

Responding to Our Community

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

For the years ended September 30, 2009 and 2008
A component unit of the City of New Smyrna Beach

**STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS**
For the Fiscal Years Ended September 30, 2009 and 2008
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
New Smyrna Beach, Florida

	2009	2008
Operating Revenue:		
Sales.....	\$ 56,146,191	\$ 62,297,291
Other revenue.....	791,103	624,909
Total operating revenue.....	56,937,294	62,922,200
Operating Expenses:		
Purchased power and fuel expenses.....	22,173,197	28,018,777
Other production expenses.....	5,802,643	6,433,609
Transmission, distribution, and sewage collection and treatment.....	6,431,192	6,499,601
Customer accounting.....	1,238,348	1,086,447
Administrative and general.....	7,343,481	7,025,702
Required payments to the City of New Smyrna Beach.....	3,601,594	3,612,294
Depreciation.....	6,380,923	6,324,910
Total operating expenses.....	52,971,378	59,001,340
Operating income (expense).....	3,965,916	3,920,860
Nonoperating Revenue:		
Interest earnings.....	116,472	627,068
Other income.....	545,410	544,186
Interest and debt expense.....	(2,404,288)	(2,635,048)
Other expenses.....	(132,752)	(124,182)
Gain (loss) on disposal of assets.....	(339,545)	(115,037)
Total nonoperating (expense).....	(2,214,703)	(1,703,013)
Income (loss) before contributions.....	1,751,213	2,217,847
Capital contributions.....	622,137	3,847,167
Change in net assets.....	2,373,350	6,065,014
Net assets, beginning of year.....	105,558,453	99,493,439
Net assets, end of year.....	\$ 107,931,803	\$ 105,558,453

AUDITED



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

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



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2009 AND 2008

UTILITIES COMMISSIONERS

Walter Allen III, Chairman

William Hall, Vice-Chairman

William Reynolds, Secretary-Treasurer

Oscar Zeller, Assistant Secretary-Treasurer

Jeanne Diesen, Commissioner

GENERAL MANAGER/CHIEF EXECUTIVE OFFICER

Robert J. Rodi

DIRECTOR OF FINANCE/CHIEF FINANCIAL OFFICER

Laurie Klinkenberg



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New Smyrna Beach, Florida

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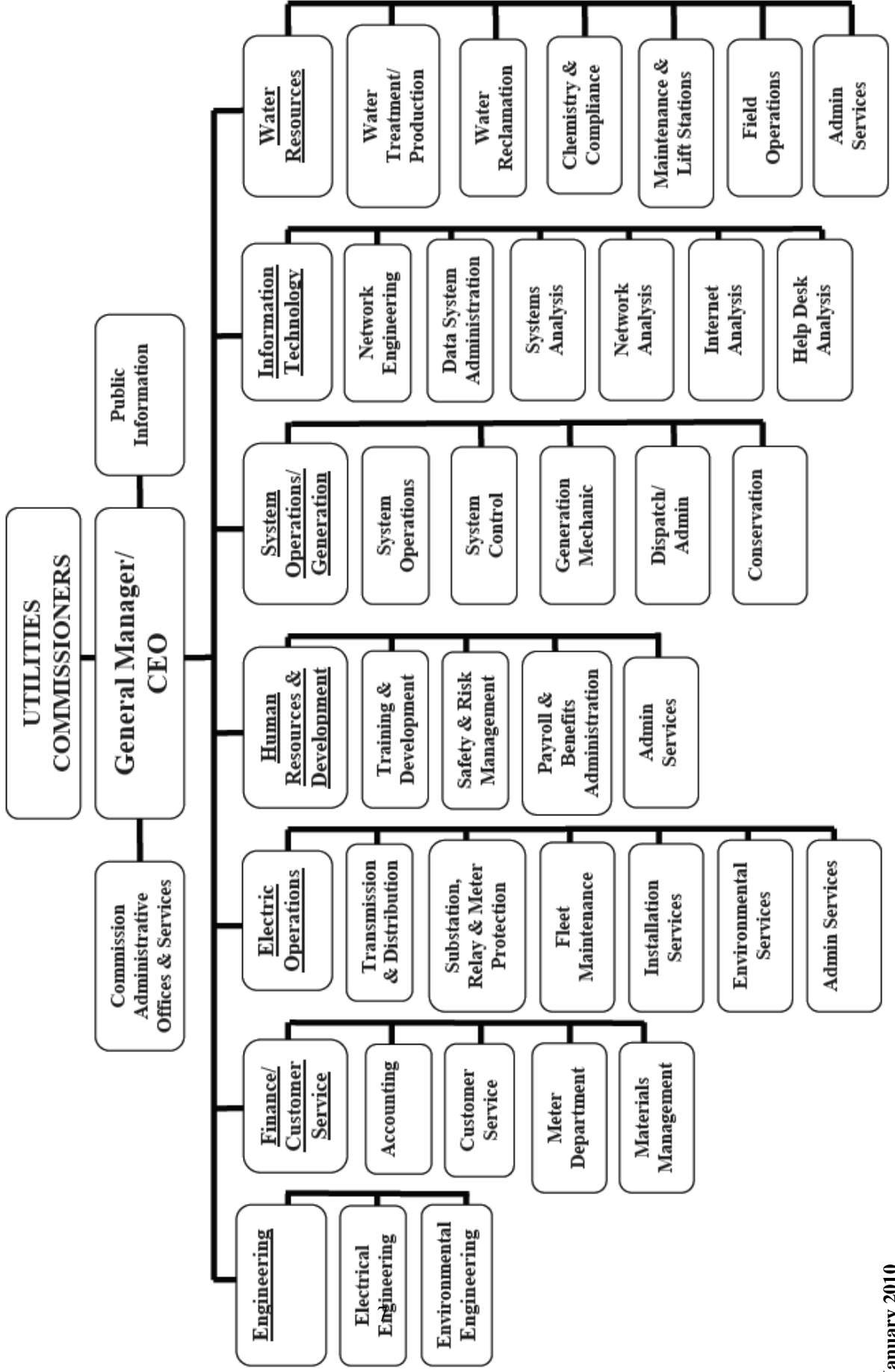
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ORGANIZATION CHART



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Utilities Commission, City of New Smyrna Beach





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CERTIFICATE OF ACHIEVEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 2008

THE GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA (GFOA) AWARDED A CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING TO THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, FOR ITS COMPONENT UNIT FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008.

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

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



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CERTIFICATE OF ACHIEVEMENT

For The Year Ended September 30, 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Utilities Commission,
City of New Smyrna Beach
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

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



A stylized, handwritten signature in black ink.

President

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Executive Director



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LETTER OF TRANSMITTAL



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

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



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

January 21, 2010

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

The Comprehensive Annual Financial Report of the Utilities Commission, City of New Smyrna Beach, Florida, (the "Utilities Commission") for the fiscal years ended September 30, 2009 and 2008, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Utilities Commission. To the best of our knowledge and belief, the enclosed data are accurate in all material aspects and are reported in a manner designed to present fairly the financial position and results of operations of the Utilities Commission. All disclosures necessary to enable the reader to gain the maximum understanding of the Utilities Commission's financial affairs have been included.

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

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

REPORTING ENTITY AND SERVICES PROVIDED

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

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

"Connecting You With Quality"

To the Chairman and Members
of the Utilities Commission
January 21, 2010

ECONOMIC CONDITION AND OUTLOOK

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

The financial impact due to the economy and failed enQuesta billing and collections functionality showed a significant decrease in revenues and increased allocations for uncollectible accounts receivable (approximately \$250,000). The failing banking industry also had a major impact on revenues as interest income decreased a dramatic 42% from the prior year. The UC was able to manage the decreased revenues by implementing tighter controls over already constrained expenses. As of September 30, 2009 actual revenues were \$8.3 million below projections; the unfavorable variance was greatly offset by a favorable variance in reduced expenditures in the amount of \$6.3 million and a favorable variance in debt service expenditures, due to the refinancing of the FMPA pooled loan program, in the amount of \$1.1 million.

The growth of the Utilities Commission's service area continued to slow considerably this past year due to the general economic down turn, increased conservation efforts, level of homeowner foreclosures and local business bankruptcies. Serving our customers/ratepayers is still our priority, evidenced by pilot programs instituted to assist individuals due to continually increasing personal financial constraints, as well as management's decision to hold the fuel and purchase power cost adjustment steady as to not impact the rate payers who are already having difficulties paying their utility bills. The UC carried an under-recovery of fuel costs in excess of \$4 million for the majority of the fiscal year.

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

MAJOR INITIATIVES

During fiscal year 2009 the Utilities Commission staff created and obtained approval, by the Commission as well as the City, a five-year and ten-year Capital Improvements Plans (Plan) through 2014 and 2019. It is the Utilities Commission's desire to fund the capital expenditures under this Plan through a combination of service capacity and connection fees, Renewal and Replacement Fund proceeds, external debt financing, and other funding. These proposed capital improvement expenditures are in addition to the annual capital requirements for routine extensions of existing utility facilities to serve new customers. Capital financing costs are distinguished in the Plan for existing and growth needs.

On a continual basis the Utilities Commission evaluates projects and their priorities based on need. Determination to authorize expending funds is based on well defined criterion including: continued core system operations, resolution of degradation of core systems, restoration of failed core systems, restoration of damaged components of core systems, required/mandated or investment work. All project requests must be accompanied by detailed consequences of eliminating, delaying, additional benefits and possible alternatives in order to be considered for funding.

To the Chairman and Members
of the Utilities Commission
January 21, 2010

For fiscal year ending September 30, 2009 the Utilities Commission budgeted \$7.7 million for capital improvements, of which \$2.7 is mandatory as per Resolution 28-78 for bond compliance. \$6.2 million (of which \$75,000 was funded from infrastructure fees collected from new developments as to not impact existing rate payers) was approved and expended for capital maintenance and improvements to continue to provide superior utility connectivity to the New Smyrna Beach service territory.

For the Plan approved March 2009 for fiscal years 2010 to 2019, the Utilities Commission has identified a priority project checklist with significant system improvements contemplated as follows:

- Electric 115kV Transmission Tie Airport to Field Street
 1. This transmission line will provide a second source for Airport and Field Street Substations in the event of a failure of the existing lines from Smyrna Substation.
 2. Field Street and Airport Substations comprise approximately 80% of our system capacity.
- Electric Substation Transformer Contingency - this will provide for mobilization and installation of a mobile substation transformer in the event of a transformer failure in the system.
 1. Electronic reclosures, maintain and install to provide acceptable reliability levels
 2. Distribution system automation – necessary to upgrade existing SCADA system and install additional switches and switchgear to improve reliability levels.
- Electric Bucket Truck Replacement – this will allow us to replace two bucket trucks that were over 20 years old and becoming difficult to maintain to reliable safety standards.
- Water System Upgrade Under-sized Water Mains – this project will allow upgrade to 6-inch lines including looping where necessary to ensure water quality.
- Develop a new central well field – while this project will be funded with infrastructure monies, this project will allow development of a 1.84 MGD increased allocation which includes 4-6 production wells, auxiliary generator with remote transfer switch, piping to raw water transmission line at SR 44 and automated remote control, site and access improvements.
- Horizontal Wells/ASR/Deep Well – this project is also scheduled to be funded with infrastructure monies. This project will allow for development of a holding lake, horizontal wells, deep Floridan well and a combination ASR to develop more source water to augment reclaim and potable water supplies.
- Water Treatment Plant and Reclamation (wastewater & reuse) Plant Hypochlorite Conversion – these projects will upgrade the WTP and WWTP disinfection process from gaseous chlorine to liquid sodium hypochlorite for safety and security considerations.
- Multiple lift station upgrades and repairs due to deteriorating wastewater system - of the nearly 100 lift stations in the wastewater system, many are decades old, worn out, under capacity, or with obsolete or failing equipment. This project includes reconstruction of 12 lift stations that require immediate and long term replacement or rehabilitation to continue in service, and meet regulatory requirements
- Biosolids Process Upgrade - work includes developing, permitting, constructing and implementing a new system of treating wastewater sludge when land application is no longer available.

To the Chairman and Members
of the Utilities Commission
January 21, 2010

- Beachside Interceptor Force Main - work includes constructing a regional force main into which several lift stations will pump eliminating several repump stations.
- Indian River Outfall Discharge Dechlorination Improvements - work includes improvements to the outfall dechlorination equipment to meet regulatory requirements, environmental controls and improve community safety and security.
- Reclamation Plant (wastewater & reuse) Capacity Expansion – this work includes constructing a third treatment process model/train to raise capacity from 7.0 MGD to 10.5 MGD which will improve operational efficiency and meet regulatory requirements.

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

MAJOR ACCOMPLISHMENTS

During fiscal year 2009, the Utilities Commission accomplished the following:

- Revised and updated formal strategic initiatives detailing vision, strategic plan, strategies, objectives, tactics, and goals.
- Continued to implement Key Performance Indicators (KPI's) and the measurement tools necessary to monitor and develop succession planning for key positions.
- Revised and reviewed ERU Developer's Agreement Addendum to aid in paying for external infrastructure for new developments.
- Updated and presented alternate water source and energy production concepts.
- Successfully re-implemented the Cogsdale Customer Service Utility Billing System to replace the failed enQuesta implementation. Continue to work on enhancements and additional module implementations to make our ERP system more efficient and effective. The UC is committed to process improvements and staying current with proven technologies.
- On August 17, 2009 the Materials Management Policies and Procedures Manual was presented to and approved by the Commission. This manual had not been updated since 1987. This was a massive undertaking to ensure compliance with multiple regulatory bodies over governmental procurement practices.
- The UC's Information Systems infrastructure continues to be improved with more reliability, stability and security. Part of the IT infrastructure was the Avaya phone system that had been purchased in 2005 as a new, state of the art system. The system was failing on a regular basis with work arounds to keep the system functioning. With a team effort, the former telephone system was abandoned and replaced with an upgradable, expandable, up-to-date Cisco phone system in May, 2009.
- In the area of organizational development, the Human Resources Division updated the UC's Personnel Practices Manual, which was presented to and approved by the Commission in October, 2009. HR was tasked with analyzing and investigating all Divisions within the UC from a strategic view point of overall process improvements. A major component of organizational development includes succession planning and line of site measures which have been put into place and are continually monitored and improved.

To the Chairman and Members
of the Utilities Commission
January 21, 2010

- The UC is committed to seeking alternate funding sources. During fiscal year 2009 the UC applied and received three (3) grants. Two for wind retrofitting (storm shutters) at the Water Treatment Plant and the Electric System Operations Center, the third grant was for replacement and upgrade of the Water Treatment Plants Fluoridation System.
- Successfully refinanced the remaining variable rate debt for three (3) FMPA Pooled Loans securing a fixed rate without extending the term of the original debt. The Finance Director was informed that FMPA was having difficulties securing renewal of their line of credit that was funding the pooled loan program. If the UC had not planned for this refinancing, the balance of the FMPA loans would have to be repaid in 12 months. The new loan closed on July 1, 2009 at a fixed rate of 3.96% in the amount of \$20,250,000 with final maturity October 2020.
- Compliance Matters:
 1. Required by Florida Law by June 2009 the operational information of the Internet Division must be provided to the Commission for determination for continuation of providing this service to the residents of New Smyrna Beach. A Public Hearing was held on June 15, 2009 prior to the regularly scheduled Commission meeting. A presentation by staff on possible options to continue or cease offering Internet services occurred during the Commission Meeting. The vote was unanimously to continue offering Internet as a value added service and authorized by Resolution 4-09.
 2. As per the Fair & Accurate Credit Transactions Act of 2003 a Red Flag program was required to be in place by November, 2008. To date the required implementation date continues to be extended. The UC moved forward with an early implementation of the required “Red Flag” program to detect and help prevent identity theft. Approval of the policy, procedure and program by the Commission occurred in October, 2008 with an annual review and update provided to the Commission in October, 2009.
 3. October 19, 2009 the UC’s first Fraud Risk Assessment Policy, Procedure and Self-Assessment tool was presented and approved by the Commission. The self-assessment tool was completed in September, 2009 by the UC’s Controller with the assistance of Departmental Directors, Managers and Supervisors.
 4. As per GASB Statement 45 – the UC is required to record an OPEB (other pension and employee benefits) liability, the UC solicited bids for the required actuarially study necessary to determine the amount of the liability. Foster & Foster was awarded the contract work. The UC met the requirement to implement GASB 45 for fiscal year end 2009.
- Electric System Reliability Improvements
 1. In accordance with Florida Public Service Commission regulation, the UC’s electrical system has undergoing an analysis and inspection of its overhead systems for pole integrity and standard construction compliance for potential hurricane wind and loading conditions defined for this area. The UC has instituted a storm hardening rotation program to ensure continued reliability and compliance.
 2. In accordance with NERC reliability standards applicable to the UC’s transmission system, specific practices, studies, and operational device projects have been completed and continue to review and upgrade in order to meet new national standards and compliance efforts.
 3. In accordance with National Electric Safety Code (NESC) and NFPA 70E the UC contracted with SET Solutions, LLC to completed an ARC Flash Assessment Study which mandates appropriate protective clothing including gloves, face shields, etc. for all positions who could be exposed to an ARC flash.
 4. Continue to monitor regulatory and compliance issues. In fiscal year 2009 complied with the SPC oil containment regulatory compliance including removal of an out of service fuel storage tank.

To the Chairman and Members
of the Utilities Commission
January 21, 2010

- Water - Reconstruct Smith Street and Third Avenue pump stations. Generators at Smith Street, Glencoe and Third Avenue
 1. The project has been completed. Third Avenue tank and pump station had reached the end of its functional life a few years ago and was decommissioned.
 2. The Beach areas increased demand has generated the need for added flow capacity including fire flow shortfalls, which had been highlighted in a prior year water system facilities study.
 3. The construction of the storage tank and pump station has corrected these capacity limitations.
 4. Smith Street Pumping Station provides water to the eastern part of the service area and all of the beachside area.
 5. Smith Street Pump Station was plagued by poor design, worn out equipment, functional and technological obsolescence, and inadequate capacity. Complete replacement of this pump station was necessary for current and future needs of the eastern service area.
 6. The UC's water system had zero gallons of elevated tank storage; continued water service contingency for power failure could only have been met by standby on site generation for critical facilities, including the wells, treatment plant, and all pumping stations. This need has been met with completion of this project which included a storage tank and auxiliary generators.
- Water system low pressure transmission main.
 1. The project has been engineered and under construction.
 2. The project provides for a direct pipeline to the treatment plant to avoid the need to draw water from the distribution system and pump directly back into distribution, pumping circular, ineffectively and wasting much energy.

FINANCIAL INFORMATION

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

Budgeting Controls and Highlights

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

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

To the Chairman and Members
of the Utilities Commission
January 21, 2010

The annual revenue and expense budget is prepared for the combined electric, water, reclamation (wastewater & reuse) and internet utility systems and, after Utilities Commission approval, is submitted to the City of New Smyrna Beach prior to June 1 of each fiscal year for subsequent City Commission approval. The budget remains in effect the entire year and can only be amended with the approval of the Utilities Commission and the City Commission of the City of New Smyrna Beach. No supplemental appropriations were made in 2009.

