreation	2,790,501	2,760,098	2,996,608	3,444,935	3,580,298	3,762,117	3,574,958	3,245,963	2,895,480	2,882,005
Intragovernmental services	429,002	352,355	364,404	509,468	522,213	464,316	510,380	478,161	475,361	465,743
Interest on long-term debt	922,751	995,642	1,084,163	1,182,887	1,532,430	1,284,564	1,363,934	1,421,610	1,028,424	512,383
Total governmental activities expenses	28,011,559	25,262,977	25,653,739	26,729,184	27,254,552	25,702,166	26,210,639	24,424,139	22,716,906	22,677,725
Business-Type Activities:										
Sanitation	4,975,471	4,903,865	5,122,574	5,039,321	5,069,091	4,921,802	4,736,063	2,788,909	2,663,664	2,584,714
Golf course	1,114,149	1,099,174	1,095,600	1,302,760	1,529,305	1,653,133	1,660,803	1,290,836	1,333,927	1,262,905
Marina	173,757	183,250	188,150	-	-	-	-	-	-	-
Total business-type activities expenses	6,263,377	6,186,289	6,406,324	6,342,081	6,598,396	6,574,935	6,396,866	4,079,745	3,997,591	3,847,619
Total primary government expenses	34,274,936	31,449,266	32,060,063	33,071,265	33,852,948	32,277,101	32,607,505	28,503,884	26,714,497	26,525,344
Program Revenues:										
Governmental Activities:										
Charges for Services:										
General government	735,488	705,084	754,910	780,828	1,037,598	665,878	864,884	486,319	1,676,167	996,083
Public safety	1,675,729	1,254,593	818,247	668,666	757,829	805,910	1,041,512	1,014,951	133,346	129,397
Transportation	2,672,797	1,851,577	1,877,293	1,246,117	732,791	888,723	922,218	23,872	713,635	636,472
Economic environment	-	-	7,075	5,550	3,600	2,550	58,702	-	-	2,550
Physical environment	1,815,929	1,260,015	1,292,246	1,198,614	1,201,382	1,243,564	1,211,454	1,188,726	1,025,892	578,030
Culture/recreation	300,470	279,589	204,033	554,070	575,966	590,331	569,220	414,847	320,746	487,906
Operating grants and contributions	1,079,061	1,023,888	1,779,466	1,322,659	2,280,105	2,599,531	2,164,836	1,027,960	2,885,820	2,647,088
Capital grants and contributions	1,486,748	3,635,971	2,399,895	2,784,637	1,367,708	4,229,658	2,866,560	1,544,021	1,024,766	1,701,897
Total governmental activities program revenues	9,766,222	10,010,717	9,133,165	8,561,141	7,956,979	11,026,145	9,699,386	5,700,696	7,780,372	7,179,423

TABLE 2
(Continued)

CITY OF NEW SMYRNA BEACH, FLORIDA
CHANGES IN NET POSITION,
LAST TEN FISCAL YEARS
YEAR ENDING SEPTEMBER 30, 2013
(Continued)

	Fiscal Year Ending September 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Program Revenues (continued):										
Business-Type Activities:										
Charges for Services:										
Sanitation	5,012,251	4,956,381	4,887,167	4,862,934	4,943,920	5,031,777	4,828,073	2,945,739	3,061,665	2,723,961
Golf course	1,232,023	1,192,013	1,216,902	1,182,596	1,233,347	1,418,904	1,206,440	756,437	1,172,374	1,151,123
Marina	276,005	286,343	279,713	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities										
program revenues	<u>6,520,279</u>	<u>6,434,737</u>	<u>6,383,782</u>	<u>6,045,530</u>	<u>6,177,267</u>	<u>6,450,681</u>	<u>6,034,513</u>	<u>3,702,176</u>	<u>4,234,039</u>	<u>3,875,084</u>
Total primary government program revenues	<u>16,286,501</u>	<u>16,445,454</u>	<u>15,516,947</u>	<u>14,606,671</u>	<u>14,134,246</u>	<u>17,476,826</u>	<u>15,733,899</u>	<u>9,402,872</u>	<u>12,014,411</u>	<u>11,054,507</u>
Net (Expense)/Revenue:										
Governmental activities	(18,245,337)	(15,252,260)	(16,520,574)	(18,168,043)	(19,297,573)	(14,676,021)	-	(16,511,253)	-	(18,723,443)
Business-type activities	256,902	248,448	(22,542)	(296,551)	(421,129)	(124,254)	6,034,513	(2,694,690)	4,234,039	(204,661)
Total primary government net expense	<u>(17,988,435)</u>	<u>(15,003,812)</u>	<u>(16,543,116)</u>	<u>(18,464,594)</u>	<u>(19,718,702)</u>	<u>(14,800,275)</u>	<u>6,034,513</u>	<u>(19,205,943)</u>	<u>4,234,039</u>	<u>(18,928,104)</u>
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Taxes:										
Property taxes	10,829,994	10,510,181	10,936,803	13,119,859	14,056,637	14,698,046	15,807,235	15,030,956	12,311,158	11,001,222
Franchise fees	593,815	603,999	587,539	603,585	602,672	608,298	589,508	555,919	549,049	491,711
Public service taxes	2,839,351	2,907,666	2,963,241	3,084,314	2,963,642	3,074,281	2,833,413	2,800,596	2,642,187	2,493,967
Sales taxes	1,049,653	982,026	958,810	957,309	962,699	1,049,366	1,139,619	1,623,428	1,584,589	1,392,679
Intergovernmental revenues	848,741	814,428	734,884	824,168	785,805	456,556	698,332	403,341	314,184	311,975
Investment earnings	24,808	26,769	74,296	163,621	248,175	1,034,146	1,978,484	1,559,388	788,314	176,586
Required payment from component unit	3,235,374	3,388,376	3,564,277	3,833,942	3,601,805	3,612,083	3,670,560	3,665,315	3,328,647	3,262,441
Miscellaneous revenue	162,158	310,556	850,155	243,586	245,124	302,514	729,180	2,655,787	1,198,003	948,605
Transfers	1,042,706	30,700	30,700	-	(10,480)	75,000	(65,912)	-	-	163,250
Total governmental activities	<u>20,626,600</u>	<u>19,574,701</u>	<u>20,700,705</u>	<u>22,830,384</u>	<u>23,456,079</u>	<u>24,910,290</u>	<u>27,380,419</u>	<u>28,294,730</u>	<u>22,716,131</u>	<u>20,242,436</u>
Business-Type Activities:										
Investment earnings	-	108	3,050	6,553	10,969	44,651	75,766	52,264	46,520	23,596
Miscellaneous revenue	3,426	1,727	1,174	1,377	1,237	6,005	-	-	-	-
Transfers	(1,042,706)	(30,700)	(30,700)	-	10,480	(75,000)	65,912	-	-	-
Total business-type activities	<u>(1,039,280)</u>	<u>(28,865)</u>	<u>(26,476)</u>	<u>7,930</u>	<u>22,686</u>	<u>(24,344)</u>	<u>141,678</u>	<u>52,264</u>	<u>46,520</u>	<u>23,596</u>
Total primary government	<u>19,587,320</u>	<u>19,545,836</u>	<u>20,674,229</u>	<u>22,838,314</u>	<u>23,478,765</u>	<u>24,885,946</u>	<u>27,522,097</u>	<u>28,346,994</u>	<u>22,762,651</u>	<u>20,266,032</u>
Changes in Net Position:										
Governmental activities	2,381,263	4,322,441	4,180,131	4,662,341	4,158,506	10,234,269	27,380,419	11,783,477	22,716,131	1,518,993
Business-type activities	(782,378)	219,583	(49,018)	(288,621)	(398,443)	(148,598)	6,176,191	(2,642,426)	4,280,559	(181,065)
Total primary government	<u>\$ 1,598,885</u>	<u>\$ 4,542,024</u>	<u>\$ 4,131,113</u>	<u>\$ 4,373,720</u>	<u>\$ 3,760,063</u>	<u>\$ 10,085,671</u>	<u>\$ 33,556,610</u>	<u>\$ 9,141,051</u>	<u>\$ 26,996,690</u>	<u>\$ 1,337,928</u>