Utility Operations

In compliance with Resolution No. 16-75, and later amended by the City of New Smyrna Beach, Florida Ordinance No. 51-01, the electric, water, reclamation (wastewater& reuse), and internet systems are accounted for as a single enterprise fund. As of September 30, 2009, the Utilities Commission served 24,731 electric customers, 23,835 water customers, 19,772 reclamation (wastewater & reuse) customers, and 776 Internet customers. The current year's operating revenue and expenses from the combined utilities systems is presented in Management's Discussion and Analysis under the headings Financial Highlights and Entity-Wide Analysis on pages 3 to 8.

Cash Management

Cash continues to be idle during the year. With the funds borrowed to finance capital projects, the monies were invested in a secure arbitrage tracking money-market type escrow account and withdrawn as funds were necessary. The interest earned and expended for the debt are required to be capitalized within the infrastructure project. Interest earning have nearly ceased with the banking industry's difficulties. Due to the UC's continued efforts to recover from the telecommunication financial losses and the difficult economy the rate payers are facing, as typical of a municipality and our investment policies, the UC remains risk adverse. Cash flow has been a difficult area over many years, as such it has been necessary to maximize operating cash and limit, and in some instances, cease any mid to long term investment tools. Any and all investments comply with the UC's financing policy, which is governed by Resolution 52-95. The amount of interest earned during the years ended September 30, 2009, 2008, and 2007 totaled \$116,472, \$627,068, and \$958,771, respectively. The Utilities Commission's cash and investments, including accrued interest and dividends receivable, on hand at September 30, 2009, 2008, and 2007 totaled \$28.5, \$28.2 million, and \$19.1 million, respectively. The individual components are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current assets:			
Operating cash and cash equivalents	\$ 51,529	57,426	97,094
Operating (overdraft).....	<u>(4,651,277)</u>	<u>(4,565,282)</u>	<u>(3,613,203)</u>
	<u>(4,599,748)</u>	<u>(4,507,856)</u>	<u>(3,516,109)</u>
Restricted assets:			
Revenue certificate covenant funds.....	6,541,404	13,018,490	6,256,014
R&R service capacity fee funds	10,959,916	5,296,849	3,315,754
Developer infrastructure escrow.....	1,445,587	1,468,220	1,064,511
CR-3 decommissioning fund.....	<u>3,755,639</u>	<u>3,626,928</u>	<u>3,389,877</u>
	<u>22,702,546</u>	<u>23,410,487</u>	<u>14,026,156</u>
Internally designated assets:			
Renewal and replacement (discretionary)	8,294,295	7,328,325	6,688,885
Customer deposits	<u>2,071,816</u>	<u>1,979,114</u>	<u>1,903,590</u>
	<u>10,366,111</u>	<u>9,307,439</u>	<u>8,592,475</u>
Total cash and investments.....	<u>\$28,468,909</u>	<u>28,210,070</u>	<u>19,102,522</u>

To the Chairman and Members
of the Utilities Commission
January 21, 2010

The Utilities Commission's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits are either insured by federal depository insurance or collateralized in accordance with the Florida Security for Public Deposits Act (the "Act"). All collateral on deposits are held either by the Utilities Commission, or by the State of Florida in accordance with the applicable provisions of the Act. All of the Utilities Commission's investments held at year-end are classified in the category of lowest credit risk (backed exclusively by the full faith and credit of the U. S. government) as defined by the Governmental Accounting Standards Board. As of November, 2008 the UC filed with the Florida Department of Financial Services Collateral Management, as required by Chapter 280 of the Florida Statutes, to ensure full collateralization of all funds on deposit, protecting the UC from financial loss due to bank failure as per Section 280.18 of the Florida Statutes. This is an annual requirement and will be filed each November going forward.

The average yield, indicative of the continuing banking crisis, from interest earnings on cash and investments that was earned each month during the fiscal year ended September 30, 2009, is as follows:

	<u>Average Yield</u>
October	1.85%
November	1.08%
December.....	0.73%
January.....	0.47%
February.....	0.41%
March.....	0.31%
April	0.24%
May.....	0.23%
June.....	0.21%
July	0.16%
August	0.15%
September.....	0.13%

Risk Management

The Utilities Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by general liability insurance. Commercial insurance policies are also obtained for all other risks of loss, including workers' compensation, fiduciary liability and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The UC has instituted in the audited fiscal year a comprehensive Fraud Risk Assessment policy, procedure and self-assessment tool. All management is held responsible and accountable for reporting any possible fraud or risk of fraud to our Controller. At a minimum a semi-annual review is conducted by our Controller through a combination of interviews, random audits and spot checks.

OTHER INFORMATION

Independent Audit

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

To the Chairman and Members
of the Utilities Commission
January 21, 2010

firm of Brent Millikan & Company, P.A. was selected, utilizing the RFP process, by the Utilities Commission to satisfy this requirement. Their independent auditors' report on the financial statements and schedules of the Utilities Commission has been included in the financial section of this report.

Triennial Report

Pursuant to Section 16N of Resolution No. 28-78, as amended, the Utilities Commission is required to retain a Consulting Engineer every 3 years to provide a report of the electric, water, reclamation (wastewater & reuse) systems with respect to operations and maintenance, sufficiency of rates and charges, conclusions to changes in the operations of the systems, and the necessity of capital improvements. The latest Triennial Report included fiscal years 2005 to 2007 and was presented to the Utilities Commission on July 31, 2008. The final report as presented to the Utilities Commission on July 31, 2008 is available on our website. The next Triennial Report will be conducted for the fiscal years 2008 to 2010.

Awards - Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Utilities Commission, City of New Smyrna Beach, Florida, for its component unit financial report for the fiscal year ended September 30, 2008. We are also quite proud of the fact that we have been awarded with this Certificate for the twenty-ninth consecutive year. For the first time the GFOA had no recommendations to improve the presentation of our Comprehensive Annual Financial Report (CAFR).

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

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

Acknowledgments

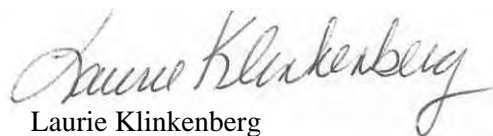
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

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

Respectfully submitted,



Robert J. Rodi
General Manager/CEO



Laurie Klinkenberg
Director of Finance/CFO



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FINANCIAL SECTION

THIS SECTION IS COMPOSED OF THE FOLLOWING:

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL STATEMENTS

SUPPLEMENTAL FINANCIAL INFORMATION



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INDEPENDENT AUDITORS' REPORT



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BM&C

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Utilities Commission, City of New Smyrna Beach, Florida, a component unit of City of New Smyrna Beach, Florida, as of and for the fiscal years ended September 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of Utilities Commission, City of New Smyrna Beach, Florida's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utilities Commission, City of New Smyrna Beach, Florida, as of September 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2010, on our consideration of Utilities Commission, City of New Smyrna Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 33-42 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Brent Milliken & Co., P.A.

January 21, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Utilities Commission, City of New Smyrna Beach, Florida's (the "Utilities Commission") annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year that ended September 30, 2009. Please read it in conjunction with the transmittal letter at the front of this report and the financial statements, which follow this section.

Financial Highlights

- The Utilities Commission's demand for electrical energy decreased in 2009 at 366.8 million kWh sales compared to 370.7 million kWh sales in 2008, or a 1.1% decrease, due to milder weather and a corresponding drop in demand, as well as increased conservation efforts. Sales revenue generated by the Electric System decreased from \$48.6 million in 2008 to \$42.6 million in 2009, primarily due to increased conservation and the \$3.6 million reduction in the under-recovered fuel and purchased power costs recognized in FY 2009.
- The volume of treated potable water sold in 2009 decreased by 2.4%. The volume of wastewater treated in 2009 increased by 20.5%. The volume of reclaimed water treated in 2009 increased by 47.7%. The decreases in water sold were the result of continued conservation by customers. Sales revenue generated by the Water System and Reclamation (wastewater and reuse) System remained stable compared to the prior year.
- The Utilities Commission's assets exceeded its liabilities (*net assets*) at the end of September 30, 2009 by \$107.9 million. Of this amount, approximately \$11.8 million was unrestricted and available to be used to meet the Commission's ongoing obligations to its customers and creditors. Of the remaining \$96.1 million, approximately \$79.8 million was invested in utility plant assets and assets held for future use, while the remainder was restricted for utility plant expansion.
- During the year, the Utilities Commission's net assets increased by \$2.4 million. Of this amount, approximately \$50 thousand came from developer donated in-ground assets reported in capital contributions. Developer donated assets reduced by 98.2% from \$2.8 million in 2008, evidence of the failing economy and resulting drastic reduction in new development in the UC's service area. Net assets totaled \$107.9 million in 2009 compared to approximately \$105.6 million at the end of 2008.
- During 2009, the Utilities Commission's operating revenue decreased by approximately \$6.0 million to \$56.9 million, which was 9.5% less than last year's operating revenue of \$62.9 million. The Utilities Commission's operating expenses decreased by \$6.0 million to \$53.0 million, which was 10.2% less than last year's \$59.0 million. The \$6 million decrease in operating expenses can be attributed primarily to decreased costs of fuel and purchased power.
- The Commission's long-term debt decreased to \$60.5 million in 2009, which is a decrease of \$3.4 million from last year's \$63.9 million. The net decrease is attributed to the refinancing of the three FMPA pooled loans with a fixed rate of 3.96% through the use of a Bank Qualified Loan. Also, a factor in this decrease was the aggressive debt service repayment schedule the Commission has, which included scheduled payments of \$7.7 million (principal and interest).
- The amount of unbilled, under-recovered fuel and purchased power costs decreased approximately \$3.6 million or 76.6%, from a balance of \$4.7 million at September 30, 2008 to a balance of \$1.0 million as of September 30, 2009. The remaining balance in this receivable was due to a management decision to hold steady the fuel and purchased power cost adjustment

billing factor as long as possible, to the limit the impact on rate payers already affected by a volatile fuel market and economy.

Overview of Financial Statements

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

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

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

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

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

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

Entity-Wide Financial Analysis

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

The material portion of the Utilities Commission's net assets (74%) reflects its investment in utility plant assets (e.g., land, buildings, utility plant, and equipment), less that portion of related debt used to acquire assets still outstanding. These utility plant assets are used to provide utility services to our customers; consequently, these assets are not available for future spending. Although the Commission's investment in capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate these liabilities.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets:			
Current and other assets.....	\$ 47,174	48,270	36,953
Capital assets:			
Productive assets in service (net).....	134,301	134,163	130,141
Held for future use.....	7,467	7,467	7,467
Construction in progress.....	<u>3,660</u>	<u>5,158</u>	<u>6,736</u>
Total assets	<u>192,602</u>	<u>195,058</u>	<u>181,297</u>
Liabilities:			
Long-term debt outstanding.....	60,478	63,861	59,342
Other liabilities.....	<u>24,192</u>	<u>25,638</u>	<u>22,461</u>
Total liabilities	<u>84,670</u>	<u>89,499</u>	<u>81,803</u>
Net assets:			
Invested in plant, net of related debt.....	79,484	84,303	80,129
Restricted.....	12,035	5,626	9,572
Unrestricted	<u>16,413</u>	<u>15,630</u>	<u>9,793</u>
Total net assets	<u>\$ 107,932</u>	<u>105,559</u>	<u>99,494</u>

The Utilities Commission's net assets increased \$2.4 million to \$107.9 million in 2009, which is up from \$105.5 million in 2008 and \$99.5 million in 2007. The most significant change in net asset position in 2009 was from an increase of \$6.4 million in restricted renewal and replacement funds. In 2008, the most significant changes in net assets came from an increase of \$4.2 million in amounts invested in utility plant and use of unrestricted renewal and replacement funds of \$5.8 million.

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

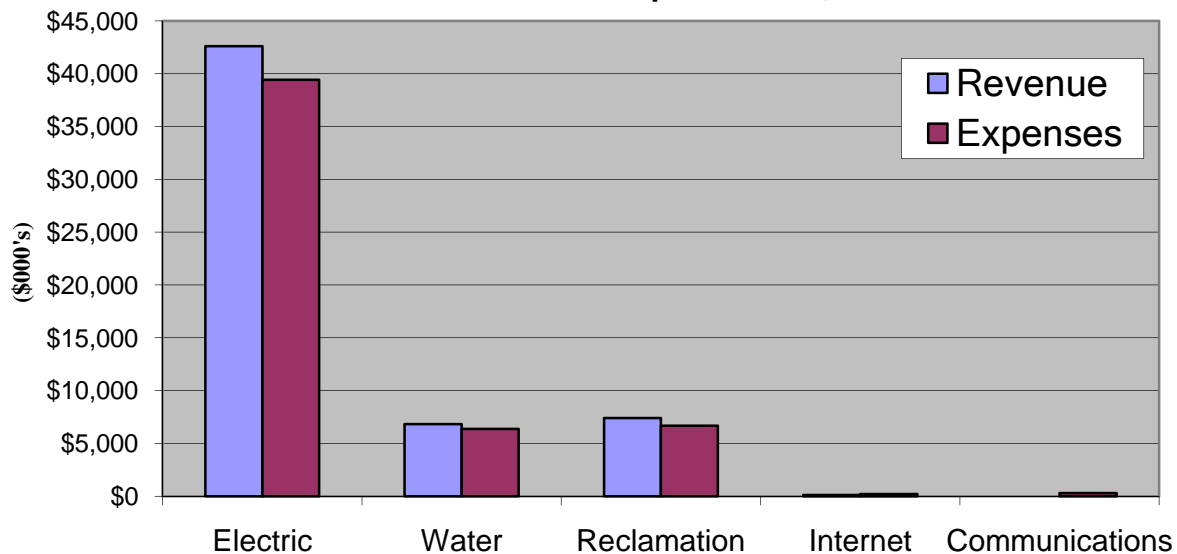
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues:			
Charges for services:			
Electric system.....	\$ 42,607	48,646	44,860
Water system.....	6,805	6,673	6,886
Reclamation system.....	7,394	7,416	7,454
Internet system.....	<u>131</u>	<u>187</u>	<u>276</u>
Total charges for services.....	56,937	62,922	59,476
Interest earnings.....	116	627	959
Other revenue.....	<u>546</u>	<u>544</u>	<u>792</u>
Total revenues.....	<u>57,599</u>	<u>64,093</u>	<u>61,227</u>
Expenses:			
Division operating expenses:			
Electric system.....	39,434	45,666	40,716
Water system.....	6,368	6,268	6,132
Reclamation system.....	6,656	6,471	6,279
Internet system.....	222	375	329
Communications system.....	<u>291</u>	<u>221</u>	<u>221</u>
Total division operating expenses.....	52,971	59,001	53,677
Interest and debt expense.....	2,404	2,635	3,120
Other expenses.....	<u>473</u>	<u>239</u>	<u>307</u>
Total expenses.....	<u>55,848</u>	<u>61,875</u>	<u>57,104</u>
Income before contributions.....	1,751	2,218	4,123
Capital contributions.....	<u>622</u>	<u>3,847</u>	<u>12,038</u>
Increase in net assets.....	<u>\$ 2,373</u>	<u>6,065</u>	<u>16,161</u>

While the balance sheets show a snapshot of the Commission's financial position at the beginning and ending of the fiscal years, the above statements of revenues, expenses, and changes in net assets provide answers as to the nature and source of these changes. A comparison of the operating revenues to operating expenses shows stable growth in the Commission's traditional services reported by the electric, water, and reclamation (wastewater and reuse) divisions, which continue to produce positive net income. The UC also provides internet service to its customers. As of fiscal year end the Internet Division has not achieved breakeven status. Efforts continue to reduce costs and increase customer base to continue providing this value added service. In June 2009, after a detailed presentation and public hearing, the Commission voted to continue this value added service. Profitability of providing communications services (including internet) must be reviewed every four (4) years as per Florida Statute. Since August 2003 the Commission experienced excessive losses providing telecommunications services under its own Competitive Local Exchange

Carrier license. Each year, since its inception, the Commission experienced significant losses providing these services. As of September 2006 the Commission ceased providing telephone services, however, expenses are still being incurred from various state agency reviews, and audits still be conducted throughout the telecommunications industry. For Fiscal Year 2009 the Commission incurred expenses in excess of \$173,000 due to a State of Florida Department of Revenue (FDOR) Communications Tax Audit for the tax year 2005. The UC is continuing to work with the FDOR in an attempt to receive credit for billed but uncollected taxes.

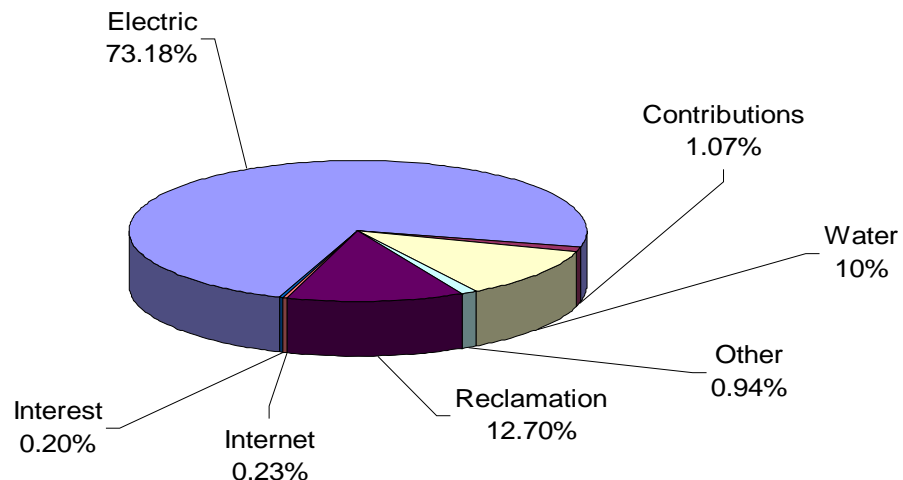
The following is a summary of the operating revenue and expense for each of the Commission’s operating divisions:

Operating Revenue and Expense - by Division Year Ended September 30, 2009



The following is a summary of the composition of 2009 utility system revenues by source:

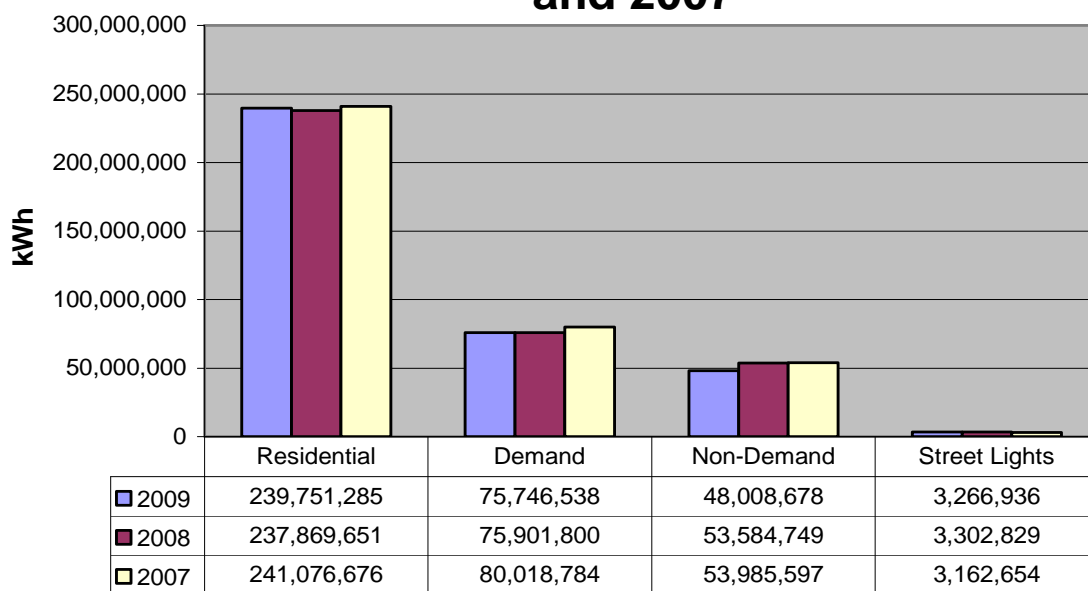
Revenues - By Source Year Ended September 30, 2009



During 2009, the overall demand for electricity decreased. Total electric kWh sales decreased from 370.7 million kWh sales in 2008 to 366.8 million kWh sales in 2009. In the prior year, the demand for electricity had decreased from 378.2 million kWh sales in 2007 to 370.7 million kWh sales in 2008. Fuel and purchased power costs for FY 2009 substantially decreased by \$6.0 million, compared to the costs incurred in the prior year. These wide fluctuations are typical of the volatile fuel market.