TABLE 3

**CITY OF NEW SMYRNA BEACH, FLORIDA
FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
YEAR ENDING SEPTEMBER 30, 2013**

	Fiscal Year Ending September 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund:										
Reserved				\$ 5,111,950	\$ 1,621,741	\$ 2,545,805	\$ 1,285,529	\$ 1,005,542	\$ 789,722	\$ 686,012
Unreserved				6,871,824	10,975,084	10,359,978	10,820,432	11,310,676	9,694,337	6,745,205
Nonspendable	1,273,261	853,528	960,250							
Spendable										
Restricted	110,189	151,083	297,044							
Committed	-	23,396	18,671							
Assigned	2,347,431	1,229,998	323,973							
Unassigned	5,267,581	6,193,805	7,090,354							
Total general fund	<u>\$ 8,998,462</u>	<u>\$ 8,451,810</u>	<u>\$ 8,690,292</u>	<u>\$ 11,983,774</u>	<u>\$ 12,596,825</u>	<u>\$ 12,905,783</u>	<u>\$ 12,105,961</u>	<u>\$ 12,316,218</u>	<u>\$ 10,484,059</u>	<u>\$ 7,431,217</u>
All Other Governmental Funds:										
Reserved				\$ 8,880,115	\$ 15,081,010	\$ 26,877,328	\$ 27,081,600	\$ 22,570,728	\$ 24,868,737	\$ 7,589,328
Unreserved, reported in:										
Special revenue funds				14,197,582	(87,209)	2,513,410	588,195	1,571,727	1,536,486	979,937
Capital projects funds				801,078	10,975,084	-	-	-	-	(2,415,540)
Nonspendable	40,193	47,423	64,171							
Spendable										
Restricted	11,580,808	15,362,159	17,878,252							
Committed	3,483,609	2,827,179	3,065,456							
Assigned	803,807	749,405	982,772							
Unassigned	-	-	(6,400)							
Total all other governmental funds	<u>\$ 15,908,417</u>	<u>\$ 18,986,166</u>	<u>\$ 21,984,251</u>	<u>\$ 23,878,775</u>	<u>\$ 25,968,885</u>	<u>\$ 29,390,738</u>	<u>\$ 27,669,795</u>	<u>\$ 24,142,455</u>	<u>\$ 26,405,223</u>	<u>\$ 6,153,725</u>

Note: Beginning in 2011, implementation of GASB 54 has changed the fund balance designations.

CITY OF NEW SMYRNA BEACH, FLORIDA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
YEAR ENDING SEPTEMBER 30, 2013

	Fiscal Year Ending September 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue:										
Taxes	\$ 13,628,683	\$ 13,612,756	\$ 14,009,961	\$ 15,368,115	\$ 16,005,076	\$ 16,918,936	\$ 18,937,619	\$ 17,019,585	\$ 15,866,708	\$ 15,053,794
Licenses and fees	5,493,584	5,121,557	4,802,244	5,102,462	4,815,826	4,841,622	4,186,289	5,056,126	3,877,696	3,754,152
Intergovernmental	4,189,353	6,382,936	5,127,435	6,712,067	6,877,843	8,796,901	7,369,500	5,663,846	6,155,920	5,270,679
Charges for services	2,291,548	1,790,422	1,731,719	2,072,832	2,173,721	2,213,707	2,442,509	1,886,258	1,518,528	1,057,132
Fines and forfeitures	78,236	58,161	285,501	166,096	99,907	150,551	257,428	162,458	113,021	103,571
Investment earnings	24,808	26,769	74,300	160,625	248,177	1,034,146	1,978,484	1,559,388	788,314	176,586
Other revenues	3,558,312	2,440,215	3,291,305	1,855,736	1,314,928	1,831,996	1,969,354	2,600,190	3,009,616	1,975,617
Total revenue	29,264,524	29,432,816	29,322,465	31,437,933	31,535,478	35,787,859	37,141,183	33,947,851	31,329,803	27,391,531
Expenditures:										
General government	2,576,858	2,435,005	2,569,509	3,288,748	3,359,370	3,632,105	3,924,339	3,809,217	5,243,231	5,479,311
Public safety	11,121,231	11,345,214	11,742,984	12,320,773	11,813,983	12,448,837	12,740,459	11,383,822	11,074,788	9,415,051
Transportation	4,003,205	2,950,648	2,985,296	2,905,667	2,242,232	1,471,523	2,029,280	1,500,753	1,481,594	2,381,923
Economic environment	2,909,623	1,894,667	1,330,128	1,020,431	1,463,951	485,273	437,636	519,667	444,118	256,306
Physical environment	444,991	250,942	254,249	544,376	480,875	511,301	96,242	103,515	85,792	62,370
Human services	-	-	-	-	-	40,987	31,697	17,386	20,563	50,947
Culture/recreation	2,249,784	2,133,464	2,216,549	2,944,409	3,094,062	3,008,388	3,079,144	3,476,514	1,775,775	2,680,174
Building and maintenance	413,832	333,422	337,424	463,709	472,110	413,857	432,352	616,627	423,879	430,966
Capital outlay	6,026,388	8,221,718	7,364,925	7,593,276	8,817,322	8,638,493	6,451,732	9,949,415	4,211,965	8,223,352
Debt Service:										
Principal retirement	2,141,132	2,103,467	2,004,805	2,001,385	1,961,541	1,596,541	1,760,183	1,713,059	1,014,993	1,035,837
Interest and fiscal charges	951,283	1,031,536	1,114,576	1,182,842	1,249,002	1,161,790	1,521,954	1,288,486	900,745	503,555
Total expenditures	32,838,327	32,700,083	31,920,445	34,265,616	34,954,448	33,409,095	32,505,018	34,378,461	26,677,443	30,519,792
Excess (deficiency) of revenues over expenditures	(3,573,803)	(3,267,267)	(2,597,980)	(2,827,683)	(3,418,970)	2,378,764	4,636,165	(430,610)	4,652,360	(3,128,261)
Other Financing Sources (Uses):										
Transfers in (out)	1,042,706	30,700	(2,718,186)	-	-	142,001	(65,912)	-	-	(89,110)
Capital-related debt issued	-	-	-	124,518	-	-	32,709	-	25,665,000	7,220,194
Payment on refunding of debt	-	-	-	-	-	-	-	-	(6,720,000)	-
Bond issuance costs	-	-	-	-	332,739	-	-	-	(679,229)	-
Premium (discount) on debt issued	-	-	-	-	-	-	-	-	386,209	-
Sale of capital assets	-	-	495,000	-	-	-	-	-	-	-
Total other financing sources (uses)	1,042,706	30,700	(2,223,186)	124,518	332,739	142,001	(33,203)	-	18,651,980	7,131,084
Net change in fund balances	\$ (2,531,097)	\$ (3,236,567)	\$ (4,821,166)	\$ (2,703,165)	\$ (3,086,231)	\$ 2,520,765	\$ 4,602,962	\$ (430,610)	\$ 23,304,340	\$ 4,002,823
Debt service as a percentage of noncapital expenditures	11.5%	12.7%	12.6%	11.9%	12.3%	11.1%	12.6%	12.3%	8.5%	6.9%

**CITY OF NEW SMYRNA BEACH, FLORIDA
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY,
 LAST TEN FISCAL YEARS
 YEAR ENDING SEPTEMBER 30, 2013**

Fiscal Year² Ended September 30,	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Institutional Property	Governmental Property	Vacant Land and Other	Tangible Personal Property	Total Assessed Value	Less: Tax-Exempt Property	Total Taxable Assessed Value¹	Total Direct Tax Rate¹
2004	2,089,132,856	169,456,074	23,963,123	3,565,031	37,119,898	100,761,572	111,342,598	64,966,542	2,600,307,694	648,259,413	1,952,048,281	5.10000
2005	2,402,037,606	187,107,734	24,993,183	3,785,479	44,081,130	111,526,525	134,115,499	63,375,983	2,971,023,139	761,834,716	2,209,188,423	5.10000
2006	3,194,973,902	211,775,243	26,667,315	8,673,388	49,020,272	122,181,480	218,140,595	66,342,093	3,897,774,288	1,052,366,297	2,845,407,991	4.81189
2007	4,257,914,487	264,371,984	30,700,167	38,285,480	59,426,704	157,768,843	361,036,976	73,607,463	5,243,112,104	1,499,636,807	3,743,475,297	3.74303
2008	4,173,803,718	271,571,334	34,143,264	42,039,565	55,915,233	169,220,896	301,699,421	96,460,839	5,144,854,270	1,394,368,462	3,750,485,808	3.47811
2009	3,783,955,083	269,255,809	33,299,369	43,238,395	54,813,362	157,526,521	308,301,735	101,635,480	4,752,025,754	1,308,797,668	3,443,228,086	3.51304
2010	2,657,863,366	294,557,232	32,211,542	976,147	47,348,888	134,349,671	190,315,443	100,120,016	3,457,742,305	612,552,554	2,845,189,751	3.99990
2011	2,408,084,268	247,885,861	27,677,554	680,908	39,970,180	57,714,605	209,065,101	100,999,812	3,092,078,289	584,130,316	2,507,947,973	4.07400
2012	2,342,004,615	225,970,455	24,485,981	673,972	37,355,385	69,714,230	200,124,416	99,214,618	2,999,543,672	591,696,575	2,407,847,097	4.10110
2013	2,403,446,644	227,013,083	23,575,862	678,375	37,460,082	122,362,414	129,905,505	160,107,446	3,104,549,411	651,875,258	2,452,674,153	4.05750

Source: Volusia County, Florida, Property Appraiser.

Note: ¹Property in The City of New Smyrna Beach is reassessed each year by the Volusia County Property Appraiser. Property is assessed at 85% of actual value. Tax rates are per \$1,000 of assessed value.

²All property valuations for the specified fiscal year ends are obtained from the previous year's tax roll (i.e. all fiscal 2013 data was obtained from the 2012 calendar year tax roll).

**CITY OF NEW SMYRNA BEACH, FLORIDA
DIRECT AND OVERLAPPING PROPERTY TAX RATES,
LAST TEN FISCAL YEARS
YEAR ENDING SEPTEMBER 30, 2013**