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

Electric kWh Sales Years Ended September 30, 2009, 2008 and 2007



kWh Sold by Service Type

Despite the rising costs to produce electric system revenues, management opted to hold the fuel and purchased power cost adjustment billing factor fixed at \$41.70 per 1,000 kWh’s for the entire fiscal year. While costs to produce electric system revenues remained volatile during fiscal year 2009, the billing factor has remained constant since the last adjustment made in May 2007.

The volume of potable water sold during 2009 decreased 2.39% to 1,512 MG compared to 1,549 MG in 2008 and compared to 1,652 MG in 2007. The reclamation (wastewater and reuse) system experienced a 2.2% decrease in 2009 volume to 846 MG compared to 865 MG in the volume of wastewater treated in 2008 and as compared to 898 MG treated in 2007. The volume of reclaimed water sold during 2009 increased 34.2% to 502 MG, compared to 374 MG sold in 2008, and as compared to 477 MG sold in 2007.

For comparison purposes in regards to customer count, it would appear to be more appropriate to compare 2009 customer count to 2007. The counts reported for 2008 were provided from the failed enQuesta billing system which could only count meters, not customers, hence the 2008 reported counts appear distorted for comparison purposes. For fiscal year 2009 for all divisions, except Internet, remained relatively stable. Internet has and continues to experience a significant loss in customer base averaging approximately 26 less customers per month. The trend appears to be continuing for fiscal year 2010.

Utility Operations	2009 Customers	2008 Customers	2007 Customers
Electric (FY 2008 meters).....	24,731	24,702	24,776
Water (FY 2008 meters)	23,835	27,565	23,388
Wastewater (FY 2008 meters)	18,908	23,716	18,775
Reuse water (FY 2008 meters)	864	825	732
Internet	816	1,085	1,103

Capital Assets

At the end of 2009, the Utilities Commission's investment in capital assets amounted to \$145.4 million, which is stated net of \$98.1 million of accumulated depreciation. This investment in capital assets includes:

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

Over the past three (3) fiscal years extensive work and progress has been made to more accurately reflect the assets of the Utilities Commission. Annually, a physical inventory of all assets is conducted. The decrease of \$1.3 million in capital assets is due to the effects of these physical counts and resulting true-up which includes the disposal of assets previously acquired for the operations of the Telecommunications Division, which no longer exists. In 2007, the UC changed its accounting for depreciation from an annual estimation to a monthly actual.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land and land rights.....	\$ 3,272	3,272	3,272
Structures and improvements.....	34,547	32,149	28,101
Production and treatment plant.....	47,668	46,943	46,386
Transmission, distribution, and collection and treatment plant.....	133,637	130,425	125,472
Other general plant and equipment.....	<u>12,522</u>	<u>13,666</u>	<u>14,434</u>
	231,646	226,455	217,665
Accumulated depreciation.....	<u>(98,060)</u>	<u>(92,712)</u>	<u>(87,844)</u>
	133,586	133,743	129,821
Construction in progress.....	3,659	5,158	6,735
Plant held for future use.....	7,467	7,467	7,467
Nuclear fuel, net of amortization.....	<u>716</u>	<u>419</u>	<u>320</u>
Utility plant, net.....	<u>\$ 145,428</u>	<u>146,787</u>	<u>144,343</u>

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

Long-Term Debt and Debt Administration

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

Debt Service Coverage Ratio			
Year Ended September 30,			
(\$000's, except ratios)			
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues	\$ 56,937	62,922	59,476
Interest and other income.....	662	1,171	1,751
Capacity and other fees.....	<u>574</u>	<u>1,015</u>	<u>1,881</u>
Revenues per certificate resolution.....	58,173	65,108	63,108
Cost of Operation and Maintenance, net of depreciation and required payments to City of New Smyrna Beach.....	<u>42,989</u>	<u>49,064</u>	<u>43,941</u>
Net revenues per certificate resolution.....	<u>15,184</u>	<u>16,044</u>	<u>19,167</u>
Annual debt service requirement	\$ <u>8,238</u>	<u>8,143</u>	<u>8,034</u>
Debt service coverage ratio (times)	<u><u>1.84</u></u>	<u><u>1.97</u></u>	<u><u>2.39</u></u>

In 2009, the Commission issued \$20,250,000 in Utilities System Revenue Certificates, Series 2009 in the form of a bank qualified loan to refinance the FMPA Pooled Loans. The Series 2009 Certificates included an additional \$2 million that is expected to be necessary to complete the prior year's capital water infrastructure project financed with the Series 2007 issuance. In the event the excess funds are not necessary to complete the prior year project those funds have been internally restricted to fund necessary capital improvements to the water and/or reclamation systems. As of September 30, 2009, the Utilities Commission had outstanding \$55,295,000 of revenue certificates payable. The increase of \$14 million from fiscal year 2008 is due to the effects of the refinancing stated above, net of debt service payments made during 2009. The Series 2009 issuance is secured by a first lien on and pledge of the net revenues of the systems, while the former FMPA Pooled loan were subordinate to Revenue Certificates thus categorized differently. All \$55 million of debt obligations are secured by a first lien on and a pledge of the net revenues of the system.

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

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

In addition to the revenue certificates payable, the Utilities Commission had outstanding notes payable to the Florida Department of Environmental Protection, State Revolving Fund Loan in the aggregate amount of \$10,884,945 which are secured by a lien and pledge on the net revenues of the system, but subordinate to the first lien and pledge securing the revenue certificates payable.

The debt service requirements on these obligations are detailed in the notes to the financial statements. The future debt service requirements for the Florida Department of Environmental Protection, State Revolving Fund Loan are in Schedule 14 of the supplementary section of the financial statements.

At the end of the fiscal year, the Utilities Commission had \$60.4 million in long-term debt outstanding, which decreased by \$3.5 million over the prior year's \$63.9 million. The \$3.5 million net decrease is from the refinancing including the additional capital funds and scheduled principal payments.

Under its current debt agreements, the Commission has covenanted to maintain several coverage ratios, all of which approximate 1.25 times in the aggregate. In order to issue additional debt obligations, the Commission must demonstrate that it has successfully maintained a coverage ratio of 1.20 times its maximum annual debt service requirements in its immediately preceding fiscal year. Even with the downward spiraling economy, the effects on revenue and collections, and the volatile fuel market, the UC has maintained a much higher debt service coverage ratio than mandated.

Cash Flows

While the UC's unrestricted cash negative balance has increased by 1.8%, the Statement of Cash Flows, shown in the Financial Statements section, demonstrates that the net cash provided by operating activities and investing activities is exceeding the net cash necessary to cover our capital financing activities at a nearly breakeven level. For fiscal year 2008, the net increase in cash and cash equivalents appears to be \$9 million more than fiscal year 2009, however, this is due to the effect of the additional \$10 million bank qualified loan. In our opinion this is great improvement from continually incurring negative operating cash flows since the Telecommunications endeavor and prior years. As the UC continues through our Strategic Plan and Initiatives we expect the cash flow situation to continually improve.

Economic Factors and Next Year's Budget and Rates

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

- The most recent estimates available for unemployment data in Volusia County, Florida, are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Database (FRED). This agency estimates a countywide unemployment rate of 12.3%, which is significantly higher than the 7.2% rate experienced one year earlier and nearly triple that of fiscal year 2007. These estimates are consistent with the state's 11.5% and 6.9% unemployment rates, respectively.
- Nationwide the unemployment rate is stated at 9.4% evidencing the additional financial constraints placed on residents of Volusia County.
- The 2010 budget included no general wage increases or bonus/incentive program. UC's management has endeavored to maintain current staffing levels as attrition would support declining expenses.

- Revenue projections for fiscal year 2010 are forecasted based on a combined modified regression model and expected consumptions. No rate increases were planned in the Electric, Water and Reclamation (wastewater & reuse) Divisions, but a rate increase for Reuse Water and Internet were planned and approved through public hearings and Commission action for fiscal year 2010.
- Based on the most recent engineering studies the existing infrastructure is aging. This fact continues to cause significant stress on existing systems, with the anticipation of continued increases in routine operating and maintenance expenses.

Other factors influencing the Commission’s 2010 operating budget includes the every changing cost of fuel and purchased power and no anticipated growth in all divisions, with the exception of the internet division. A summary of the enacted 2010 budget follows:

**FY 2010 Operating Budget
With Comparison to FY 2009 Actual (Non-GAAP Budgetary Basis)*
\$(000’s)**

	2010 <u>Budget</u>	2009 <u>Actual*</u>	Dollar <u>Change</u>
Revenue and Receipts:			
Electric system	\$ 45,195	42,877	2,318
Water system	7,256	6,832	424
Reclamation system.....	7,497	7,373	124
Internet system	156	131	25
Capital contributions	<u>1,278</u>	<u>648</u>	<u>630</u>
	<u>61,382</u>	<u>57,861</u>	<u>3,521</u>
Operating Expenses:			
Operation and maintenance	46,259	43,034	3,225
Required payments to City	<u>3,550</u>	<u>3,602</u>	<u>(52)</u>
	<u>49,809</u>	<u>46,636</u>	<u>3,173</u>
Net revenue and receipts	11,573	11,225	348
Debt issuance	1,275	0	1,275
Debt service	(7,419)	(7,490)	71
Operating transfers (net)	<u>(5,429)</u>	<u>(12,333)</u>	<u>(586)</u>
Budgeted net cash receipts.....	\$ <u>0</u>	<u>(1,108)</u>	<u>(1,108)</u>

Requests for Information

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

BASIC FINANCIAL STATEMENTS

BALANCE SHEETS

September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2009	2008
Assets:		
Utility Plant:		
Electric utility plant in service.....	\$ 97,291,767	95,128,218
Water utility plant in service.....	53,087,418	50,453,745
Reclamation utility plant in service.....	71,151,149	70,127,004
Communications services plant in service.....	-	2,762,871
General utility plant in service.....	<u>10,114,242</u>	<u>7,983,836</u>
	231,644,576	226,455,674
Less: accumulated depreciation.....	<u>(98,060,062)</u>	<u>(92,712,390)</u>
	133,584,514	133,743,284
Construction work in progress.....	3,659,698	5,158,170
Plant held for future use.....	7,467,493	7,467,493
Nuclear fuel, net of amortization.....	<u>716,096</u>	<u>418,644</u>
	145,427,801	146,787,591
Total utility plant, net.....	<u>145,427,801</u>	<u>146,787,591</u>
Restricted and Internally Designated Assets:		
Restricted assets:		
Cash and cash equivalents.....	22,702,546	23,410,487
Internally designated assets:		
Cash and cash equivalents.....	<u>10,366,111</u>	<u>9,307,439</u>
	33,068,657	32,717,926
Total restricted and internally designated assets.....	<u>33,068,657</u>	<u>32,717,926</u>
Current Assets:		
Cash and cash equivalents.....	51,529	57,426
Accounts receivable, net of allowance for doubtful accounts (\$403,800 - 2009 and \$191,800 - 2008).....	5,384,093	3,343,992
Unbilled accounts receivable.....	5,347,675	8,639,010
Notes receivable.....	152,679	173,241
Inventories.....	2,674,581	2,870,334
Prepaid expenses and other assets.....	<u>109,915</u>	<u>184,981</u>
	13,720,472	15,268,984
Total current assets.....	<u>13,720,472</u>	<u>15,268,984</u>
Other Noncurrent Assets:		
Unamortized debt expense.....	269,585	283,436
Unamortized regulatory and nonregulatory studies expense.....	<u>115,722</u>	<u>-</u>
	385,307	283,436
Total noncurrent assets.....	<u>385,307</u>	<u>283,436</u>
Total assets.....	<u>\$ 192,602,237</u>	<u>195,057,937</u>

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

	2009	2008
Liabilities and Net Assets:		
Current Liabilities:		
Bank overdraft-unrestricted cash and cash equivalents.....	\$ 4,651,277	4,565,282
Accounts payable.....	2,789,268	3,753,990
Accrued liabilities.....	758,599	873,283
Due to other governments.....	<u>1,291,296</u>	<u>1,241,256</u>
Total current liabilities.....	<u>9,490,440</u>	<u>10,433,811</u>
Current Liabilities Payable From Restricted Assets:		
Accrued interest payable.....	584,427	639,905
Revenue certificates payable - current.....	4,525,000	3,400,000
Notes payable - current.....	940,958	1,952,816
Accounts payable.....	229,629	1,101,554
Customers' deposits.....	<u>3,534,929</u>	<u>3,407,132</u>
Total current liabilities payable from restricted assets.....	<u>9,814,943</u>	<u>10,501,407</u>
Other Noncurrent Liabilities:		
Asset retirement obligation.....	4,387,851	4,245,182
Other post-employment benefit obligations.....	41,503	-
Deferred compensated absences.....	<u>457,783</u>	<u>458,462</u>
Total other noncurrent liabilities.....	<u>4,887,137</u>	<u>4,703,644</u>
Long-Term Debt:		
Revenue certificates payable (net).....	50,533,927	37,481,677
Notes payable (net).....	<u>9,943,987</u>	<u>26,378,945</u>
Total long-term debt.....	<u>60,477,914</u>	<u>63,860,622</u>
Total liabilities.....	<u>84,670,434</u>	<u>89,499,484</u>
Net Assets:		
Invested in utility plant, net of related debt.....	79,753,514	84,302,560
Restricted.....	16,422,532	9,871,241
Unrestricted.....	<u>11,755,757</u>	<u>11,384,652</u>
Total net assets.....	<u>107,931,803</u>	<u>105,558,453</u>
Total liabilities and net assets.....	<u>\$ 192,602,237</u>	<u>\$ 195,057,937</u>

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

For the Fiscal Years Ended September 30, 2009 and 2008
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
New Smyrna Beach, Florida

	2009	2008
Operating Revenue:		
Sales.....	\$ 56,146,191	\$ 62,297,291
Other revenue.....	<u>791,103</u>	<u>624,909</u>
Total operating revenue.....	<u>56,937,294</u>	<u>62,922,200</u>
Operating Expenses:		
Purchased power and fuel expenses.....	22,173,197	28,018,777
Other production expenses.....	5,802,643	6,433,609
Transmission, distribution, and sewage collection and treatment.....	6,431,192	6,499,601
Customer accounting.....	1,238,348	1,086,447
Administrative and general.....	7,343,481	7,025,702
Required payments to the City of New Smyrna Beach.....	3,601,594	3,612,294
Depreciation.....	<u>6,380,923</u>	<u>6,324,910</u>
Total operating expenses.....	<u>52,971,378</u>	<u>59,001,340</u>
Operating income.....	<u>3,965,916</u>	<u>3,920,860</u>
Nonoperating Revenue (Expense):		
Interest earnings.....	116,472	627,068
Other income.....	545,410	544,186
Interest and debt expense.....	(2,404,288)	(2,635,048)
Other expenses.....	(132,752)	(124,182)
Gain (loss) on disposal of assets.....	<u>(339,545)</u>	<u>(115,037)</u>
Total nonoperating (expense).....	<u>(2,214,703)</u>	<u>(1,703,013)</u>
Income (loss) before contributions.....	1,751,213	2,217,847
Capital contributions.....	<u>622,137</u>	<u>3,847,167</u>
Change in net assets.....	2,373,350	6,065,014
Net assets, beginning of year.....	<u>105,558,453</u>	<u>99,493,439</u>
Net assets, end of year.....	<u>\$ 107,931,803</u>	<u>\$ 105,558,453</u>

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

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2009	2008
Cash Flows From Operating Activities:		
Cash received from customers.....	\$ 57,698,457	62,216,575
Cash paid to suppliers.....	(36,047,926)	(39,665,549)
Cash paid to employees.....	(8,826,303)	(7,781,650)
Other receipts (payments).....	<u>(2,344,146)</u>	<u>(3,294,528)</u>
Net cash provided by operating activities.....	<u>10,480,082</u>	<u>11,474,848</u>
Cash Flows From Capital and Related Financing Activities:		
Debt reduction outlays.....	(23,686,816)	(5,487,578)
Proceeds from debt issuance.....	20,250,000	9,964,000
Capital contributions.....	573,323	1,014,468
Acquisition and construction of capital assets.....	(5,014,456)	(6,178,723)
Interest paid.....	<u>(2,459,766)</u>	<u>(2,306,535)</u>
Net cash used in capital and related financing activities.....	<u>(10,337,715)</u>	<u>(2,994,368)</u>
Cash Flows From Investing Activities:		
Interest received.....	<u>116,472</u>	<u>668,700</u>
Net cash provided by investing activities.....	<u>116,472</u>	<u>668,700</u>
Net increase in cash and cash equivalents.....	258,839	9,149,180
Cash and cash equivalents, beginning of year.....	<u>28,210,070</u>	<u>19,060,890</u>
Cash and cash equivalents, end of year.....	<u>\$ 28,468,909</u>	<u>28,210,070</u>
Reconciliation to Balance Sheet:		
Cash and cash equivalents.....	\$ 51,529	57,426
Bank overdraft - unrestricted cash and cash equivalents.....	(4,651,277)	(4,565,282)
Restricted cash and cash equivalents.....	<u>33,068,657</u>	<u>32,717,926</u>
Total cash and cash equivalents.....	<u>\$ 28,468,909</u>	<u>28,210,070</u>
Non-cash Capital and Related Financing Activities:		
Capital contributions.....	<u>\$ 48,772</u>	<u>2,832,699</u>
Acquisition and construction of capital assets.....	<u>\$ (48,772)</u>	<u>(2,832,699)</u>

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

STATEMENTS OF CASH FLOWS - (Continued)

For the Fiscal Years Ended September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2009	2008
Reconciliation of operating income to net cash provided by operating activities:		
Operating income.....	\$ 3,965,916	\$ 3,920,860
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation, amortization and nuclear fuel amortization.....	6,264,572	6,452,244
Provision for losses on receivables.....	212,000	114,276
Provision for other post-employment benefits receivables.....	41,503	-
Decrease (increase) in operating assets:		
Accounts and notes receivable.....	(2,231,539)	1,325,820
Unbilled accounts receivable.....	3,291,335	(2,567,467)
Inventories.....	195,753	(110,781)
Prepaid expenses.....	(40,656)	(51,358)
Increase (decrease) in operating liabilities:		
Accounts payable.....	(1,836,647)	1,343,285
Due to other governments.....	50,040	(102,238)
Customer deposits.....	127,797	536,022
Accrued liabilities.....	(114,684)	193,399
Deferred liabilities.....	141,990	782
Other income.....	545,410	544,186
Other expense.....	(132,708)	(124,182)
Net cash provided by operating activities.....	<u>\$ 10,480,082</u>	<u>\$ 11,474,848</u>

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

NOTES TO THE FINANCIAL STATEMENTS



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NOTES TO THE FINANCIAL STATEMENTS

September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Administrative Office:

City of New Smyrna Beach, Florida

210 Sams Avenue

New Smyrna Beach, Florida 32168

The Utilities Commission maintains a 0.5608% undivided participant interest with Progress Energy Florida, Inc. at its Crystal River Unit 3 nuclear generation facility. Pursuant to this agreement, all fiscal, budgetary and operational control is maintained exclusively by Progress Energy Florida, Inc. The agreement and the related ownership interest have remained consistent for the years ended September 30, 2009 and 2008. This agreement does not meet the criteria of a joint venture as specified in GASB Statement No. 39.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Budget and Budgetary Accounting: An annual revenue and expense budget is prepared for the combined electric, water, reclamation and internet systems. In accordance with the Utilities Commission's budget policy, the approved budget is submitted to the City of New Smyrna Beach prior to June 1 of each fiscal year for subsequent City Commission approval. The budget was adopted on a basis consistent with generally accepted accounting principles (GAAP) except that certain other cash receipts and payments are treated as budgetary items to maintain effective fiscal and budgetary control over the collection and disposition of all Utilities Commission resources. Specific budgetary control is exercised over internal operating transfers to restricted funds, payments of principal on long-term debt obligations, and collections of contributed capital which are recognized in the budget as additions and/or deductions to reconcile budgeted net cash receipts to reported net income (loss) for each system. Budget appropriations are prepared by the administrative staff and approved as provided by law by the Utilities Commission. Budgetary control is exercised at the departmental level. Budget amendments, if any, can be requested by the General Manager/CEO. However, all budget amendments must be approved by the Utilities Commission.