Fiscal Year ¹	City of New Smyrna Beach			Overlapping Rates							Total-All Taxing Districts
	Operating	Debt Service	Total City of New Smyrna	Volusia County School District	Volusia County	Southeast Volusia Hospital District	Southeast Volusia Mosquito Control	Ponce Inlet and Port Authority	St. Johns Water Management District	Florida Inland Navigation District	
2004	5.10000	0.00000	5.10000	8.69900	6.60400	2.32000	0.23800	0.09000	0.46200	0.03850	23.55150
2005	5.10000	0.00000	5.10000	8.51700	6.60400	2.35000	0.23800	0.09000	0.46200	0.03850	23.39950
2006	4.31030	0.50159	4.81189	8.25900	6.29400	2.35000	0.23800	0.09000	0.46200	0.03850	22.54339
2007	3.36710	0.37593	3.74303	7.68500	5.13330	2.21620	0.19020	0.07190	0.46200	0.03850	19.54013
2008	3.10000	0.37811	3.47811	7.46700	4.70334	2.16878	0.17856	0.06750	0.41580	0.03450	18.51359
2009	3.10000	0.41304	3.51304	7.45900	5.40373	2.85294	0.20556	0.07771	0.41580	0.03450	19.96228
2010	3.47930	0.52060	3.99990	7.80500	6.37434	3.59870	0.20966	0.09360	0.41580	0.03450	22.53150
2011	3.47930	0.59470	4.07400	8.23700	6.30250	3.25000	0.20800	0.09290	0.41580	0.03450	22.61470
2012	3.47930	0.62180	4.10110	8.06300	6.77910	3.30150	0.20800	0.09290	0.33130	0.03450	22.91140
2013	3.44450	0.61300	4.05750	7.88800	6.88090	3.03000	0.20800	0.09290	0.33130	0.03450	22.52310

Source: Volusia County, Florida, Property Appraiser.

Note: Tax millage rates are per \$1,000 of assessed value.

¹All property valuations for the specified fiscal year ends are obtained from the previous year's tax roll (i.e. all fiscal 2013 data was obtained from the 2012 calendar year tax roll).

**CITY OF NEW SMYRNA BEACH, FLORIDA
PRINCIPAL PROPERTY TAXPAYERS,
CURRENT AND NINE YEARS AGO
SEPTEMBER 30, 2013**

Taxpayer	September 30, 2013			September 30, 2004		
	(2012 Tax Roll) Assessed Taxable Value	Rank	Percent to Total Assessed Taxable Value	(2003 Tax Roll) Assessed Taxable Value	Rank	Percent to Total Assessed Taxable Value
Coconut Palms Condo Association	\$ 14,421,427	1	0.59%			
Wal-Mart Stores East, LP	13,533,518	2	0.55%			
Venetian Bay of New Smyrna	10,741,215	3	0.44%			
Cathy S Truett Trust	9,509,045	4	0.39%			
Islander Beach Club Condo Association	8,064,731	5	0.33%			
Lyme Stone Ranch Investors LTD	8,022,246	6	0.33%			
Bellsouth Telecommunication, Inc.	7,869,603	7	0.32%	12,087,770	3	0.62%
Coconut Palms II Condo Association	7,454,876	8	0.30%			
Home Depot USA INC	6,828,305	9	0.28%			
MMR Holdings LLC	6,216,310	10	0.25%	10,357,966	4	0.53%
Islander Beach Resorts				13,345,176	1	0.68%
Ocean Development Group, Inc.				12,270,335	2	0.63%
Ocean Development Group				8,378,666	5	0.43%
811 Development Corporation				6,980,264	6	0.36%
I.R.T. Property Co.				6,870,616	7	0.35%
Samuel R. Sutton, Trustee				6,732,138	8	0.34%
Ocean Development, Inc.				6,285,596	9	0.32%
Sea Villas Development Corporation				5,910,165	10	0.30%
Total	<u>\$ 92,661,276</u>		<u>3.78%</u>	<u>\$ 89,218,692</u>		<u>4.57%</u>

Source: Volusia County, Florida, Property Appraiser.

**CITY OF NEW SMYRNA BEACH, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2013**

Fiscal Year Ended September 30,	Taxes Levied For Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2004	\$ 9,955,446	\$ 9,608,493	96.51%	\$ 24,191	\$ 9,632,684	96.76%
2005	11,266,504	10,853,561	96.33%	20,044	10,873,605	96.51%
2006	13,691,790	13,170,512	96.19%	34,709	13,205,221	96.45%
2007	14,011,941	13,487,463	96.26%	157,039	13,644,502	97.38%
2008	13,044,602	12,449,133	95.44%	48,679	12,497,812	95.81%
2009	12,096,198	11,705,015	96.77%	58,822	11,763,837	97.25%
2010	11,380,475	11,004,371	96.70%	28,615	11,032,986	96.95%
2011	10,217,380	9,878,926	96.69%	14,835	9,893,761	96.83%
2012	9,874,821	9,540,210	96.61%	13,943	9,554,153	96.75%
2013	9,874,821	9,596,845	97.19%	-	9,596,845	97.19%

Source: The City of New Smyrna Beach Finance Department

Note: Tax collections are stated net of early payment discounts ranging from 1% to 4% based on the date of taxpayer payments. Actual tax collections received in each fiscal year are from the prior year's tax levy (i.e. 2013 collections are from the 2012 tax levy).

TABLE 9

**CITY OF NEW SMYRNA BEACH, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE,
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2013**

Fiscal Year Ended September 30,	Governmental Activities					Business-type Activities	Primary Government Total	Percent of Personal Income ¹	Per Capita ²
	General Obligation Bonds	Capital Revenue Bonds	Public Improvement Bonds	Promissory Notes	Total	Long Term Notes			
2004	-	-	2,618,084	15,438,727	18,056,811	-	18,056,811	3.42%	846
2005	18,330,000	7,335,000	2,391,924	7,649,914	35,706,838	-	35,706,838	6.39%	1,621
2006	17,635,000	7,335,000	2,155,411	6,868,367	33,993,778	-	33,993,778	5.46%	1,487
2007	16,920,000	7,130,000	1,908,072	6,308,232	32,266,304	-	32,266,304	4.90%	1,386
2008	16,180,000	7,130,000	1,649,411	5,709,608	30,669,019	-	30,669,019	4.36%	1,293
2009	15,420,000	6,915,000	1,378,909	5,327,005	29,040,914	-	29,040,914	4.08%	1,238
2010	14,640,000	6,695,000	1,096,025	4,733,022	27,164,047	-	27,164,047	3.61%	1,157
2011	13,825,000	6,465,000	800,192	4,069,050	25,159,242	-	25,159,242	3.44%	1,110
2012	12,990,000	6,230,000	490,817	3,344,958	23,055,775	-	23,055,775	3.03%	1,012
2013	12,125,000	5,985,000	167,281	2,637,362	20,914,643	-	20,914,643	2.63%	905

Source:

¹ Amount computed by dividing Total Outstanding Debt by Personal Income as shown in Table 14.

² Amount computed by dividing Total Outstanding Debt by Population as shown in Table 14.

CITY OF NEW SMYRNA BEACH, FLORIDA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2013

Fiscal Year Ended September 30,	Governmental Activities General Obligation Bonds	Percentage of Total Taxable Assessed Value of Property	Percent of Personal Income	Per Capita
2004	-	0.00%	0.00%	-
2005	18,330,000	0.83%	3.28%	832
2006	17,635,000	0.62%	2.84%	771
2007	16,920,000	0.45%	2.57%	727
2008	16,180,000	0.43%	2.30%	682
2009	15,420,000	0.45%	2.17%	658
2010	14,640,000	0.51%	1.94%	624
2011	13,825,000	0.55%	1.89%	610
2012	12,990,000	0.54%	1.70%	570
2013	12,125,000	0.49%	1.52%	524

Source:

Percent of Personal Income is calculated by dividing the General Obligation bonds by the total Personal Income per Table 14

Per Capita is calculated by dividing the General Obligation Bonds by the Population per Table 14

CITY OF NEW SMYRNA BEACH, FLORIDA
DIRECT AND OVERLAPPING DEBT FOR GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2013

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
County of Volusia, Florida:			
General Obligation Bonds	\$ 23,025,000	10.3709%	\$ 2,387,901
Other Debt:			
District School Board of Volusia County, Florida:			
State School Bonds	8,800,000	10.3709%	912,640
Sales Tax Revenue Bonds	97,535,000	10.3709%	10,115,261
Certificates of participation	289,220,000	10.3709%	29,994,728
County of Volusia, Florida:			
Revenue bonds	196,570,170	10.3709%	20,386,103
Notes payable	23,273,237	10.3709%	2,413,645
Total overlapping debt			<u>66,210,278</u>
City direct debt			20,914,643
Total direct and overlapping debt			<u><u>\$ 87,124,921</u></u>

Estimated percentage of debt applicable to the City of New Smyrna Beach was determined by dividing the total taxable assessed value of the City into the total taxable assessed value of Volusia County.

Source: Assessed valuation data used to estimate applicable percentages provided by Volusia County Property Appraiser. Debt outstanding data provided by each governmental unit. Debt outstanding was obtained from each of the taxing districts, respectively.

**CITY OF NEW SMYRNA BEACH, FLORIDA
LEGAL DEBT MARGIN INFORMATION
YEAR ENDING SEPTEMBER 30, 2013**

The Constitution of the State of Florida, Section 200.181, Florida Statutes, and City of New Smyrna Beach, Florida have set no legal debt limit.

**CITY OF NEW SMYRNA BEACH, FLORIDA
PLEGDED REVENUE COVERAGE,
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2013**

	Fiscal Year Ending September 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Community Redevelopment Agency Bonds:										
Tax increment revenues	1,543,968	1,512,930	1,639,894	2,851,365	3,181,663	3,055,359	3,467,345	2,914,306	2,293,180	2,035,511
Less: operating expenses	-	-	-	-	-	-	-	-	-	-
Net revenue available for debt service	<u>\$ 1,543,968</u>	<u>\$ 1,512,930</u>	<u>\$ 1,639,894</u>	<u>\$ 2,851,365</u>	<u>\$ 3,181,663</u>	<u>\$ 3,055,359</u>	<u>\$ 3,467,345</u>	<u>\$ 2,914,306</u>	<u>\$ 2,293,180</u>	<u>\$ 2,035,511</u>
Debt Service payments:										
Principal	\$ 323,537	\$ 309,374	\$ 295,833	\$ 282,884	\$ 270,502	\$ 258,661	\$ 247,339	\$ 236,513	\$ 226,160	\$ 216,260
Interest	18,588	32,816	46,228	59,131	71,407	83,368	94,964	104,072	114,273	124,028
Total debt service payments	<u>\$ 342,125</u>	<u>\$ 342,190</u>	<u>\$ 342,061</u>	<u>\$ 342,015</u>	<u>\$ 341,909</u>	<u>\$ 342,029</u>	<u>\$ 342,303</u>	<u>\$ 340,585</u>	<u>\$ 340,433</u>	<u>\$ 340,288</u>
Coverage (times)	<u>4.51</u>	<u>4.42</u>	<u>4.79</u>	<u>8.34</u>	<u>9.31</u>	<u>8.93</u>	<u>10.13</u>	<u>8.56</u>	<u>6.74</u>	<u>5.98</u>
Capital Revenue Bonds and Notes:										
Gross revenues	\$ 25,246,967	\$ 27,821,835	\$ 20,539,323	\$ 19,770,512	\$ 17,324,190	\$ 21,103,726	\$ 21,273,412	\$ 18,908,873	\$ 19,007,704	\$ 16,483,938
Less: operating expenses	-	-	-	-	-	-	-	-	-	-
Net revenue available for debt service	<u>\$ 25,246,967</u>	<u>\$ 27,821,835</u>	<u>\$ 20,539,323</u>	<u>\$ 19,770,512</u>	<u>\$ 17,324,190</u>	<u>\$ 21,103,726</u>	<u>\$ 21,273,412</u>	<u>\$ 18,908,873</u>	<u>\$ 19,007,704</u>	<u>\$ 16,483,938</u>
Debt Service payments:										
Principal	\$ 1,817,595	\$ 1,794,093	\$ 1,708,972	\$ 1,718,457	\$ 1,691,039	\$ 1,337,880	\$ 1,512,844	\$ 1,476,546	\$ 788,833	\$ 819,577
Interest	932,695	998,720	1,059,309	1,122,575	1,176,368	1,078,422	1,426,990	1,184,414	786,472	379,527
Total debt service payments	<u>\$ 2,750,290</u>	<u>\$ 2,792,813</u>	<u>\$ 2,768,281</u>	<u>\$ 2,841,032</u>	<u>\$ 2,867,407</u>	<u>\$ 2,416,302</u>	<u>\$ 2,939,834</u>	<u>\$ 2,660,960</u>	<u>\$ 1,575,305</u>	<u>\$ 1,199,104</u>
Coverage (times)	<u>9.18</u>	<u>9.96</u>	<u>7.42</u>	<u>6.96</u>	<u>6.04</u>	<u>8.73</u>	<u>7.24</u>	<u>7.11</u>	<u>12.07</u>	<u>13.75</u>

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

The Community Redevelopment Agency Public Improvement Bonds and Public Improvement Refunding Revenue Bonds are secured in part by the pledge of Agency revenues, which include tax increment revenues. The City has covenanted in the Bond Resolutions that in the event the Agency revenues are not sufficient to pay the principal and interest on the Bonds the City would appropriate for payment from legally available non-ad valorem revenues amounts sufficient to provide for the payment of principal and interest on the Bonds.