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

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

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

Investments: Investments are recorded at fair value.

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

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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Treatment and disposal plant.....	25-40
General plant	10-50
Common Plant:	
Structures and improvements	35
Other general plant	5-15
Water Reuse System:	
Structures and improvements	50
Transmission and distribution plant.....	50
Communications System:	
Structures and improvements	30
Other general plant	5-20

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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

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

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

Reclassification: Certain amounts for 2008 have been reclassified to conform to the 2009 financial statement presentation.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

As of September 30, 2009, the Commission had the following deposits and investments:

Deposits	Carrying Amount	Bank Balance
Insured (FDIC) and collateralized.....	\$ 20,408,115	\$ 19,848,845
Uninsured and uncollateralized.....	--	--
Cash funds.....	<u>10,150</u>	<u>--</u>
Total deposits.....	<u>\$ 20,418,265</u>	<u>\$ 19,848,845</u>

Investments	Carrying Value	Fair Value	Maturities	Credit Rating
Repurchase agreements.....	<u>\$ 8,050,643</u>	<u>8,050,643</u>	3 months or less	N/A

Investment Policy

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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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Interest Rate Risk

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

Credit Risk

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

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

The Commission specifically refrains from investing in derivative investment products.

As of September 30, 2009, the Commission’s only investments were in the form of repurchase agreements. Credit ratings do not apply to the securities underlying the repurchase agreements, which are invested in U.S. government securities guaranteed by the U.S. government.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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Concentration of Credit Risk

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act* ("the Act"), the State of Florida, Department of Financial Services, Division of Treasury, Bureau of Collateral Management have established specific requirements relative to the security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State Chief Financial Officer as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State Chief Financial Officer to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Chief Financial Officer's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by a Qualified Public Depository Oversight Board with members appointed by the State Chief Financial Officer.

At September 30, 2009, the carrying amount of the Utilities Commission's deposits, including money market funds held with financial institutions, was \$20,418,265 and the September 30, 2009 bank balances totaled \$19,848,845 of which \$250,000 was covered by federal depository insurance, and \$19,848,845 was secured in accordance with the statutory provisions of the Act. As of September 30, 2009 there were no deposits held in unsecured, uncollateralized money market mutual funds. Included in the carrying amount and bank balances of Utilities Commission deposits is \$10,150 in petty cash and change funds.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2009 the Commission has custodial credit risk exposure of \$8,050,643 for investments in repurchase agreements, since these investments are uninsured, unregistered and held by the Commission's bank's securities department who are also the counterparty for these particular securities.

NOTE 3 – RESTRICTED AND INTERNALLY DESIGNATED ASSETS

Certain cash and investments are externally restricted by revenue certificate resolutions, nuclear generation facility decommissioning trusts and customer agreements. The Utilities Commission's restricted assets consist of debt service funds, a nuclear plant decommissioning fund, restricted renewal and replacement funds consisting of service capacity fees charged to developers, and customer deposits. The balances for the years ending September 30, 2009 and 2008 are as follows:

NOTES TO THE FINANCIAL STATEMENTS – (Continued)
September 30, 2009 and 2008
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
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	September 30,	
	2009	2008
Restricted Assets:		
Revenue certificate covenant funds:		
Debt service and related funds:		
Principal and interest funds	\$ 6,001,565	6,033,680
Debt service reserve funds	<u>539,839</u>	<u>539,839</u>
	6,541,404	6,573,519
Series 2007 Certificates Project account	<u>0</u>	<u>6,444,971</u>
Total revenue certificate covenant funds restricted.....	6,541,404	13,018,490
CR3 nuclear generation facility decommissioning funds.....	3,755,639	3,626,928
Renewal and replacement service capacity fee funds.....	10,959,916	5,296,849
Developer infrastructure escrow.....	<u>1,445,587</u>	<u>1,468,220</u>
Total restricted assets	<u>\$ 22,702,546</u>	<u>23,410,487</u>
Internally Designated Assets:		
Revenue certificate covenant funds:		
Renewal and replacement funds (discretionary).....	\$ 8,294,295	7,328,325
Customer deposits	<u>2,071,816</u>	<u>1,979,114</u>
Total internally designated assets.....	<u>\$ 10,366,111</u>	<u>9,307,439</u>
Total restricted and internally designated assets consist of:		
Cash and cash equivalents	\$ 33,068,657	32,705,933
Accrued interest receivable	<u>0</u>	<u>11,993</u>
Total restricted and internally designated funds	<u>\$ 33,068,657</u>	<u>32,717,926</u>

NOTE 4 – ACCOUNTS RECEIVABLE

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

	September 30,	
	2009	2008
Accounts receivable.....	\$ 5,787,893	3,535,792
Reserve for uncollectible accounts	<u>(403,800)</u>	<u>(191,800)</u>
Total accounts receivable, net	<u>\$ 5,384,093</u>	<u>3,343,992</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)
September 30, 2009 and 2008
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
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NOTE 5 – UTILITY PLANT

A summary of utility plant at September 30, 2009 and 2008 is as follows:

	Electric	Water	Reclamation	Common	Communications	Total September 30, 2009
Land and land rights	\$ 1,679,978	483,946	364,167	743,588	--	3,271,679
Structures and improvements	8,655,804	6,698,103	15,327,136	3,866,035	--	34,547,078
Production and treatment plant.....	26,217,596	7,255,016	14,194,121	--	--	47,666,733
Transmission, distribution, and collection and treatment plant.....	57,513,694	37,171,652	38,952,037	--	--	133,637,383
Other general plant and equipment.....	<u>3,224,695</u>	<u>1,478,701</u>	<u>2,313,689</u>	<u>5,504,618</u>	--	<u>12,521,703</u>
	97,291,767	53,087,418	71,151,150	10,114,241	--	231,644,576
Accumulated depreciation	<u>(53,936,979)</u>	<u>(17,908,251)</u>	<u>(21,297,207)</u>	<u>(4,917,625)</u>	--	<u>(98,060,062)</u>
	43,354,788	35,179,167	49,853,943	5,196,616	--	133,584,514
Construction in progress	144,912	2,515,242	49,600	949,944	--	3,659,698
Plant held for future use.....	7,467,493	--	--	--	--	7,467,493
Nuclear fuel, net of amortization.....	<u>716,096</u>	--	--	--	--	<u>716,096</u>
Utility plant, net	<u>\$51,683,289</u>	<u>37,694,409</u>	<u>49,903,543</u>	<u>6,146,560</u>	--	<u>145,427,801</u>

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

Depreciation expense totaled \$6,380,923 and \$6,324,910 for 2009 and 2008, respectively. There was \$393,000 and \$111,050 capitalized interest costs, net of interest earnings of \$-0- and \$ 197,891 , associated with expansion and improvements made to utility plant for the fiscal years ended September 30, 2009 and 2008, respectively.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

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New Smyrna Beach, Florida

A summary of capital assets activity for the year ended September 30, 2009 is as follows:

	Beginning of Year	Acquisitions	Disposals	End of Year
Capital assets, not being depreciated:				
Land and land rights.....	\$ 3,271,679	--	--	3,271,679
Construction in progress	5,158,170	5,268,117	(6,766,589)	3,659,698
Plant held for future use	7,467,493	--	--	7,467,493
Nuclear fuel, net of amortization.....	<u>418,644</u>	<u>446,162</u>	<u>(148,710)</u>	<u>716,096</u>
Total capital assets, not being depreciated	<u>16,315,986</u>	<u>5,714,279</u>	<u>(6,915,299)</u>	<u>15,114,966</u>
Capital assets, being depreciated:				
Structures and improvements	32,854,619	1,854,627	(162,168)	34,547,078
Production and treatment plant	46,943,470	773,258	(49,995)	47,666,733
Transmission, distribution, and collection and treatment plant	130,424,969	3,577,130	(364,716)	133,637,383
Other general plant and equipment	<u>12,960,937</u>	<u>356,684</u>	<u>(795,918)</u>	<u>12,521,703</u>
	<u>223,183,995</u>	<u>6,561,699</u>	<u>(1,372,797)</u>	<u>228,372,897</u>
Less accumulated depreciation for:				
Structures and improvements	(12,468,874)	(744,800)	111,991	(13,101,683)
Production and treatment plant	(20,304,268)	(1,953,516)	33,914	(22,223,870)
Transmission, distribution, and collection and treatment plant	(51,249,617)	(2,726,935)	297,767	(53,678,785)
Other general plant and equipment	<u>(8,689,631)</u>	<u>(955,672)</u>	<u>589,579</u>	<u>(9,055,724)</u>
Total accumulated depreciation	<u>(92,712,390)</u>	<u>(6,380,923)</u>	<u>1,033,251</u>	<u>(98,060,062)</u>
Total capital assets, being depreciated, net	<u>130,471,605</u>	<u>180,776</u>	<u>(339,546)</u>	<u>130,312,835</u>
Total capital assets, net	<u>\$ 146,787,591</u>	<u>5,895,055</u>	<u>(7,254,845)</u>	<u>145,427,801</u>

NOTE 6 – DECOMMISSIONING AND ASSET RETIREMENT OBLIGATION PROVISIONS

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

Based on the 2005 cost factors, the Utilities Commission's capitalized asset retirement costs were \$724,774 and \$752,650, net of accumulated depreciation of \$3,025,117 and \$2,997,241, as of September 30, 2009 and 2008, respectively. Depreciation of the asset retirement costs is calculated using a straight-line method over the remaining license period. Annual depreciation expense related to the asset retirement costs is \$27,876 and \$27,876 for 2009 and 2008, respectively, which is included in total depreciation expense. A

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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corresponding asset retirement obligation related to the legal requirement of decommissioning the Utilities Commission’s interest in the Crystal River Unit 3 nuclear generation facility amounted to \$4,387,851 and \$4,245,182, as of September 30, 2009 and 2008, respectively. The accretion period for this obligation is consistent with the plant’s license period. Accretion expense was \$142,669 and \$138,031 for 2009 and 2008, respectively.

The Utilities Commission maintains a separate restricted cash account for accumulating funds to pay the asset retirement obligation at the time of the plant’s license expiration. Based on the most recent available information on the funding progress provided by Progress Energy Florida, Inc., the Utilities Commission’s balance of funds held in the CR3 Decommissioning Fund exceeded the estimated level of funding needed as of December 31, 2008. Management believes that the plant decommissioning costs being recovered through the Utilities Commission’s present electric utility rate structure are currently sufficient to provide for the future payments to liquidate the asset retirement obligation.

NOTE 7 – NET ASSETS

Net assets represent the difference between assets and liabilities. The following is a summary of the individual components of the Utilities Commission’s net assets at September 30, 2009 and 2008:

	September 30,	
	2009	2008
Invested in utility plant, net of related debt:		
Net utility plant.....	\$ 145,427,801	146,787,591
Add: Unamortized debt expense.....	269,585	283,436
Less: Revenue certificates payable (net), excluding unspent proceeds of \$-0-, 2009 and \$6,444,971 , 2008.....	(55,058,927)	(34,436,706)
Notes payable (net)	<u>(10,884,945)</u>	<u>(28,331,761)</u>
	<u>79,753,514</u>	<u>84,302,560</u>
Restricted:		
Debt service sinking and reserves	491,019	580,798
Renewal and replacement.....	10,730,287	4,195,295
CR3 nuclear generation facility decommissioning funds.....	3,755,639	3,626,928
Developer infrastructure escrow	<u>1,445,587</u>	<u>1,468,220</u>
	<u>16,422,532</u>	<u>9,871,241</u>
Unrestricted net assets	<u>11,755,757</u>	<u>11,384,652</u>
Total net assets	<u>\$ 107,931,803</u>	<u>105,558,453</u>

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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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repairs to the combined system, and if necessary, for operating expenses. If not needed for these purposes, the moneys in the Renewal and Replacement Fund may also be used for any lawful purpose.

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

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

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

NOTE 8 – LONG-TERM DEBT

A summary of long-term debt outstanding at September 30, 2009 and 2008 is as follows:

	September 30,	
	2009	2008
Utilities System Refunding Revenue Certificates, Series 1993 4.75% due serially to 2011; called for redemption on October 1, 2002, with \$1,245,000 (5.00%) and \$1,285,000 (5.00%) term bonds due in 2018 and 2019, respectively	\$ --	2,530,000
Utilities System Refunding Revenue Certificates, Series 2002 2.75% to 5.00% due serially to 2017.....	24,495,000	27,590,000
Utilities System Refunding Revenue Certificates, Series 2004A 2.895% due serially to 2011	550,000	1,165,000
Utilities System Refunding Revenue Certificates, Series 2007 3.93% due serially to 2027	10,000,000	10,000,000
Utilities System Refunding Revenue Certificates, Series 2009 3.96% due serially to 2020	<u>20,250,000</u>	<u>--</u>
Total utilities revenue certificates outstanding.....	<u>55,295,000</u>	<u>41,285,000</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

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	September 30,	
	2009	2008
Less current maturities:		
Series 2002 Certificates.....	\$ (3,195,000)	(3,095,000)
Series 2004A Certificates.....	(430,000)	(305,000)
Series 2009 Certificates.....	<u>(900,000)</u>	<u>--</u>
	<u>(4,525,000)</u>	<u>(3,400,000)</u>
Long-term certificate debt.....	50,770,000	37,885,000
Plus: unamortized debt premium.....	141,171	206,282
Less: deferred amount on advance refunding.....	(377,244)	(563,894)
unamortized debt discount	<u>--</u>	<u>(45,711)</u>
Net long-term certificate debt	<u>50,533,927</u>	<u>37,481,677</u>
Notes Payable:		
State Revolving Fund Loan		
Construction loans consisting of \$5,328,686, bearing interest at 3.22% per annum, \$1,110,551, bearing interest at 3.18% per annum, and \$4,445,708 bearing interest at 3.11% per annum; payable in equal semi-annual payments of \$639,359, and maturing in August, 2019.....	10,884,945	11,796,761
\$12,200,000 payable to Florida Municipal Power Agency, as agent for Initial Pooled Loan Project, at a variable interest rate; interest payable monthly with annual principal payments over 20 year term; repayment commencing on April 1, 2001 and maturing in April 2020.....	--	8,705,000
\$3,000,000 payable to Florida Municipal Power Agency, as agent for Initial Pooled Loan Project, at a variable interest rate; interest payable monthly with annual principal payments over 20 year term; repayment commencing on October 1, 2001 and maturing in October 2020.....	--	2,177,000
\$9,050,000 payable to Florida Municipal Power Agency, as agent for Initial Pooled Loan Project, at a variable interest rate; interest payable monthly with annual principal payments over 20 year term; repayment commencing on December 1, 2001 and maturing in December 2020.....	<u>--</u>	<u>5,653,000</u>
Total notes payable	<u>10,884,945</u>	<u>28,331,761</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

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Less current maturities:		
State Revolving Fund Loan.....	\$ (940,958)	(911,816)
FMPA Pooled loans	<u> --</u>	<u>(1,041,000)</u>
	<u>(940,958)</u>	<u>(1,952,816)</u>
Long-term portion of note payable	<u>9,943,987</u>	<u>26,378,945</u>
Total long-term debt, net.....	<u>\$ 60,477,914</u>	<u>63,860,622</u>

A summary of borrowings and debt service activity for the year ended September 30, 2009 is as follows:

	Beginning of Year	Borrowings	Maturities / Redemptions	End of Year
Utilities revenue certificates	\$ 41,285,000	20,250,000	(6,240,000)	55,295,000
Notes payable	<u>28,331,761</u>	<u> --</u>	<u>(17,446,816)</u>	<u>10,884,945</u>
Total outstanding debt	<u>\$ 69,616,761</u>	<u>20,250,000</u>	<u>(23,686,816)</u>	<u>66,179,945</u>

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

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

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

"Any holder of certificates or any coupons appertaining thereto issued under the provision hereof or any trustee acting for the holders of such certificates may by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under the laws of the State of Florida, or granted and contained herein, and may enforce and compel the performance of all duties herein required or by any applicable statutes to be performed by the Commission or by

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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any officer thereof. Nothing herein, however, shall be construed to grant to any holder of the certificates any lien on any real property of the Commission or the City."

The notes payable to the State of Florida, Department of Environmental Protection and State Revolving Fund Loan are secured by pledged revenues of the Utilities Commission; however, the lien on the pledged revenues is subordinate to the right of payment and security to the Revenue Certificates Payable – Series 2002, 2004A, 2007, and 2009.