Gross revenues pledged as security for the Capital Revenue Bonds and Notes are non-ad valorem revenues. "Non-ad valorem revenues" are defined in the Resolutions to mean all revenues and taxes from any source whatsoever, other than ad valorem taxation on real and personal property.

**CITY OF NEW SMYRNA BEACH, FLORIDA
DEMOGRAPHIC AND ECONOMIC INDICATORS,
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2013**

Fiscal Year Ended	Population¹	Personal Income²	County Per Capita Personal Income³	County Median Household Income³	County Median HUD Income³	County Unemployment Rate³
2004	21,334	528,720,522	24,783	37,247	n/a	4.60%
2005	22,025	558,531,975	25,359	38,457	n/a	3.50%
2006	22,864	622,037,984	27,206	40,857	n/a	3.30%
2007	23,286	658,248,648	28,268	42,268	n/a	4.30%
2008	23,716	704,033,176	29,686	45,831	52,300	7.20%
2009	23,449	712,239,926	30,374	43,326	n/a	11.70%
2010	23,473	753,436,354	32,098	41,368	n/a	12.50%
2011	22,668	731,156,340	32,255	41,368	n/a	10.80%
2012	22,792	762,073,312	33,436	38,477	n/a	8.80%
2013	23,119	796,333,955	34,445	40,114	n/a	6.30%

Source:

¹ Office of Economic and Demographic Research, Bureau of Economic and Business Research, University of Florida

² Amount computed by multiplying population and per capita personal income statistics for Volusia County, Florida.

³ Florida Research and Economic Database. Amounts indicated are for Volusia County, Florida.

**CITY OF NEW SMYRNA BEACH, FLORIDA
PRINCIPAL EMPLOYERS,
CURRENT AND NINE YEARS AGO
SEPTEMBER 30, 2013**

Employer	September 30, 2013			September 30, 2004		
	Total Employees	Rank	Percent to Total City Employment	Total Employees	Rank	Percent to Total City Employment
BFMC Community Medical Center	800	1	4.96%	n/a	-	n/a
Publix Supermarkets	301	2	1.87%	n/a	-	n/a
Wal Mart	215	3	1.33%	n/a	-	n/a
City of New Smyrna Beach	205	4	1.27%	n/a	-	n/a
City of New Smyrna Beach High School	185	5	1.15%	n/a	-	n/a
New Smyrna Beach Utilities Commission	173	6	1.07%	n/a	-	n/a
Ocean View Nursing & Rehab Center	170	7	1.05%	n/a	-	n/a
New Smyrna Beach Middle School	150	8	0.93%	n/a	-	n/a
McDonald's	146	9	0.91%	n/a	-	n/a
Winn Dixie Stores Inc.	143	10	0.89%	n/a	-	n/a
Home Depot	120	11	0.74%	n/a	-	n/a
Epic Aviation	100	T12	0.62%	n/a	-	n/a
Norwood's Seafood Restaurant	100	T12	0.62%	n/a	-	n/a
Sugar Mill County Club	100	T12	0.62%	n/a	-	n/a
Pizza Hut/KFC/Taco Bell	88	13	0.55%	n/a	-	n/a
Daytona Beach Community College	80	14	0.50%	n/a	-	n/a
Beall's Inc.	79	15	0.49%	n/a	-	n/a
Bonefish Grill/Carrabas/Outback	75	16	0.47%	n/a	-	n/a
Grille at Riverview	72	17	0.45%	n/a	-	n/a
Total	<u>3,302</u>		<u>20.49%</u>			
Estimated Total Number of Employees in the City of New Smyrna Beach			<u>16,114</u>			

Source: Infogroup Employer Database 2014 ed. 1

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

CITY OF NEW SMYRNA BEACH, FLORIDA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2013

Full-Time Equivalent Employees at September 30,										
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government:										
Legislative	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Management	3.00	3.00	3.00	3.00	3.00	2.00	3.00	4.00	4.00	3.00
Legal	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.00	2.00	2.00
Human Resources	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Development Services	6.50	6.50	7.00	12.00	11.50	11.50	13.50	12.50	10.50	10.50
Community Redevelopment	8.75	7.00	7.00	10.00	9.50	9.50	8.00	3.00	2.00	2.00
City Clerk	2.00	2.00	2.00	2.00	2.00	2.00	4.00	2.00	2.00	3.00
Finance	6.75	6.00	5.50	6.25	6.50	7.50	7.50	6.50	6.50	6.50
Information Systems	3.00	3.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	2.00
Police:										
Chief of Police	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Patrol	31.00	31.00	31.00	40.00	40.00	39.00	40.00	34.00	32.00	32.00
Operations (Cmmdr & Detectives)	13.75	13.00	13.00	13.00	13.00	13.00	13.00	14.00	13.00	13.00
Support	10.50	12.00	12.00	12.00	12.75	12.75	11.50	13.00	10.00	9.00
Dispatch	-	-	1.00	1.00	-	-	-	-	-	-
Fire:										
Administration	6.00	6.00	7.00	5.00	5.00	5.00	5.00	5.00	5.00	5.50
Operations	34.00	34.00	37.00	45.00	44.00	46.00	46.00	47.00	44.00	42.00
Public Works:										
Administration	2.00	2.00	2.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00
Garage	4.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00
Airport	4.00	4.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00
Sanitation	1.00	1.00	-	-	-	-	-	-	-	-
Building Maintenance and Streets	22.00	20.00	21.00	25.00	25.00	29.00	34.00	25.00	24.00	24.00
Leisure Services:										
Recreation	23.00	24.00	22.00	33.50	34.50	38.00	43.00	38.00	36.25	36.00
Golf course	17.00	15.50	15.50	15.50	20.50	21.00	22.50	19.00	19.00	19.00
Marina	2.50	2.00	2.00	2.00	2.00	2.00	3.00	2.00	-	-
Building & Permitting	8.00	8.00	7.00	9.00	9.00	9.00	9.00	9.00	9.00	7.50
Total	<u>219.25</u>	<u>214.50</u>	<u>214.50</u>	<u>256.75</u>	<u>260.75</u>	<u>270.75</u>	<u>287.50</u>	<u>258.00</u>	<u>241.25</u>	<u>236.00</u>

Source: The City of New Smyrna Beach, Department of Human Resources

Note: Part-time and seasonal employees for all departments are assumed to be 0.5 FTEs for all reporting agencies

**CITY OF NEW SMYRNA BEACH, FLORIDA
OPERATING INDICATORS BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2013**

	Fiscal Year Ending September 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police:										
Physical arrests (based on calendar year)	839	1,071	1,181	1,463	2,140	1,491	2,172	1,328	1,171	1,087
Parking violations (based on calendar year)	203	127	275	211	487	743	1,272	826	1,391	628
Traffic violations (based on calendar year)	5,908	5,586	4,778	10,897	10,472	9,297	5,599	4,382	3,731	4,068
Fire:										
Emergency responses	4,074	3,866	3,911	4,482	4,482	4,559	4,607	4,415	4,015	4,062
Non-fire/EMS	3,825	2,801	2,345	2,218	2,218	995	1,085	2,836	2,633	2,597
Inspections by Engine Companies	528	396	95	-	-	-	-	283	277	270
Inspections by Fire Inspectors/Marshal	144	128	990	991	991	993	1,800	1,000	971	1,269
Solid Waste:										
Refuse collected (tons per week)	373.8	462.8	338.1	348.0	348.0	342.0	349.3	328.0	311.6	296.0
Yard trash (tons per week)	102.8	90.4	87.5	49.0	49.0	74.0	36.1	34.1	32.4	30.8
Recyclables collected (tons per week)	32.5	32.3	32.0	32.0	32.0	35.0	34.5	34.2	32.5	30.9
Public Works-Transportation										
Street construction (miles)	0.7	0.4	-	-	-	-	1.4	28.0	26.6	25.3
Street resurfacing (miles)	4.0	1.0	1.7	2.0	2.0	2.0	2.0	2.5	2.0	2.0
Potholes repaired	162	150	175	250	250	240	210	200	150	150
Building Development:										
Residential/single family permits issued	190	111	72	98	98	195	286	316	452	243
Commercial/multi-family permits issued	15	7	4	16	16	17	13	16	8	12
Miscellaneous permits issued	3,640	4,084	n/a	3,712	3,712	685	865	991	2,278	1,120

Source: Various City Departments

TABLE 18

**CITY OF NEW SMYRNA BEACH, FLORIDA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2013**

	Fiscal Year Ending September 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government:										
Area (Sq. miles)	38.9	38.0	38.0	38.0	38.0	38.0	37.7	37.7	37.7	37.7
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Zone office	1	1	1	1	1	-	-	-	-	-
Patrol units	49	49	50	41	40	38	36	31	32	29
Fire stations	4	4	4	4	4	4	4	4	4	4
Public Works-Transportation										
Paved streets (miles)	188.3	188.3	188.0	198.0	198.0	198.0	206.8	183.0	130.1	130.1
Unpaved streets (miles)	16.0	16.0	16.3	22.0	22.0	17.0	14.2	14.2	14.7	14.7
Streetlights	2,860	2,850	2,817	2,863	2,863	2,660	2,664	2,618	2,587	2,596
Traffic signals	33	33	31	30	30	21	21	10	10	9
Parks and recreation										
Area (acres)	253.0	253.0	275.5	275.5	275.5	275.5	273.5	273.5	137.0	137.0
Tennis Courts	9	9	9	9	9	9	9	12	12	12
Playgrounds	11	10	11	10	10	10	10	11	11	11
Recreation (community) centers	3	3	3	3	3	3	3	2	2	2
Shuffleboard/lawn bowling courts	21	21	21	40	40	40	40	40	40	40
Soccer/football fields	6	6	6	6	6	6	6	5	5	5
Baseball/softball diamonds	9	9	9	9	9	9	9	9	9	9
Basketball courts	7	7	7	7	7	7	7	8	6	6
18 hole golf courses	1	1	1	1	1	1	1	1	1	1
Marina boat slips	42	42	42	42	42	42	42	42	42	42
Boat ramps	6	6	6	6	6	6	6	6	6	6
Parks and picnic areas	24	23	23	23	23	23	22	22	22	22

Source: Various City Departments

Other Reports

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

To the Honorable Mayor, City Commission, and City Manager
of the City of New Smyrna Beach, Florida:

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of New Smyrna Beach, Florida (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2014. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Utilities Commission, City of New Smyrna Beach, Florida, as described in our report on the City of New Smyrna Beach, Florida's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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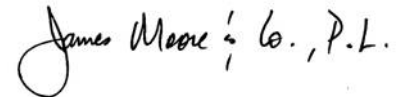
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Telephone: 850/386-6184
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tlh@jmco.com

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
March 25, 2014

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Federal Agency Pass-Through Entity Federal Program	CFDA Number	Contract/ Grant Number	Expenditures
FEDERAL AWARDS:			
<u>U.S. Office of National Drug Control Policy</u>			
Passed through Volusia County Sheriff's Office:			
High Intensity Drug Trafficking Area Program	07.XXX	G12CF0003A	\$ 11,401
High Intensity Drug Trafficking Area Program	07.XXX	G13CF0003A	-
Total U.S. Office of National Drug Control Policy			<u>11,401</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Volusia County Department of Community Services:			
Community Development Block Grant / Entitlement Grants	14.218	2010-2011 (Babe James Playground)	5,237
Community Development Block Grant / Entitlement Grants	14.218	2010-2011 (Pettis Park Equip)	-
Community Development Block Grant / Entitlement Grants	14.218	2011-2012 (Clearance and Demo)	2,528
Community Development Block Grant / Entitlement Grants	14.218	2011-2012 (Pettis Park Curbing)	1,267
Community Development Block Grant / Entitlement Grants	14.218	2011-2012 (Babe James)	1,759
Community Development Block Grant / Entitlement Grants	14.218	2011-2012 (Park Safety Ranger)	12,772
Community Development Block Grant / Entitlement Grants	14.218	2011-2012 (Pettis Park Dug Outs)	6,278
Community Development Block Grant / Entitlement Grants	14.218	2012-2013 (Park Improvements)	21,138
Community Development Block Grant / Entitlement Grants	14.218	2012-2013 (PAL)	15,060
Community Development Block Grant / Entitlement Grants	14.218	2012-2013 (Code Enforcement)	20,000
Community Development Block Grant / Entitlement Grants	14.218	2012-2013 (Park Safety Ranger)	12,256
Total U.S. Department of Housing and Urban Development			<u>98,295</u>
<u>U.S. Department of Justice</u>			
Passed through Florida Office of the Attorney General:			
Crime Victim Assistance - Victims Advocate	16.575	V12131	56,153
Crime Victim Assistance - Victims Advocate	16.575	V13131	-
			<u>56,153</u>
Direct:			
Edward Byrne Memorial Justice Assistance Grant	16.738	2010-DJ-BX-1323 (overtime)	301
Total U.S. Department of Justice			<u>56,454</u>
<u>U.S. Department of Environmental Protection</u>			
Passed through Florida Department of Environmental Protection:			
Nonpoint Source Implementation Grants	66.460	G0349 - Esther St. Stormwater	173,557
Total U.S. Department of Environmental Protection			<u>173,557</u>
<u>U.S. Department of Transportation</u>			
Passed through Florida Department of Transportation:			
Highway Planning & Construction - SR44 at I-95 Gateway	20.205	AQF 70/ FPN: 430229-1-58-01	41,524
Highway Planning & Construction - SR44 at Canal Gateway	20.205	AQF 71/ FPN: 430229-2-58-01	203,620
Highway Planning & Construction - Cross Volusia Trail (Phase 38)	20.205	AQF 87/ FPN: 430078-1-38-01	18,713
Total U.S. Department of Transportation			<u>263,857</u>
<u>Federal Aviation Authority</u>			
Direct:			
Airport Improvement Program (Rehab Taxiway D&E and Runway 11/29)	20.106	FAA AIP No. 3-12-0054-015-2012	106,695
Airport Improvement Program (Rehab Taxiway D&E and Runway 11/29)	20.106	FAA AIP No. 3-12-0054-016-2012	-
Total Federal Aviation Authority			<u>106,695</u>
Total Expenditures of Federal Awards			<u>\$ 710,259</u>