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

Fiscal Year Ending September 30,	Revenue Certificates		Notes Payable SRF Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 4,525,000	2,184,115	940,959	337,759	5,465,959	2,521,874
2011	4,580,000	2,012,490	971,031	307,687	5,551,031	2,320,177
2012	4,970,000	1,774,633	1,002,065	276,653	5,972,065	2,051,286
2013	5,300,000	1,520,032	1,034,092	244,626	6,334,092	1,764,658
2014	5,715,000	1,254,683	1,067,142	211,576	6,782,142	1,466,259
2015-2019	21,510,000	4,159,399	5,869,656	523,933	27,379,656	4,683,332
2020-2024	5,865,000	1,074,747	-	-	5,865,000	1,074,747
2025-2027	<u>2,830,000</u>	<u>225,779</u>	<u>-</u>	<u>-</u>	<u>2,830,000</u>	<u>225,779</u>
Totals	<u>\$ 55,295,000</u>	<u>14,205,878</u>	<u>10,884,945</u>	<u>1,902,234</u>	<u>66,179,945</u>	<u>16,108,112</u>

NOTE 9 – PRIOR YEARS' DEFEASANCE OF DEBT

In prior years, the Utilities Commission defeased certain of its outstanding utilities revenue certificates (and certain general obligation bonds of the City of New Smyrna Beach, Florida), originally issued for the System and payable from revenues derived from the operation of the utilities systems by placing the proceeds of new certificates in irrevocable trusts to provide for all future debt service payments on the defeased certificates/bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the accompanying financial statements. As of September 30, 2009, all prior year outstanding and defeased bonds have been called and redeemed.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

NOTE 10 – COMPENSATED ABSENCES

Compensated absences due and payable within one-year are reported in the caption accrued liabilities amounted to \$457,783 and \$458,462 as of September 30, 2009 and 2008, respectively. The balances of compensated absences due beyond one year are estimated to be equal to the current amounts due and are reported separately on the balance sheet. The changes in compensated absences for the year ended September 30, 2009 are as follows:

	Beginning of Year	Additions	Deletions	End of Year
Due and payable within one year	\$ 458,462	65,803	(66,482)	457,783
Deferred portion	<u>458,462</u>	<u>65,803</u>	<u>(66,482)</u>	<u>457,783</u>
Total compensated absences.....	<u>\$ 916,924</u>	<u>131,606</u>	<u>(132,964)</u>	<u>915,566</u>

NOTE 11 – REQUIRED PAYMENT TO CITY

The legislation that created the Utilities Commission requires it to pay to the general fund of the City of New Smyrna Beach a sum equal to six percent (6%) of the gross revenues from utilities under Utilities Commission control. This payment is subordinate to the debt service requirement of all utilities revenue certificates and is recorded as a quasi-external transaction for financial reporting purposes. Amounts paid to the City for the years ended September 30, 2009 and 2008 totaled \$3,601,594 and \$3,612,294, respectively. The balances payable to the City at September 30, 2009 and 2008, totaled \$368,553 and \$337,961, respectively.

NOTE 12 – EMPLOYEE PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

A. Defined Benefit Pension Plan

Plan Description. The Utilities Commission contributes to the Florida (public employee) Retirement System of the State of Florida (the “FRS”), a cost-sharing, multiple-employer defined benefit pension plan created in December, 1970, that acts as a common investment and administrative agent for municipalities and other qualifying political subdivisions in the State of Florida for all regular full-time and regular part-time employees that were employed prior to January 1, 1996. The pension plan, which is administered by the State of Florida, Department of Administration, Division of Retirement, provides retirement and disability benefits and death benefits to plan members and beneficiaries. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The FRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Florida Retirement System, Department of Administration, Division of Retirement, Cedars Executive Center, Building C, 2639 North Monroe Street, Tallahassee, FL 32399-1560.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

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

The Utilities Commission made the required contributions to the plan for the fiscal years ended September 30, 2009, 2008, and 2007, as follows: \$340,644, \$359,607, and \$345,008, respectively. The employer contribution rates for FRS members (which are examined and amended each year on July 1st) were as follows:

Plan year beginning June 30, 2009	9.85%
Plan year beginning June 30, 2008	9.85%
Plan year beginning June 30, 2007	9.85%

There were no employee contributions made during these years.

B. Defined Contribution Plan

The Utilities Commission contributes to the Utilities Commission of New Smyrna Beach Retirement Plan, a defined contribution plan administered by the Principal Mutual Life Insurance Company, P. O. Box 9396, Des Moines, IA 50306-9396. Under Resolution No. 54-95, the Utilities Commission established this plan for all regular full time and regular part time employees hired on or after January 1, 1996, by revoking its participation in the Florida Retirement System pursuant to Chapter 95-338, Laws of Florida with respect to such employees. All qualifying employees at least 18 years of age participate in the plan on the date of employment. Normal retirement and disability benefits are available after 5 years of service and attaining age 62. Early retirement and disability benefits are available after 5 years of service and attaining age 55. Employer contributions to the plan are 8% of the gross employee wages. Employees may make supplemental contributions to the extent permitted by law. Employer contributions to the plan were \$437,380, \$351,912, and \$341,195, for the years ended September 30, 2009, 2008, and 2007, respectively. There were no employee contributions made during these years.

Pursuant to a contract of employment, the Utilities Commission offers its current General Manager/Chief Executive Officer participation in the Utilities Commission of New Smyrna Beach Retirement Plan, the same defined contribution plan administered by the Principal Mutual Life Insurance Company. Employer contributions to the plan are 16% of the CEO's gross salary. The CEO may make supplemental contributions to plan to the extent permitted by law. Employer contributions to the plan were \$33,861 and \$26,163 for the years ended September 30, 2009 and 2008, respectively. There were no employee contributions made during these years.

C. Other Post-Employment Benefits (OPEB)

Plan Description. Utilities Commission, City of New Smyrna Beach, Florida Other Postemployment Benefits Plan (UCOPEB Plan) is a single-employer healthcare plan administered by the Utilities

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Commission. Pursuant to Section 112.0801, Florida Statutes, the Utilities Commission is required to permit participation in the UCOPEB Plan to retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Eligible individuals include all regular employees of the Utilities Commission who retire from active service under one of the pension plans sponsored by the Utilities Commission. Under certain conditions, eligible individuals also include spouses and dependent children. The Plan does not issue a publicly available financial report.

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

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

Annual required contribution (ARC)	\$ 72,041
Interest on the net OPEB obligation	0
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost (expense).....	72,041
Estimated net contributions made.....	<u>(30,478)</u>
Increase in net OPEB obligation.....	41,563
Net OPEB obligation-beginning of year.....	<u>0</u>
Net OPEB obligation-end of year	<u>\$ 41,563</u>

The Utilities Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/07	N/A	N/A	N/A
09/30/08	N/A	N/A	N/A
09/30/09	\$72,041	42.3%	\$41,563

Funded Status and Funding Progress. As of October 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$610,483, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$610,483. The covered

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

payroll (annual payroll of active employees covered under the plan) was \$8,741,419, and the ratio of the UAAL to the covered payroll was 7.0%.

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

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

In the October 1, 2008 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 5% percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9% percent initially, reduced by decrements to an ultimate rate of 5% in 2013. If, and when, funded, the actuarial value of assets will be determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll (closed amortization over 30 years).

NOTE 13 – DEFERRED EMPLOYEE BENEFITS

A. IRC Section 457 Plan

The Utilities Commission also provides its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of this plan are administered by the International City Managers Association Retirement Corporation. Annual contributions, determined by the participant, may not exceed the lesser of \$15,500 or 100% of gross annual compensation for plan years beginning in 2008. Deferred compensation withheld from a participating employee's pay is not taxable as current income until withdrawn from the plan. Such compensation is not available to the employees until employment termination, retirement, or death. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. Employee contributions to the plan were \$642,333 for the year ended September 30, 2009.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

NOTE 14 – DEPARTMENTAL INFORMATION

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

	Electric System	Water System	Reclamation System	Internet System	Communi- cations System	Total
Operating revenue.....	\$ 42,607,585	6,804,677	7,393,744	131,288	-	56,937,294
Depreciation.....	3,085,391	1,254,566	1,922,580	-	118,386	6,380,923
Required payments to City.....	2,758,740	395,233	439,740	7,881	-	3,601,594
Operating income (loss).....	3,173,143	436,958	737,913	(91,134)	(290,964)	3,965,916
Income (loss) before contributions....	2,269,507	(65,435)	(70,761)	(91,134)	(290,964)	1,751,213
Capital contributions.....	157,893	267,227	197,017	-	-	622,137
Change in net assets.....	2,427,400	201,792	126,256	(91,134)	(290,964)	2,373,350
Utility plant acquisitions.....	2,075,678	2,920,284	336,318	-	-	5,332,280
Utility plant retirements.....	635,229	554,292	183,276	-	-	1,372,797
Revenue certificates payable.....	22,544,762	20,052,778	12,461,387	-	-	55,058,927
Notes payable.....	-	-	10,884,945	-	-	10,884,945
Net assets.....	46,172,760	35,400,388	37,089,289	(332,175)	(10,398,459)	107,931,803
Total assets.....	78,988,154	52,083,051	62,593,832	-	-	193,665,037

NOTE 15 – LEGAL MATTERS

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

NOTE 16 – COMMITMENTS

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

A reliability exchange agreement provides for FMPA exchanging 50% of its share of the output from St. Lucie No. 2 for a like amount from FPL's exclusively owned St. Lucie No. 1 to mitigate the potential for economic loss resulting from the extended or permanent outage or early retirement of St. Lucie No. 2. The Utilities Commission, as a participant, has also entered into a power sales contract which requires payment on a “take-and-pay” basis for its entitlement share of the project capability for the St. Lucie Project for each month during any portion of which electric capacity and electric energy are available to the Utilities Commission from the St. Lucie Project, including electric capacity and electric energy under the reliability exchange agreement with FPL. In the event payment is not required for any month under the power sales contract, the Utilities Commission is required to make payment for such month under its project support

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

contract on a “take-or-pay” basis. The payment under the project support contract would be the amount the Utilities Commission would have been required to pay under its power sales contract for such month if any electric capacity and electric energy from the St. Lucie Project had been made available to them. As a result of these agreements, the Utilities Commission is obligated to provide payments of approximately \$3.0 million annually.

As of September 30, 2009, the Utilities Commission had additional unrecognized construction contract commitments of approximately \$3.3 million for utility plant expansion and upgrading.

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

NOTE 17 – SUBSEQUENT EVENTS

In preparing these financial statements, the Utilities Commission has evaluated events and transactions for potential recognition or disclosure through January 21, 2010, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION



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REQUIRED SUPPLEMENTAL INFORMATION-
SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS
For the Fiscal Years Ended September 30, 2009 and 2008
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
New Smyrna Beach, Florida

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (Entry Age) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/1/2008	\$ -	\$ 610,483	\$ 610,483	0.00%	\$ 8,741,419	7.0%
10/1/2007	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2006	N/A	N/A	N/A	N/A	N/A	N/A

Based on Actuarial Valuation Dated 10/01/2008



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OTHER SUPPLEMENTARY INFORMATION

THIS SECTION IS COMPOSED OF THE FOLLOWING:

SUPPLEMENTAL DETAIL FINANCIAL INFORMATION OF THE:

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

STATISTICAL SECTION

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

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

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

For the Fiscal Year Ended September 30, 2009

With Comparative Actual Amounts for the Fiscal Year Ended September 30, 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Electric	Water
Operating Revenue:		
Sales.....	\$ 42,145,939	6,478,906
Other revenues.....	<u>461,646</u>	<u>325,771</u>
Total operating revenue.....	<u>42,607,585</u>	<u>6,804,677</u>
Operating Expenses:		
Purchased power and fuel expenses.....	22,173,197	-
Other production expenses.....	4,011,224	1,790,909
Transmission, distribution, and sewage collection and treatment.....	2,754,949	940,894
Customer accounting.....	928,620	284,267
Administrative and general.....	3,722,321	1,701,850
Required payments to City of New Smyrna Beach.....	2,758,740	395,233
Depreciation.....	<u>3,085,391</u>	<u>1,254,566</u>
Total operating expenses.....	<u>39,434,442</u>	<u>6,367,719</u>
Operating income.....	<u>3,173,143</u>	<u>436,958</u>
Nonoperating Revenue (Expenses):		
Interest earnings.....	80,180	18,320
Other income.....	449,734	72,239
Interest and debt expense.....	(1,186,168)	(442,110)
Other expenses.....	(79,226)	(24,767)
Gain (loss) on disposal of assets.....	<u>(168,156)</u>	<u>(126,075)</u>
Total nonoperating revenue (expenses).....	<u>(903,636)</u>	<u>(502,393)</u>
Income (loss) before contributions.....	2,269,507	(65,435)
Capital contributions.....	<u>157,893</u>	<u>267,227</u>
Change in net assets.....	2,427,400	201,792
Net assets, beginning of year.....	<u>43,745,360</u>	<u>35,198,596</u>
Net assets, end of year.....	<u>\$ 46,172,760</u>	<u>35,400,388</u>

Schedule 1

Reclamation	Internet	Communications	Totals	
			2009	2008
7,390,058	131,288	-	56,146,191	62,297,291
<u>3,686</u>	<u>-</u>	<u>-</u>	<u>791,103</u>	<u>624,909</u>
<u>7,393,744</u>	<u>131,288</u>	<u>-</u>	<u>56,937,294</u>	<u>62,922,200</u>
-	-	-	22,173,197	28,018,777
-	510	-	5,802,643	6,433,609
2,735,349	-	-	6,431,192	6,499,601
25,461	-	-	1,238,348	1,086,447
1,532,701	214,031	172,578	7,343,481	7,025,702
439,740	7,881	-	3,601,594	3,612,294
<u>1,922,580</u>	<u>-</u>	<u>118,386</u>	<u>6,380,923</u>	<u>6,324,910</u>
<u>6,655,831</u>	<u>222,422</u>	<u>290,964</u>	<u>52,971,378</u>	<u>59,001,340</u>
<u>737,913</u>	<u>(91,134)</u>	<u>(290,964)</u>	<u>3,965,916</u>	<u>3,920,860</u>
17,972	-	-	116,472	627,068
23,437	-	-	545,410	544,186
(776,010)	-	-	(2,404,288)	(2,635,048)
(28,759)	-	-	(132,752)	(124,182)
<u>(45,314)</u>	<u>-</u>	<u>-</u>	<u>(339,545)</u>	<u>(115,037)</u>
<u>(808,674)</u>	<u>-</u>	<u>-</u>	<u>(2,214,703)</u>	<u>(1,703,013)</u>
(70,761)	(91,134)	(290,964)	1,751,213	2,217,847
<u>197,017</u>	<u>-</u>	<u>-</u>	<u>622,137</u>	<u>3,847,167</u>
126,256	(91,134)	(290,964)	2,373,350	6,065,014
<u>36,963,033</u>	<u>(241,041)</u>	<u>(10,107,495)</u>	<u>105,558,453</u>	<u>99,493,439</u>
<u>37,089,289</u>	<u>(332,175)</u>	<u>(10,398,459)</u>	<u>107,931,803</u>	<u>105,558,453</u>

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

Schedule 2

For the Fiscal Year Ended September 30, 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Final Budget	Actual	Variance
Revenue and Receipts:			
Direct Sales:			
Electric sales.....	\$ 48,267,835	42,145,939	(6,121,896)
Other revenues.....	362,478	461,646	99,168
Nonoperating revenue (expenses):			
Interest earnings.....	396,071	80,180	(315,891)
Other revenues (expenses).....	421,787	370,508	(51,279)
Capital contributions.....	225,000	157,893	(67,107)
	<u>49,673,171</u>	<u>43,216,166</u>	<u>(6,457,005)</u>
Operating Expenses:			
Purchased power and fuel expenses.....	26,250,100	22,173,197	4,076,903
Power production.....	4,662,270	4,011,224	651,046
Transmission and distribution.....	3,108,300	2,754,949	353,351
Customer accounting.....	963,375	928,620	34,755
Administrative and general.....	4,511,085	3,722,321	788,764
Required payments to the City of New Smyrna Beach.....	2,910,267	2,758,740	151,527
	<u>42,405,397</u>	<u>36,349,051</u>	<u>6,056,346</u>
Net revenue and receipts.....	<u>7,267,774</u>	<u>6,867,115</u>	<u>(400,659)</u>
Operating Transfers In (Out):			
Sinking Fund - 1993 Certificates.....	(67,412)	(56,551)	10,861
Sinking Fund - 2002 Certificates.....	(2,122,331)	(2,122,331)	-
Sinking Fund - 2004A Certificates.....	(305,339)	(305,503)	(164)
Sinking Fund - 2009 Certificates.....	-	(282,069)	(282,069)
Debt Reduction Fund - required contribution.....	(119,627)	(119,627)	-
Sinking Fund - FMPA Pooled Loans.....	(1,621,734)	(583,836)	1,037,898
CR3 Decommissioning Fund.....	-	(26,076)	(26,076)
Renewal and Replacement Funds.....	(3,031,331)	(3,229,465)	(198,134)
	<u>(7,267,774)</u>	<u>(6,725,458)</u>	<u>542,316</u>
Budgeted net cash receipts.....	<u>\$ -</u>	141,657	<u>141,657</u>
Reconciliation of Net Cash Receipts to Net Income (GAAP):			
Principal portion of required Sinking Fund transfers.....		2,335,074	
Net transfers to Renewal and Replacement Fund.....		3,229,465	
Net transfers to Debt Reduction Fund.....		119,627	
Net transfers to CR3 Decommissioning Fund.....		26,076	
Gain (loss) on disposal of property and equipment.....		(168,156)	
Depreciation.....		(3,085,391)	
Accretion.....		(142,669)	
Amortization of debt expense and loss on refunding.....		<u>(28,283)</u>	
Change in net assets.....		<u>\$ 2,427,400</u>	

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS -
 BUDGET AND ACTUAL - WATER SYSTEM (NON-GAAP BUDGETARY BASIS)**
 For the Fiscal Year Ended September 30, 2009
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 New Smyrna Beach, Florida

Schedule 3

	Final Budget	Actual	Variance
Revenue and Receipts:			
Direct Sales:			
Water sales.....	\$ 7,190,517	6,478,906	(711,611)
Other revenues.....	225,180	325,771	100,591
Nonoperating revenue (expenses):			
Interest earnings.....	189,209	18,320	(170,889)
Other revenues (expenses).....	153,135	47,472	(105,663)
Capital contributions.....	914,840	267,227	(647,613)
	<u>8,672,881</u>	<u>7,137,696</u>	<u>(1,535,185)</u>
Operating Expenses:			
Water production.....	1,929,625	1,790,909	138,716
Transmission and distribution.....	950,000	940,894	9,106
Customer accounting.....	295,435	284,267	11,168
Administrative and general.....	2,030,408	1,701,850	328,558
Required payments to the City of New Smyrna Beach.....	441,412	395,233	46,179
	<u>5,646,880</u>	<u>5,113,153</u>	<u>533,727</u>
Net revenue and receipts.....	<u>3,026,001</u>	<u>2,024,543</u>	<u>(1,001,458)</u>
Operating Transfers In (Out):			
Sinking Fund - 1993 Certificates.....	(43,592)	(36,569)	7,023
Sinking Fund - 2002 Certificates.....	(1,182,117)	(1,182,117)	-
Sinking Fund - 2004A Certificates.....	(208,950)	(209,062)	(112)
Sinking Fund - 2009 Certificates.....	-	(87,360)	(87,360)
Debt Reduction Fund - required contribution.....	(66,631)	(66,631)	-
Sinking Fund - FMPA Pooled Loans.....	(100,745)	(17,210)	83,535
Series 2007 Certificates Project Account.....	(393,000)	-	393,000
Renewal and Replacement Funds - required contribution....	(116,126)	(232,117)	(115,991)
Renewal and Replacement Funds - restricted contribution...	(914,840)	(144,316)	770,524
	<u>(3,026,001)</u>	<u>(1,975,382)</u>	<u>1,050,619</u>
Budgeted net cash receipts.....	<u>\$ -</u>	49,161	<u>49,161</u>
Reconciliation of Net Cash Receipts to Net Income (GAAP):			
Principal portion of required Sinking Fund transfers.....		1,109,282	
Net transfers to Renewal and Replacement Fund.....		376,433	
Net transfers to Debt Reduction Fund.....		66,631	
Gain (loss) on disposal of property and equipment.....		(126,075)	
Depreciation.....		(1,254,566)	
Amortization of debt expense and loss on refunding.....		(19,074)	
Change in net assets.....		<u>\$ 201,792</u>	

SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS - Schedule 4
BUDGET AND ACTUAL - RECLAMATION SYSTEM (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended September 30, 2009
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
New Smyrna Beach, Florida

	Final Budget	Actual	Variance
Revenue and Receipts:			
Direct Sales:			
Reclamation sales.....	\$ 7,815,229	7,390,058	(425,171)
Other revenues.....	61,473	3,686	(57,787)
Nonoperating revenue (expenses):			
Interest earnings.....	151,185	17,972	(133,213)
Other revenues (expenses).....	45,919	(5,322)	(51,241)
Capital contributions.....	588,530	197,017	(391,513)
	<u>8,662,336</u>	<u>7,603,411</u>	<u>(1,058,925)</u>
Operating Expenses:			
Collection and treatment system.....	2,605,704	2,735,349	(129,645)
Customer accounting.....	25,690	25,461	229
Administrative and general.....	1,683,598	1,532,701	150,897
Required payments to the City of New Smyrna Beach.....	469,109	439,740	29,369
	<u>4,784,101</u>	<u>4,733,251</u>	<u>50,850</u>
Net revenue and receipts.....	<u>3,878,235</u>	<u>2,870,160</u>	<u>(1,008,075)</u>
Operating Transfers In (Out):			
Bond/loan proceeds.....	2,988,000	-	(2,988,000)
Sinking Fund - 1993 Certificates.....	(15,496)	(13,000)	2,496
Sinking Fund - 2002 Certificates.....	(977,034)	(977,034)	-
Sinking Fund - 2004A Certificates.....	(130,022)	(130,092)	(70)
Sinking Fund - 2009 Certificates.....	-	(187,359)	(187,359)
Debt Reduction Fund - required contribution.....	(55,072)	(55,071)	1
Sinking Fund - FMPA Pooled Loans.....	(128,220)	(21,903)	106,317
Sinking Fund - State Revolving Fund Loan.....	(1,278,718)	(1,277,579)	1,139
Renewal and Replacement Funds - required contribution....	(3,693,143)	(25,198)	3,667,945
Renewal and Replacement Funds - restricted contribution...	(588,530)	(156,445)	432,085
	<u>(3,878,235)</u>	<u>(2,843,681)</u>	<u>1,034,554</u>
Budgeted net cash receipts.....	<u>\$ -</u>	<u>26,479</u>	<u>26,479</u>
Reconciliation of Net Cash Receipts to Net Income (GAAP):			
Principal portion of required Sinking Fund transfers.....		1,863,370	
Net transfers to Renewal and Replacement Fund.....		181,643	
Net transfers to Debt Reduction Fund.....		55,071	
Gain (loss) on disposal of property and equipment.....		(45,314)	
Depreciation.....		(1,922,580)	
Amortization of debt expense and loss on refunding.....		(32,413)	
Change in net assets.....		<u>\$ 126,256</u>	

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

Schedule 5

For the Fiscal Year Ended September 30, 2009

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Final Budget	Actual	Variance
Revenue and Receipts:			
Direct Sales:			
Internet sales.....	\$ 205,000	131,288	(73,712)
Nonoperating revenue (expenses):			
Other revenues (expenses).....	-	-	-
	<u>205,000</u>	<u>131,288</u>	<u>(73,712)</u>
Operating Expenses:			
Other production.....	-	510	(510)
Administrative and general.....	254,138	214,031	40,107
Required payments to the City of New Smyrna Beach.....	<u>12,300</u>	<u>7,881</u>	<u>4,419</u>
	<u>266,438</u>	<u>222,422</u>	<u>44,016</u>
	-		
Net revenue and receipts.....	(61,438)	(91,134)	(29,696)
Operating Transfers In (Out):			
Appropriated retained earnings.....	<u>61,438</u>	-	<u>(61,438)</u>
	-	<u>(91,134)</u>	<u>(91,134)</u>
Reconciliation of Net Cash Receipts to Net Income (GAAP):			
Depreciation.....		-	
Change in net assets.....		<u>\$ (91,134)</u>	

SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS - Schedule 6
BUDGET AND ACTUAL - COMMUNICATIONS SYSTEM (NON-GAAP BUDGETARY BASIS)
 For the Fiscal Year Ended September 30, 2009
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 New Smyrna Beach, Florida

	Final Budget	Actual	Variance
Revenue and Receipts:			
Nonoperating revenue (expenses):			
Other revenues (expenses).....	\$ -	-	-
Operating Expenses:			
Administrative and general.....	-	172,578	(172,578)
Required payments to the City of New Smyrna Beach.....	-	-	-
	<u>-</u>	<u>172,578</u>	<u>(172,578)</u>
Budgeted net cash receipts.....	<u>\$ -</u>	(172,578)	<u>(172,578)</u>
Reconciliation of Net Cash Receipts to Net Income (GAAP):			
Depreciation.....		<u>(118,386)</u>	
Change in net assets.....		<u>\$ (290,964)</u>	

**SCHEDULE OF OPERATING EXPENSES-
ELECTRIC SYSTEM**

Schedule 7

For the Fiscal YearS Ended September 30, 2009 and 2008
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 New Smyrna Beach, Florida

	2009	2008
Operating Expenses:		
Purchased power and fuel:		
Nuclear fuel	\$ 1,020,875	1,239,905
Diesel fuel	10,492	49,075
Purchased power	<u>21,141,830</u>	<u>26,729,797</u>
	<u>22,173,197</u>	<u>28,018,777</u>
Power production:		
Nuclear power generation	2,911,094	3,767,226
Diesel power generation	284,027	254,085
System control and load dispatching	<u>816,103</u>	<u>661,344</u>
	<u>4,011,224</u>	<u>4,682,655</u>
Transmission and distribution	2,754,949	2,884,549
Customer accounting	928,620	812,724
Administrative and general	3,722,321	3,488,280
Required payments to the City of New Smyrna Beach	2,758,740	2,763,854
Depreciation.....	<u>3,085,391</u>	<u>3,015,390</u>
Total operating expenses	<u>\$ 39,434,442</u>	<u>45,666,229</u>

**SCHEDULE OF OPERATING EXPENSES-
WATER SYSTEM**

Schedule 8

For the Fiscal YearS Ended September 30, 2009 and 2008
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
New Smyrna Beach, Florida

	2009	2008
Operating Expenses:		
Water production:		
Source of supply.....	\$ 567,934	549,877
Water treatment.....	<u>1,222,975</u>	<u>1,200,717</u>
	<u>1,790,909</u>	<u>1,750,594</u>
Transmission and distribution.....	940,894	1,006,435
Customer accounting.....	284,267	238,670
Administrative and general.....	1,701,850	1,660,313
Required payments to the City of New Smyrna Beach.....	395,233	395,640
Depreciation.....	<u>1,254,566</u>	<u>1,216,233</u>
Total operating expenses.....	<u>\$ 6,367,719</u>	<u>6,267,885</u>

**SCHEDULE OF OPERATING EXPENSES-
RECLAMATION SYSTEM**

Schedule 9

For the Fiscal YearS Ended September 30, 2009 and 2008
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
New Smyrna Beach, Florida

	2009	2008
Operating Expenses:		
Collection and treatment system:		
Collection expenses.....	\$ 466,527	386,787
Pumping expenses.....	577,524	488,647
Treatment and disposal.....	<u>1,691,298</u>	<u>1,733,183</u>
	<u>2,735,349</u>	<u>2,608,617</u>
Customer accounting.....	25,461	35,053
Administrative and general.....	1,532,701	1,513,518
Required payments to the City of New Smyrna Beach.....	439,740	441,572
Depreciation.....	<u>1,922,580</u>	<u>1,872,464</u>
Total operating expenses.....	<u>\$ 6,655,831</u>	<u>6,471,224</u>

**SCHEDULE OF OPERATING EXPENSES-
INTERNET SYSTEM**

Schedule 10

For the Fiscal YearS Ended September 30, 2009 and 2008
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
New Smyrna Beach, Florida

	2009	2008
Operating Expenses:		
Other production expenses.....	\$ 510	360
Administrative and general.....	214,031	363,591
Required payments to the City of New Smyrna Beach.....	<u>7,881</u>	<u>11,228</u>
Total operating expenses.....	<u>\$ 222,422</u>	<u>375,179</u>

**SCHEDULE OF OPERATING EXPENSES-
COMMUNICATIONS SYSTEM**

Schedule 11

For the Fiscal YearS Ended September 30, 2009 and 2008
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
New Smyrna Beach, Florida

	2009	2008
Operating Expenses:		
Administrative and general.....	\$ 172,578	-
Depreciation.....	<u>118,386</u>	<u>220,823</u>
Total operating expenses.....	<u>\$ 290,964</u>	<u>220,823</u>

SCHEDULE OF INTEREST EARNINGS**Schedule 12**

For the Fiscal YearS Ended September 30, 2009 and 2008

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2009	2008
Interest Earnings By Source:		
From Investments:		
Sinking funds.....	\$ 21,292	118,174
Renewal and replacement funds.....	35,084	247,978
Customers' deposits.....	13,334	97,916
CR3 nuclear decommissioning funds.....	26,076	108,700
Other.....	<u>20,686</u>	<u>54,300</u>
Total interest earnings.....	<u>\$ 116,472</u>	<u>627,068</u>
	-	
Interest Earnings By System:		
Electric system.....	\$ 80,180	392,960
Water system.....	18,320	127,001
Reclamation system.....	<u>17,972</u>	<u>107,107</u>
Total interest earnings.....	<u>\$ 116,472</u>	<u>627,068</u>

Schedule 13

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
REVENUE CERTIFICATES PAYABLE
 For the Fiscal Year Ended September 30, 2009
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 New Smyrna Beach, Florida

Payment Date	Utilities System Refunding Revenue Certificates Series 2002			Utilities System Refunding Revenue Certificates Series 2004A			Utilities System Revenue Certificates Series 2007			Utilities System Revenue Certificates Series 2009			Total Debt Service Requirements to Maturity -- All Certificates --			
	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements	
10/01/2009	\$ 3,195,000	\$ 543,241	\$ 3,738,241	\$ -	\$ -	\$ -	\$ -	\$ 196,500	\$ -	\$ 196,500	\$ -	\$ 200,475	\$ 3,195,000	\$ 940,216	\$ 4,135,216	
04/01/2010	-	488,926	488,926	315,000	7,961	322,961	-	196,500	-	196,500	-	400,950	315,000	1,094,337	1,409,337	
10/01/2010	3,510,000	488,927	3,998,927	115,000	3,402	118,402	-	196,500	-	196,500	-	1,300,950	4,525,000	1,089,779	5,614,779	
04/01/2011	-	425,746	425,746	120,000	1,737	121,737	-	196,500	-	196,500	-	383,130	120,000	1,007,113	1,127,113	
10/01/2011	3,970,000	425,746	4,395,746	-	-	-	-	196,500	-	196,500	-	1,333,130	4,920,000	1,005,376	5,925,376	
04/01/2012	-	326,496	326,496	-	-	-	-	196,500	-	196,500	-	364,320	5,300,000	887,316	887,316	
10/01/2012	4,300,000	326,496	4,626,496	-	-	-	-	196,500	-	196,500	-	1,364,320	6,664,320	887,316	7,551,636	
04/01/2013	-	218,996	218,996	-	-	-	-	196,500	-	196,500	-	344,520	7,008,840	760,016	7,768,856	
10/01/2013	4,515,000	218,996	4,733,996	-	-	-	-	196,500	-	196,500	-	1,344,520	8,353,360	760,016	9,113,376	
04/01/2014	-	106,121	106,121	-	-	-	-	196,500	-	196,500	-	324,720	8,678,080	627,341	9,305,421	
10/01/2014	1,305,000	106,121	1,411,121	-	-	-	-	196,500	-	196,500	-	1,524,720	10,202,800	627,341	10,830,141	
04/01/2015	-	79,369	79,369	-	-	-	590,000	196,500	-	786,500	-	300,960	10,502,800	576,829	11,079,629	
10/01/2015	1,355,000	79,369	1,434,369	-	-	-	-	196,500	-	196,500	-	300,960	10,803,300	576,829	11,380,129	
04/01/2016	-	50,575	50,575	-	-	-	615,000	184,907	-	799,907	-	265,419	11,108,707	500,901	11,609,608	
10/01/2016	1,155,000	50,575	1,205,575	-	-	-	-	172,822	-	172,822	-	219,879	11,328,586	418,732	11,747,318	
04/01/2017	-	26,031	26,031	-	-	-	640,000	172,822	-	812,822	-	219,879	11,548,465	418,732	12,067,197	
10/01/2017	1,190,000	26,031	1,216,031	-	-	-	-	160,246	-	160,246	-	172,359	11,720,814	332,605	12,053,419	
04/01/2018	-	-	-	-	-	-	665,000	160,246	-	825,246	-	172,359	11,893,060	332,605	12,225,665	
10/01/2018	-	-	-	-	-	-	-	147,178	-	147,178	-	172,359	12,065,419	332,605	12,398,024	
04/01/2019	-	-	-	-	-	-	695,000	147,178	-	842,178	-	103,455	12,168,874	250,633	12,419,507	
10/01/2019	-	-	-	-	-	-	-	133,522	-	133,522	-	103,455	12,272,329	250,633	12,522,964	
04/01/2020	-	-	-	-	-	-	725,000	133,522	-	858,522	-	37,620	12,310,151	171,142	12,481,293	
10/01/2020	-	-	-	-	-	-	-	119,275	-	119,275	-	37,620	12,429,426	171,142	12,600,568	
04/01/2021	-	-	-	-	-	-	760,000	119,275	-	879,275	-	-	12,508,701	119,275	12,627,976	
10/01/2021	-	-	-	-	-	-	-	104,341	-	104,341	-	-	12,613,042	119,275	12,732,317	
04/01/2022	-	-	-	-	-	-	790,000	104,341	-	894,341	-	-	12,707,383	104,341	12,811,724	
10/01/2022	-	-	-	-	-	-	-	88,818	-	88,818	-	-	12,796,201	88,818	12,885,019	
04/01/2023	-	-	-	-	-	-	825,000	88,818	-	913,818	-	-	12,888,019	88,818	12,976,837	
10/01/2023	-	-	-	-	-	-	-	72,607	-	72,607	-	-	12,960,626	88,818	13,049,444	
04/01/2024	-	-	-	-	-	-	865,000	72,607	-	937,607	-	-	13,033,233	72,607	13,105,840	
10/01/2024	-	-	-	-	-	-	-	55,609	-	55,609	-	-	13,088,842	72,607	13,161,449	
04/01/2025	-	-	-	-	-	-	900,000	55,609	-	955,609	-	-	13,144,451	55,609	13,200,060	
10/01/2025	-	-	-	-	-	-	-	37,925	-	37,925	-	-	13,182,376	55,609	13,238,005	
04/01/2026	-	-	-	-	-	-	945,000	37,925	-	982,925	-	-	13,230,301	37,925	13,268,226	
10/01/2026	-	-	-	-	-	-	-	19,355	-	19,355	-	-	13,249,656	37,925	13,287,581	
04/01/2027	-	-	-	-	-	-	985,000	19,355	-	1,004,355	-	-	13,268,911	19,355	13,288,266	
10/01/2027	-	-	-	-	-	-	-	-	-	-	-	-	13,268,911	19,355	13,288,266	
Totals	\$ 24,495,000	\$ 3,987,762	\$ 28,482,762	\$ 550,000	\$ 13,100	\$ 563,100	\$ 10,000,000	\$ 5,147,710	\$ 15,147,710	\$ 15,147,710	\$ 20,250,000	\$ 6,035,139	\$ 26,285,139	\$ 55,295,000	\$ 15,183,711	\$ 70,478,711

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

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

Payment Date	Reclamation Plant Project CS 120 4260060										Total Debt Service Requirements	
	State Revolving Fund Loan (3.220%) Original Loan			State Revolving Fund Loan (3.180%) Amendment 1			State Revolving Fund Loan (3.110%) Amendment 2			Principal Amount	Interest	Total Requirements
	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements	Principal Amount	Interest	Total Requirements			
02/15/2010	\$ 227,957	\$ 85,792	\$ 313,749	\$ 47,602	\$ 17,658	\$ 65,260	\$ 191,219	\$ 69,131	\$ 260,350	\$ 466,778	\$ 172,581	\$ 639,359
08/15/2010	231,627	82,122	313,749	48,359	16,901	65,260	194,192	66,158	260,350	474,178	165,181	639,359
02/15/2011	235,357	78,392	313,749	49,128	16,132	65,260	197,212	63,138	260,350	481,697	157,662	639,359
08/15/2011	239,146	74,603	313,749	49,909	15,351	65,260	200,279	60,071	260,350	489,334	150,025	639,359
02/15/2012	242,996	70,753	313,749	50,703	14,557	65,260	203,393	56,957	260,350	497,092	142,267	639,359
08/15/2012	246,908	66,841	313,749	51,509	13,751	65,260	206,556	53,794	260,350	504,973	134,386	639,359
02/15/2013	250,884	62,866	313,750	52,328	12,932	65,260	209,768	50,582	260,350	512,980	126,380	639,360
08/15/2013	254,923	58,826	313,749	53,160	12,100	65,260	213,030	47,320	260,350	521,113	118,246	639,359
02/15/2014	259,027	54,722	313,749	54,005	11,255	65,260	216,342	44,008	260,350	529,374	109,985	639,359
08/15/2014	263,197	50,552	313,749	54,864	10,396	65,260	219,706	40,644	260,350	537,767	101,592	639,359
02/15/2015	267,435	46,314	313,749	55,736	9,524	65,260	223,123	37,227	260,350	546,294	93,065	639,359
08/15/2015	271,741	42,009	313,750	56,623	8,637	65,260	226,592	33,758	260,350	554,956	84,404	639,360
02/15/2016	276,116	37,634	313,750	57,523	7,737	65,260	230,116	30,234	260,350	563,755	75,605	639,360
08/15/2016	280,561	33,188	313,749	58,438	6,822	65,260	233,694	26,656	260,350	572,693	66,666	639,359
02/15/2017	285,078	28,671	313,749	59,367	5,893	65,260	237,328	23,022	260,350	581,773	57,586	639,359
08/15/2017	289,668	24,081	313,749	60,311	4,949	65,260	241,019	19,331	260,350	590,998	48,361	639,359
02/15/2018	294,331	19,418	313,749	61,270	3,990	65,260	244,767	15,583	260,350	600,368	38,991	639,359
08/15/2018	299,070	14,679	313,749	62,244	3,016	65,260	248,573	11,777	260,350	609,887	29,472	639,359
02/15/2019	303,885	9,864	313,749	63,233	2,027	65,260	252,438	7,912	260,350	619,556	19,803	639,359
08/15/2019	308,779	4,971	313,750	64,239	1,021	65,260	256,361	3,987	260,348	629,379	9,979	639,358
	<u>\$ 5,328,686</u>	<u>\$ 946,298</u>	<u>\$ 6,274,984</u>	<u>\$ 1,110,551</u>	<u>\$ 194,649</u>	<u>\$ 1,305,200</u>	<u>\$ 4,445,708</u>	<u>\$ 761,290</u>	<u>\$ 5,206,998</u>	<u>\$ 10,884,945</u>	<u>\$ 1,902,237</u>	<u>\$ 12,787,182</u>

STATISTICAL SECTION

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

<u>Contents</u>	<u>Pages</u>
Financial Trends <i>These tables contain trend information to help the reader understand how the Commission’s financial performance and well-being have changed over time.</i>	94-105
Revenue Capacity <i>These tables contain information to help the reader assess the Commission’s most significant revenue sources, consumptive user fees.</i>	106-121
Debt Capacity <i>These tables present information to help the reader assess the affordability of the Commission’s current levels of outstanding debt and its ability to issue additional debt in the future.</i>	123-125
Demographic and Economic Information <i>These tables offer demographic and economic indicators to help the reader understand the environment within which the Commission’s financial activities take place.</i>	127-129
Operating Information <i>These tables contain service and infrastructure data to help the reader understand how the information in the Commission’s financial report relates to the services the Commission provides and the activities it performs.</i>	130-133

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

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

Year Ending September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2009	2008	2007	2006
Invested in capital assets, net of related debt.....	\$ 79,753,514	\$ 84,302,560	\$ 80,129,034	\$ 59,628,096
Restricted.....	16,422,532	9,871,241	9,571,768	12,421,844
Unrestricted.....	<u>11,755,757</u>	<u>11,384,652</u>	<u>9,792,637</u>	<u>11,282,197</u>
Total net assets.....	<u>\$ 107,931,803</u>	<u>\$ 105,558,453</u>	<u>\$ 99,493,439</u>	<u>\$ 83,332,137</u>

Table 1

Fiscal Year					
2005	2004	2003	2002	2001	2000
\$ 56,511,156	\$ 48,625,159	\$ 43,970,077	\$ 39,241,910	\$ 35,711,172	\$ 31,100,384
7,995,607	11,230,042	11,493,240	10,276,583	12,048,478	13,188,827
<u>8,413,020</u>	<u>8,369,197</u>	<u>11,404,708</u>	<u>9,695,283</u>	<u>8,144,046</u>	<u>7,509,509</u>
<u>\$ 72,919,783</u>	<u>\$ 68,224,398</u>	<u>\$ 66,868,025</u>	<u>\$ 59,213,776</u>	<u>\$ 55,903,696</u>	<u>\$ 51,798,720</u>

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

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

	2009	2008	2007	2006
Operating Revenue:				
Sales.....	\$ 56,146,191	\$ 62,297,291	\$ 58,882,023	\$ 63,246,281
Other revenue.....	<u>791,103</u>	<u>624,909</u>	<u>594,119</u>	<u>704,082</u>
Total operating revenue.....	<u>56,937,294</u>	<u>62,922,200</u>	<u>59,476,142</u>	<u>63,950,363</u>
Operating Expenses:				
Purchased power and fuel expenses.....	22,173,197	28,018,777	24,043,491	24,854,589
Other production expenses.....	5,802,643	6,433,609	6,278,690	10,042,297
Transmission, distribution, and sewage collection and treatment.....	6,431,192	6,499,601	5,766,272	5,187,372
Customer accounting.....	1,238,348	1,086,447	1,057,779	2,202,317
Administrative and general.....	7,343,481	7,025,702	6,795,197	7,947,091
Required payments to the City.....	3,601,594	3,612,294	3,670,560	3,665,315
Depreciation.....	<u>6,380,923</u>	<u>6,324,910</u>	<u>6,065,225</u>	<u>5,790,996</u>
Total operating expenses.....	<u>52,971,378</u>	<u>59,001,340</u>	<u>53,677,214</u>	<u>59,689,977</u>
Operating income.....	<u>3,965,916</u>	<u>3,920,860</u>	<u>5,798,928</u>	<u>4,260,386</u>
Nonoperating Revenue (Expense):				
Interest earnings.....	116,472	627,068	958,771	1,024,376
Other income.....	545,410	544,186	792,294	901,493
Interest and debt expense.....	(2,404,288)	(2,635,048)	(3,119,606)	(3,075,803)
Other expenses.....	(132,752)	(124,182)	(191,580)	(210,748)
Gain (loss) on disposal of assets.....	(339,545)	(115,037)	(115,502)	(9,814)
Loss on abandonment of wastewater treatment plant.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating revenue (expense).....	<u>(2,214,703)</u>	<u>(1,703,013)</u>	<u>(1,675,623)</u>	<u>(1,370,496)</u>
Income (loss) before contributions and transfers.....	<u>1,751,213</u>	<u>2,217,847</u>	<u>4,123,305</u>	<u>2,889,890</u>
Capital contributions.....	622,137	3,847,167	12,037,997	7,522,464
Residual transfer to the City.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total contributions and transfers.....	<u>622,137</u>	<u>3,847,167</u>	<u>12,037,997</u>	<u>7,522,464</u>
Change in net assets.....	<u>\$ 2,373,350</u>	<u>\$ 6,065,014</u>	<u>\$ 16,161,302</u>	<u>\$ 10,412,354</u>

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

Table 2

Fiscal Year					
2005	2004	2003	2002	2001	2000
\$ 58,243,276	\$ 53,918,028	\$ 45,758,867	\$ 39,966,040	\$ 42,177,716	\$ 40,960,150
<u>724,127</u>	<u>695,454</u>	<u>588,199</u>	<u>646,185</u>	<u>537,671</u>	<u>459,757</u>
<u>58,967,403</u>	<u>54,613,482</u>	<u>46,347,066</u>	<u>40,612,225</u>	<u>42,715,387</u>	<u>41,419,907</u>
18,615,982	16,082,797	16,569,259	13,652,608	16,385,996	17,525,068
13,946,939	10,745,373	6,431,093	6,038,839	5,844,715	5,445,855
4,788,033	4,686,910	3,751,847	3,782,641	3,348,147	3,140,325
2,536,210	6,764,647	996,421	821,128	745,380	818,320
8,713,250	6,643,995	4,302,892	3,385,868	3,519,275	3,227,988
3,328,647	3,262,587	2,706,427	2,509,729	2,625,008	2,214,486
<u>5,451,571</u>	<u>5,149,600</u>	<u>5,049,264</u>	<u>4,899,416</u>	<u>4,581,217</u>	<u>3,875,830</u>
<u>57,380,632</u>	<u>53,335,909</u>	<u>39,807,203</u>	<u>35,090,229</u>	<u>37,049,738</u>	<u>36,247,872</u>
<u>1,586,771</u>	<u>1,277,573</u>	<u>6,539,863</u>	<u>5,521,996</u>	<u>5,665,649</u>	<u>5,172,035</u>
690,497	281,003	358,454	461,153	905,244	1,114,573
1,081,808	1,125,069	336,526	433,355	440,007	356,616
(3,097,313)	(3,101,348)	(3,355,193)	(3,952,841)	(3,976,825)	(3,877,542)
(102,333)	(227,937)	(690,017)	(56,064)	(15,466)	(61,620)
1,107,426	310,665	(9,541)	(58,114)	(99,267)	(45,269)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,452,645)</u>
<u>(319,915)</u>	<u>(1,612,548)</u>	<u>(3,359,771)</u>	<u>(3,172,511)</u>	<u>(2,746,307)</u>	<u>(5,965,887)</u>
<u>1,266,856</u>	<u>(334,975)</u>	<u>3,180,092</u>	<u>2,349,485</u>	<u>2,919,342</u>	<u>(793,852)</u>
3,428,529	1,854,598	4,474,157	960,595	1,185,634	773,199
<u>(163,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,265,279</u>	<u>1,854,598</u>	<u>4,474,157</u>	<u>960,595</u>	<u>1,185,634</u>	<u>773,199</u>
<u>\$ 4,532,135</u>	<u>\$ 1,519,623</u>	<u>\$ 7,654,249</u>	<u>\$ 3,310,080</u>	<u>\$ 4,104,976</u>	<u>\$ (20,653)</u>

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

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

	2009	2008	2007	2006
Electric:				
Sales.....	\$ 42,145,939	\$ 48,241,274	\$ 44,552,582	\$ 43,926,115
Other revenue.....	<u>461,646</u>	<u>404,472</u>	<u>307,069</u>	<u>359,679</u>
Total electric operating revenue.....	<u>42,607,585</u>	<u>48,645,746</u>	<u>44,859,651</u>	<u>44,285,794</u>
Water:				
Sales.....	6,478,906	6,459,294	6,659,160	6,126,093
Other revenue.....	<u>325,771</u>	<u>213,470</u>	<u>227,057</u>	<u>219,761</u>
Total water operating revenue.....	<u>6,804,677</u>	<u>6,672,764</u>	<u>6,886,217</u>	<u>6,345,854</u>
Reclamation:				
Sales.....	7,390,058	7,409,412	7,394,534	7,092,911
Other revenue.....	<u>3,686</u>	<u>6,967</u>	<u>59,993</u>	<u>75,574</u>
Total reclamation operating revenue.....	<u>7,393,744</u>	<u>7,416,379</u>	<u>7,454,527</u>	<u>7,168,485</u>
Internet:				
Sales.....	131,288	187,311	275,747	-
Other revenue.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total internet operating revenue.....	<u>131,288</u>	<u>187,311</u>	<u>275,747</u>	<u>-</u>
Communications:				
Sales.....	-	-	-	6,101,162
Other revenue.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,068</u>
Total communications operating revenue.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,150,230</u>
Total operating revenues.....	<u>\$ 56,937,294</u>	<u>\$ 62,922,200</u>	<u>\$ 59,476,142</u>	<u>\$ 63,950,363</u>

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

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

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

Table 3

Fiscal Year					
2005	2004	2003	2002	2001	2000
\$ 35,811,162	\$ 32,893,546	\$ 32,743,047	\$ 29,668,517	\$ 32,839,422	\$ 31,733,864
<u>291,429</u>	<u>274,800</u>	<u>244,605</u>	<u>328,487</u>	<u>275,258</u>	<u>233,878</u>
<u>36,102,591</u>	<u>33,168,346</u>	<u>32,987,652</u>	<u>29,997,004</u>	<u>33,114,680</u>	<u>31,967,742</u>
5,493,378	5,022,495	4,927,877	4,768,459	4,551,228	4,416,112
<u>234,461</u>	<u>212,057</u>	<u>195,143</u>	<u>214,767</u>	<u>185,769</u>	<u>159,987</u>
<u>5,727,839</u>	<u>5,234,552</u>	<u>5,123,020</u>	<u>4,983,226</u>	<u>4,736,997</u>	<u>4,576,099</u>
6,294,451	5,937,940	5,543,949	5,529,064	4,787,066	4,810,174
<u>85,191</u>	<u>87,340</u>	<u>110,588</u>	<u>102,931</u>	<u>76,644</u>	<u>65,892</u>
<u>6,379,642</u>	<u>6,025,280</u>	<u>5,654,537</u>	<u>5,631,995</u>	<u>4,863,710</u>	<u>4,876,066</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10,644,285	10,064,047	2,543,994	-	-	-
<u>113,046</u>	<u>121,257</u>	<u>37,863</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>10,757,331</u>	<u>10,185,304</u>	<u>2,581,857</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 58,967,403</u>	<u>\$ 54,613,482</u>	<u>\$ 46,347,066</u>	<u>\$ 40,612,225</u>	<u>\$ 42,715,387</u>	<u>\$ 41,419,907</u>

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

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

	2009	2008	2007	2006
Electric:				
Purchased power and fuel expenses.....	\$ 22,173,197	\$ 28,018,777	\$ 24,043,491	\$ 24,854,589
Other production expenses.....	4,011,224	4,682,655	4,443,815	4,432,793
Transmission and distribution.....	2,754,949	2,884,549	2,435,207	2,242,885
Customer accounting.....	928,620	812,724	573,135	384,102
Administrative and general.....	3,722,321	3,488,280	3,462,470	2,798,686
Required payments to City of New Smyrna Beach..	2,758,740	2,763,854	2,802,272	2,490,845
Depreciation.....	<u>3,085,391</u>	<u>3,015,390</u>	<u>2,955,529</u>	<u>3,017,152</u>
Total electric operating expenses.....	<u>39,434,442</u>	<u>45,666,229</u>	<u>40,715,919</u>	<u>40,221,052</u>
Water:				
Other production expenses.....	1,790,909	1,750,594	1,834,875	1,587,444
Transmission and distribution.....	940,894	1,006,435	894,258	667,497
Customer accounting.....	284,267	238,670	253,160	196,207
Administrative and general.....	1,701,850	1,660,313	1,583,853	1,412,816
Required payments to City of New Smyrna Beach..	395,233	395,640	406,428	388,093
Depreciation.....	<u>1,254,566</u>	<u>1,216,233</u>	<u>1,159,578</u>	<u>1,073,632</u>
Total water operating expenses.....	<u>6,367,719</u>	<u>6,267,885</u>	<u>6,132,152</u>	<u>5,325,689</u>
Reclamation:				
Transmission and distribution.....	2,735,349	2,608,617	2,436,807	2,276,990
Customer accounting.....	25,461	35,053	231,484	176,113
Administrative and general.....	1,532,701	1,513,518	1,436,064	1,200,226
Required payments to City of New Smyrna Beach..	439,740	441,572	445,750	404,297
Depreciation.....	<u>1,922,580</u>	<u>1,872,464</u>	<u>1,729,295</u>	<u>1,589,799</u>
Total reclamation operating expenses.....	<u>6,655,831</u>	<u>6,471,224</u>	<u>6,279,400</u>	<u>5,647,425</u>
Internet:				
Other production expenses.....	510	360	-	-
Administrative and general.....	214,031	363,591	312,810	-
Required payments to City of New Smyrna Beach..	<u>7,881</u>	<u>11,228</u>	<u>16,110</u>	<u>-</u>
Total internet operating expenses.....	<u>222,422</u>	<u>375,179</u>	<u>328,920</u>	<u>-</u>

Table 4

Fiscal Year					
2005	2004	2003	2002	2001	2000
\$ 18,615,982	\$ 16,082,797	\$ 16,569,259	\$ 13,652,608	\$ 16,385,996	\$ 21,979,607
4,489,665	4,164,312	4,035,211	4,907,957	4,810,363	-
2,026,026	2,160,952	1,486,640	1,423,256	1,287,820	1,230,798
382,405	403,381	387,282	445,467	407,539	449,764
2,521,562	2,587,728	2,140,755	1,714,629	1,901,354	1,683,087
2,087,723	2,006,630	1,920,119	1,891,212	2,047,697	1,646,439
<u>2,896,653</u>	<u>2,779,602</u>	<u>2,773,920</u>	<u>2,741,739</u>	<u>2,479,970</u>	<u>2,152,056</u>
<u>33,020,016</u>	<u>30,185,402</u>	<u>29,313,186</u>	<u>26,776,868</u>	<u>29,320,739</u>	<u>29,141,751</u>
1,359,754	1,281,799	1,118,865	1,130,882	1,034,352	991,316
635,541	522,887	451,335	495,611	454,633	450,456
142,171	165,246	171,455	197,827	177,757	190,922
1,222,904	1,173,213	1,052,938	864,307	809,936	790,096
350,742	324,781	319,812	301,359	298,783	286,807
<u>978,583</u>	<u>930,241</u>	<u>885,034</u>	<u>832,380</u>	<u>792,520</u>	<u>756,493</u>
<u>4,689,695</u>	<u>4,398,167</u>	<u>3,999,439</u>	<u>3,822,366</u>	<u>3,567,981</u>	<u>3,466,090</u>
2,126,466	2,003,071	1,813,872	1,863,774	1,605,694	1,459,071
147,662	151,001	155,287	177,834	160,084	177,634
1,153,560	1,056,851	922,121	806,932	807,985	754,805
358,096	341,550	320,858	317,158	278,528	281,240
<u>1,465,922</u>	<u>1,439,757</u>	<u>1,390,310</u>	<u>1,325,297</u>	<u>1,308,727</u>	<u>967,281</u>
<u>5,251,706</u>	<u>4,992,230</u>	<u>4,602,448</u>	<u>4,490,995</u>	<u>4,161,018</u>	<u>3,640,031</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

(Continued)

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

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

	2009	2008	2007	2006
(Continued)				
Communications:				
Other production expenses.....	-	-	-	4,022,060
Customer accounting.....	-	-	-	1,445,895
Administrative and general.....	172,578	-	-	2,535,363
Required payments to City of New Smyrna Beach..	-	-	-	382,080
Depreciation.....	<u>118,386</u>	<u>220,823</u>	<u>220,823</u>	<u>110,413</u>
Total communications operating expenses.....	<u>290,964</u>	<u>220,823</u>	<u>220,823</u>	<u>8,495,811</u>
Totals-Combined Systems:				
Purchased power and fuel expenses.....	\$ 22,173,197	\$ 28,018,777	\$ 24,043,491	\$ 24,854,589
Other production expenses.....	5,802,643	6,433,609	6,278,690	10,042,297
Transmission and distribution.....	6,431,192	6,499,601	5,766,272	5,187,372
Customer accounting.....	1,238,348	1,086,447	1,057,779	2,202,317
Administrative and general.....	7,343,481	7,025,702	6,795,197	7,947,091
Required payments to City of New Smyrna Beach..	3,601,594	3,612,294	3,670,560	3,665,315
Depreciation and decommissioning.....	<u>6,380,923</u>	<u>6,324,910</u>	<u>6,065,225</u>	<u>5,790,996</u>
Total operating expenses.....	<u>\$ 52,971,378</u>	<u>\$ 59,001,340</u>	<u>\$ 53,677,214</u>	<u>\$ 59,689,977</u>

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

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

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

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

Table 4

Fiscal Year					
2005	2004	2003	2002	2001	2000
8,097,520	5,299,262	1,277,017	-	-	-
1,863,972	6,045,019	282,397	-	-	-
3,815,224	1,826,203	187,078	-	-	-
532,086	589,626	145,638	-	-	-
<u>110,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>14,419,215</u>	<u>13,760,110</u>	<u>1,892,130</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ 18,615,982	\$ 16,082,797	\$ 16,569,259	\$ 13,652,608	\$ 16,385,996	\$ 21,979,607
13,946,939	10,745,373	6,431,093	6,038,839	5,844,715	991,316
4,788,033	4,686,910	3,751,847	3,782,641	3,348,147	3,140,325
2,536,210	6,764,647	996,421	821,128	745,380	818,320
8,713,250	6,643,995	4,302,892	3,385,868	3,519,275	3,227,988
3,328,647	3,262,587	2,706,427	2,509,729	2,625,008	2,214,486
<u>5,451,571</u>	<u>5,149,600</u>	<u>5,049,264</u>	<u>4,899,416</u>	<u>4,581,217</u>	<u>3,875,830</u>
<u>\$ 57,380,632</u>	<u>\$ 53,335,909</u>	<u>\$ 39,807,203</u>	<u>\$ 35,090,229</u>	<u>\$ 37,049,738</u>	<u>\$ 36,247,872</u>