CITY OF NEW SMYRNA BEACH, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

1. **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal of the City of New Smyrna Beach, Florida, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. **Sub-recipients:**

During the year ended September 30, 2013, the City of New Smyrna Beach, Florida had no subrecipients.

3. **Loans Payable:**

The City has four Federal loans the through the Florida Department of Environment Protection (FDEP) under CFDA 66.458. The loans will be repaid over 40 semi-annual payments. As of September 30, 2013, the City owed the FDEP \$899,907, \$300,961, \$287,215, and \$235,835, respectively.

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

I. Summary of Auditors' Results:

- A. Type of audit report issued on the basic financial statements: Unmodified
- B. Internal control over financial reporting: There were no significant deficiencies or material weaknesses identified.
- C. Instances of noncompliance material to the financial statements noted: None
- D. Federal Awards:
 - 1. Internal control over major programs: There were no material weaknesses.
 - 2. Type of report issued on compliance for major federal programs: Unmodified
 - 3. Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB A-133: None
- E. Major Federal program identification:
 - Federal awards programs:
 - Highway Planning and Construction, CFDA 20.205
- F. Dollar threshold used to distinguish between Type A and Type B major federal programs: \$300,000.
- G. The City of New Smyrna Beach, Florida, qualified as a low-risk auditee as defined in OMB Circular A-133.

II. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*: None.

III. Findings and Questioned Costs for Major Federal Programs: None.

IV. Summary Schedule of Prior Audit Findings:

2012-1 New Permitting Software: Corrective action taken.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor, City Commission, and City Manager
of the City of New Smyrna Beach, Florida:

Report on Compliance for Each Major Federal Program

We have audited the City of New Smyrna Beach, Florida's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. The City of New Smyrna Beach, Florida's financial statements include the operations of the Utilities Commission, City of New Smyrna Beach, Florida (the discretely presented component unit). Our compliance audit, described below, did not include the operations of the component unit because the component unit engaged other auditors to perform an audit in accordance with *Government Auditing Standards*, Chapter 10.550, Rules of the Florida Auditor General, and OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

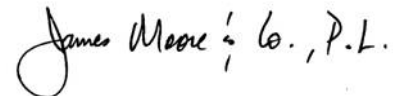
In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013. **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
March 25, 2014

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS'
REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Commission, and City Manager
of the City of New Smyrna Beach, Florida

We have audited the basic financial statements of City of New Smyrna Beach, Florida (the City), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated March 25, 2014. We did not audit the financial statements of the Utilities Commission, City of New Smyrna Beach, Florida, the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Utilities Commission, City of New Smyrna Beach, Florida, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financials audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 25, 2014, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report as noted below:

2012-1 New Permitting Software: Corrective Action Taken

2012-2 Golf Course Receipts: Corrective Action Taken

2012-3 Authority for Establishing Pricing for Fuel Sales: Corrective Action Taken

2011-2 Uniform Accounting Policies and Procedures Manual: Corrective Action Taken

2011-4 Information Technology Systems: Corrective Action Taken

- 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 the City of New Smyrna Beach, Florida, complied with Section 218.415, Florida Statutes.
- Section 10.554 (1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we noted the following finding:

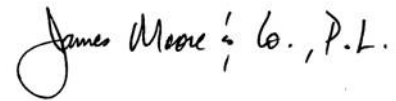
2013-1 Tracking Policy for Automatic Annual Rate Changes

During our testing we became aware the City's Permitting Fee Schedule approved by the City Commission included a clause that the building permit fees shall be adjusted upward on October 1, 2011 and every October 1 thereafter in line with the percentage increase in the Consumer Price Index (CPI). However, the fees were not adjusted by Management on October 1, 2012. On September 24, 2013 the City Commission confirmed not passing through the CPI rate increase as of October 1, 2012; however, we recommend the City develop a tracking policy for all automatic rate adjustments approved by the Commission to ensure they are implemented on a timely basis.

- Section 10.554 (1)(i)5., 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 legal authority for the primary government and each component unit of the reporting entity is disclosed in Note 1 of the basic financial statements.
- Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that 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)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

The City's response to the finding identified in our audit is described in the accompanying response to management comments. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large initial "J" and a stylized "M".

Daytona Beach, Florida
March 25, 2014

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**MANAGEMENT RESPONSES TO THE AUDITORS REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON INTERNAL CONTROL OVER COMPLIANCE**

2013-1 Tracking Policy for Automatic Rate Increases

Response: Management has implemented a process for tracking items which have an automatic rate increase. In September of each year, rate increases will be calculated and input, prior to year-end, with an effective date of October 1. This will also provide time to have the Commission approve a waiver of an automatic increase prior to the end of the fiscal year if so desired.

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