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

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

	2009	2008	2007	2006
Nonoperating Revenue (Expenses):				
Interest earnings.....	\$ 116,472	\$ 627,068	\$ 958,771	\$ 1,024,376
Other income.....	545,410	544,186	792,294	901,493
Interest and debt expense.....	(2,404,288)	(2,635,048)	(3,119,606)	(3,075,803)
Other expenses.....	(132,752)	(124,182)	(191,580)	(210,748)
Gain (loss) on disposal of assets.....	(339,545)	(115,037)	(115,502)	(9,814)
Loss on abandonment of wastewater treatment plant.....	-	-	-	-
Total nonoperating revenue (expense).....	<u>\$ (2,214,703)</u>	<u>\$ (1,703,013)</u>	<u>\$ (1,675,623)</u>	<u>\$ (1,370,496)</u>

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

Table 5

Fiscal Year					
2005	2004	2003	2002	2001	2000
\$ 690,497	\$ 281,003	\$ 358,454	\$ 461,153	\$ 905,244	\$ 1,114,573
1,081,808	1,125,069	336,526	433,355	440,007	356,616
(3,097,313)	(3,101,348)	(3,355,193)	(3,952,841)	(3,976,825)	(3,877,542)
(102,333)	(227,937)	(690,017)	(56,064)	(15,466)	(61,620)
1,107,426	310,665	(9,541)	(58,114)	(99,267)	(45,269)
-	-	-	-	-	(3,452,645)
<u>\$ (319,915)</u>	<u>\$ (1,612,548)</u>	<u>\$ (3,359,771)</u>	<u>\$ (3,172,511)</u>	<u>\$ (2,746,307)</u>	<u>\$ (5,965,887)</u>

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

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2009	2008	2007	2006
Electric System:				
Net energy load requirements (kWh).....	388,669,320	392,050,932	400,815,801	402,421,129
Total Consumption/Sales (kWh).....	366,773,438	370,659,029	378,243,711	383,185,319
Total Direct Rate-Electric:⁽¹⁾				
Customer charge.....	\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75
Energy charge.....	\$ 0.076454	\$ 0.076454	\$ 0.076454	\$ 0.076454
Water System:				
Gallons of water pumped from water plant (KGs)....	1,676,964	1,696,270	1,798,869	1,735,327
Gallons of water consumed (KGs).....	1,511,699	1,549,232	1,652,273	1,673,828
Total Direct Rate-Water:⁽²⁾				
Base facility charge.....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
Gallonage charge per 1,000 gallons.....	\$ 1.62	\$ 1.62	\$ 1.62	\$ 1.62
Reclamation System:				
Wastewater:				
Gallons of wastewater treated (KGs).....	1,497,340	1,242,790	1,140,230	1,203,830
Gallons of wastewater sold (KGs).....	845,583	864,822	897,975	934,437
Total Direct Rate-Wastewater:⁽³⁾				
Base facility charge.....	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62
Gallonage charge per 1,000 gallons.....	\$ 3.63	\$ 3.63	\$ 3.63	\$ 3.63
Reuse Water:				
Gallons of reuse water pumped from reclamation treatment plant (KGs).....	1,445,280	978,500	1,046,630	872,810
Gallons of reuse water sold (KGs).....	502,273	373,691	476,767	360,942
Total Direct Rate-Reuse water:⁽⁴⁾				
Minimum monthly charge.....	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Gallonage charge per 1,000 gallons.....	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00

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

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

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

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

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

Table 6

Fiscal Year					
2005	2004	2003	2002	2001	2000
396,805,566	385,510,397	386,385,433	367,175,437	361,158,839	360,759,259
371,219,399	361,426,028	370,242,195	342,753,470	344,819,905	340,631,525
\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75
\$ 0.071730	\$ 0.071730	\$ 0.071730	\$ 0.071730	\$ 0.071730	\$ 0.069170
1,616,605	1,660,316	1,743,832	1,718,618	1,658,415	1,762,930
1,489,905	1,538,925	1,471,435	1,402,576	1,498,145	1,579,828
\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
\$ 1.90	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.33
1,262,520	1,369,390	1,339,026	1,422,280	1,307,300	1,203,430
873,874	873,105	871,680	862,022	891,140	933,490
\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62
\$ 2.83	\$ 2.53	\$ 2.53	\$ 2.53	\$ 2.18	\$ 1.55
816,750	770,080	800,083	1,108,070	968,060	610,870
282,769	262,818	349,117	264,685	761,966	580,550
\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
\$ 2.00	\$ 2.00	\$ -	\$ -	\$ -	\$ -

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

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Total Direct Monthly Rate	2009	2008	2007	2006
Residential:				
Customer charge:				
Single phase service.....	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.65
Three phase service.....	\$ 7.85	\$ 7.85	\$ 7.85	\$ 7.85
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.076454	\$ 0.076454	\$ 0.076454	\$ 0.076454
General Service - Non-Demand:⁽¹⁾				
Customer charge:				
Single phase service.....	\$ 6.05	\$ 6.05	\$ 6.05	\$ 6.05
Three phase service.....	\$ 8.85	\$ 8.85	\$ 8.85	\$ 8.85
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.074504	\$ 0.074504	\$ 0.074504	\$ 0.074504
General Service - Demand:⁽²⁾				
Customer charge.....	\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50
Demand charge - all kWh of billing demand.....	\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.065040	\$ 0.065040	\$ 0.065040	\$ 0.065040
General Service - Large Demand:⁽³⁾				
Customer charge.....	\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50
Demand charge - all kWh of billing demand.....	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.060040	\$ 0.060040	\$ 0.060040	\$ 0.060040
General Service - Demand Time of Use:⁽⁴⁾				
Customer charge.....	\$ 33.50	\$ 33.50	\$ 33.50	\$ 33.50
Demand charge - per kW of excess demand.....	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00
Energy charge:				
All per kWh per month, plus fuel and purchased power cost adjustment.....	\$ 0.065040	\$ 0.065040	\$ 0.065040	\$ 0.065040
Fuel and Purchased Power Cost Adjustment⁽⁵⁾				
Clause Monthly Billing Factor (per 1,000 kWh) ...	\$ 41.70	\$ 41.70	\$ 41.70	\$ 31.20

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

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

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

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

Table 7

Fiscal Year		2005		2004		2003		2002		2001		2000	
\$	5.65	\$	5.65	\$	5.65	\$	5.65	\$	5.65	\$	5.65	\$	5.65
\$	7.85	\$	7.85	\$	7.85	\$	7.85	\$	7.85	\$	7.85	\$	7.85
\$	0.071730	\$	0.071730	\$	0.071730	\$	0.071730	\$	0.071730	\$	0.071730	\$	0.069170
\$	6.05	\$	6.05	\$	6.05	\$	6.05	\$	6.05	\$	6.05	\$	6.05
\$	8.85	\$	8.85	\$	8.85	\$	8.85	\$	8.85	\$	8.85	\$	8.85
\$	0.073330	\$	0.073330	\$	0.073330	\$	0.073330	\$	0.073330	\$	0.073330	\$	0.070670
\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50
\$	5.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50
\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.053930
\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50
\$	5.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50	\$	5.50
\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.053930
\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50	\$	33.50
\$	22.00	\$	22.00	\$	22.00	\$	22.00	\$	22.00	\$	22.00	\$	22.00
\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.055460	\$	0.053930
\$	17.18	\$	17.18	\$	12.89	\$	8.82	\$	28.47	\$	13.91		

⁽³⁾The Fuel and Purchased Power Cost Adjustment Clause (FPPCAC) is an integral component of the monthly charges, and is designed to allow for accurate billing of fluctuating applicable fuel and purchased power costs. In order to minimize changes in customer billings, the FPPCAC is developed on a twelve month projected basis, with provision to "true-up" any over or under recovery of any applicable fuel and purchased power cost in each subsequent twelve month period. A provision in the clause allows the FPPCAC to be modified if significant circumstances arise during the twelve month billing cycle.

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

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

**UTILITY RATE SCHEDULE - WATER SERVICE,
LAST TEN FISCAL YEARS**
September 30,
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
New Smyrna Beach, Florida

Total Direct Monthly Rate	2009	2008	2007	2006
Residential:				
Single Family:				
Base facility charge:				
Meter Size (Inches):				
5/8".....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
1".....	\$ 29.13	\$ 29.13	\$ 29.13	\$ 29.13
1 1/2".....	\$ 58.25	\$ 58.25	\$ 58.25	\$ 58.25
2".....	\$ 93.20	\$ 93.20	\$ 93.20	\$ 93.20
3".....	\$ 174.75	\$ 174.75	\$ 174.75	\$ 174.75
4".....	\$ 291.25	\$ 291.25	\$ 291.25	\$ 291.25
6".....	\$ 582.50	\$ 582.50	\$ 582.50	\$ 582.50
8".....	\$ 932.00	\$ 932.00	\$ 932.00	\$ 932.00
10".....	\$ 1,339.75	\$ 1,339.75	\$ 1,339.75	\$ 1,339.75
Gallonge charge per 1,000 Gallons: ⁽¹⁾				
Block 1	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93
Block 2.....	\$ 1.24	\$ 1.24	\$ 1.24	\$ 1.24
Block 3.....	\$ 1.96	\$ 1.96	\$ 1.96	\$ 1.96
Block 4.....	\$ 2.33	\$ 2.33	\$ 2.33	\$ 2.33
Multi-Family:				
Base facility charge:				
Each Unit.....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
Master Meter.....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
Gallonge charge per 1,000 Gallons:				
Each Unit.....	\$ -	\$ -	\$ -	\$ -
Master Meter.....	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10
Non-Residential:				
Base facility charge:				
Meter Size (Inches):				
5/8".....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
1".....	\$ 29.13	\$ 29.13	\$ 29.13	\$ 29.13
1 1/2".....	\$ 58.25	\$ 58.25	\$ 58.25	\$ 58.25
2".....	\$ 93.20	\$ 93.20	\$ 93.20	\$ 93.20
3".....	\$ 174.75	\$ 174.75	\$ 174.75	\$ 174.75
4".....	\$ 291.25	\$ 291.25	\$ 291.25	\$ 291.25
6".....	\$ 582.50	\$ 582.50	\$ 582.50	\$ 582.50
8".....	\$ 932.00	\$ 932.00	\$ 932.00	\$ 932.00
10".....	\$ 1,339.75	\$ 1,339.75	\$ 1,339.75	\$ 1,339.75
Gallonge charge per 1,000 Gallons: ⁽²⁾				
Block 1	\$ 1.54	\$ 1.54	\$ 1.54	\$ 1.54
Block 2.....	\$ 2.05	\$ 2.05	\$ 2.05	\$ 2.05
Block 3.....	\$ -	\$ -	\$ -	\$ -

Table 8

Fiscal Year					
2005	2004	2003	2002	2001	2000
\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30
\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65
\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90
\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90
\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65
\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40
\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1.10	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.05
\$ 1.20	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.25
\$ 2.40	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 1.70
\$ 2.90	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ -
\$ 9.75	\$ 9.75	\$ 9.75	\$ 9.75	\$ 9.75	\$ 9.75
\$ 1.90	\$ 1.90	\$ 1.90	\$ 1.90	\$ 1.90	\$ 1.90
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1.15	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05
\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30
\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65
\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90
\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90
\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65
\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40
\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1.15	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05
\$ 1.35	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25
\$ 1.85	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.70

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

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Total Direct Monthly Rate	2009	2008	2007	2006
Residential:				
Irrigation Service:				
Base facility charge:				
Meter Size (Inches):				
5/8".....	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
1".....	\$ 29.13	\$ 29.13	\$ 29.13	\$ 29.13
1 1/2".....	\$ 58.25	\$ 58.25	\$ 58.25	\$ 58.25
2".....	\$ 93.20	\$ 93.20	\$ 93.20	\$ 93.20
3".....	\$ 174.75	\$ 174.75	\$ 174.75	\$ 174.75
4".....	\$ 291.25	\$ 291.25	\$ 291.25	\$ 291.25
6".....	\$ 582.50	\$ 582.50	\$ 582.50	\$ 582.50
8".....	\$ 932.00	\$ 932.00	\$ 932.00	\$ 932.00
10".....	\$ 1,339.75	\$ 1,339.75	\$ 1,339.75	\$ 1,339.75
Gallonge charge per 1,000 Gallons: ⁽¹⁾				
Block 1.....	\$ 1.37	\$ 1.37	\$ 1.37	\$ 1.37
Block 2.....	\$ 1.83	\$ 1.83	\$ 1.83	\$ 1.83
Block 3.....	\$ 2.88	\$ 2.88	\$ 2.88	\$ 2.88
Block 4.....	\$ 3.43	\$ 3.43	\$ 3.43	\$ 3.43

Notes:

⁽¹⁾The monthly rate blocks for residential and irrigation water usage at September 30, 2009 are as follows:

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

⁽²⁾The monthly rate blocks for non-residential water usage at September 30, 2009, are as follows:

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

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

Table 8

Fiscal Year					
2005	2004	2003	2002	2001	2000
\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65	\$ 11.65
\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30	\$ 26.30
\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65	\$ 50.65
\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90	\$ 79.90
\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90	\$ 157.90
\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65	\$ 245.65
\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40	\$ 489.40
\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90	\$ 781.90
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1.10	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.05
\$ 1.20	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.25
\$ 2.40	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 1.70
\$ 2.90	\$ -	\$ -	\$ -	\$ -	\$ -

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

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Total Direct Monthly Rate:	2009	2008	2007	2006
Wastewater Rate Schedule:				
Residential (Single Family) and Non-residential:				
Base facility charge:				
Meter Size (Inches):				
5/8".....	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62
1".....	\$ 41.55	\$ 41.55	\$ 41.55	\$ 41.55
1 1/2".....	\$ 83.10	\$ 83.10	\$ 83.10	\$ 83.10
2".....	\$ 132.96	\$ 132.96	\$ 132.96	\$ 132.96
3".....	\$ 249.30	\$ 249.30	\$ 249.30	\$ 249.30
4".....	\$ 415.50	\$ 415.50	\$ 415.50	\$ 415.50
6".....	\$ 831.00	\$ 831.00	\$ 831.00	\$ 831.00
8".....	\$ 1,329.60	\$ 1,329.60	\$ 1,329.60	\$ 1,329.60
10".....	\$ 1,911.30	\$ 1,911.30	\$ 1,911.30	\$ 1,911.30
Gallonge charge per 1,000 Gallons: ⁽¹⁾				
All meter sizes.....	\$ 3.63	\$ 3.63	\$ 3.63	\$ 3.63
Block 1.....	\$ -	\$ -	\$ -	\$ -
Block 2.....	\$ -	\$ -	\$ -	\$ -
Multi-Family:				
Base facility charge:				
Each Unit.....	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62
Master Meter.....	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62
Gallonge charge per 1,000 Gallons:				
Each Unit.....	\$ -	\$ -	\$ -	\$ -
Master Meter.....	\$ 2.90	\$ 2.90	\$ 2.90	\$ 2.90
Reuse Water Rate Schedule:				
Primary Tier Rate:				
Minimum monthly charge:				
Meter Size (Inches):				
3/4".....	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
1".....	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
1 1/2".....	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
Major Users Meter Size (Inches):				
2".....	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
3".....	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
4".....	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
6".....	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
Gallonge charge per 1,000 Gallons: ⁽²⁾				
Meter Size (Inches):				
3/4".....	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
1".....	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
1 1/2".....	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
Flow charge per 1,000 Gallons:				
Major Users Meter Size (Inches):				
2".....	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
3".....	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
4".....	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
6".....	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15

Table 9

Fiscal Year					
2005	2004	2003	2002	2001	2000
\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62	\$ 16.62
\$ 39.35	\$ 39.35	\$ 39.35	\$ 39.35	\$ 39.35	\$ 39.35
\$ 77.10	\$ 77.10	\$ 77.10	\$ 77.10	\$ 77.10	\$ 77.10
\$ 122.46	\$ 122.46	\$ 122.46	\$ 122.46	\$ 122.46	\$ 122.46
\$ 243.42	\$ 243.42	\$ 243.42	\$ 243.42	\$ 243.42	\$ 243.42
\$ 379.50	\$ 379.50	\$ 379.50	\$ 379.50	\$ 379.50	\$ 379.50
\$ 757.50	\$ 757.50	\$ 757.50	\$ 757.50	\$ 757.50	\$ 757.50
\$ 1,211.10	\$ 1,211.10	\$ 1,211.10	\$ 1,211.10	\$ 1,211.10	\$ 1,211.10
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.55
\$ 2.55	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.00	\$ -
\$ 3.10	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.35	\$ -
\$ 15.12	\$ 15.12	\$ 15.12	\$ 15.12	\$ 15.12	\$ 15.12
\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2.60	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55
\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
\$ 75.00	\$ 75.00	\$ -	\$ -	\$ -	\$ -
\$ 75.00	\$ 75.00	\$ -	\$ -	\$ -	\$ -
\$ 75.00	\$ 75.00	\$ -	\$ -	\$ -	\$ -
\$ 75.00	\$ 75.00	\$ -	\$ -	\$ -	\$ -
\$ 2.00	\$ 2.00	\$ -	\$ -	\$ -	\$ -
\$ 2.00	\$ 2.00	\$ -	\$ -	\$ -	\$ -
\$ 2.00	\$ 2.00	\$ -	\$ -	\$ -	\$ -
\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.10
\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.10
\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.10
\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.10

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

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Total Direct Monthly Rate:	2009	2008	2007	2006
Wastewater Rate Schedule:				
(Continued)				
Secondary Tier Rate:				
A fixed rate established at a minimum rate per acre per month for major metered users whose anticipated capacity exceeds 100,000 gallons per day and which must provide a minimum of three days of wet weather storage for a minimum flow rate of 1,900 gallons/acre/day on an annual average.	\$ 16.29	\$ 16.29	\$ 16.29	\$ 16.29

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

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

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

Table 9

Fiscal Year					
2005	2004	2003	2002	2001	2000
\$ 16.29	\$ 16.29	\$ 16.29	\$ 16.29	\$ 16.29	10.80

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

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

	2009	2008	2007	2006
Electric.....	24,731	24,702	24,776	24,174
Water.....	23,835	27,565	23,388	22,765
Wastewater.....	18,908	23,716	18,775	18,243
Reuse water.....	864	825	732	570

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

Table 10

Fiscal Year					
2005	2004	2003	2002	2001	2000
23,489	22,922	22,126	21,702	21,330	21,134
21,905	20,980	20,122	19,348	18,569	17,937
17,601	17,062	16,485	15,832	15,423	14,940
501	462	417	401	346	306

TEN LARGEST CUSTOMERS, CURRENT AND NINE YEARS AGO

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

Fiscal Year Ended September 30, 2009

Electric Customers	Kilowatt Hour Sales			Revenues Billed	
	kWh (000's)	Percent of Total	Rank	Amount	Percent of Total
UCNSB-Water Resources.....	9,927	2.71%	1	\$ 1,177,139	2.79%
Bert Fish Medical Center.....	7,982	2.18%	2	835,300	1.98%
Publix Food - Store #2019100.....	3,441	0.94%	3	361,461	0.86%
Volusia School District #532568.....	3,276	0.89%	4	399,292	0.95%
Reddy Ice Corp.....	2,872	0.78%	5	314,080	0.75%
Winn Dixie - Store #2304.....	2,694	0.73%	6	283,715	0.67%
Publix Food - Store #2033500.....	2,527	0.69%	7	267,024	0.63%
Home Depot.....	2,280	0.62%	8	245,680	0.58%
Wal-Mart - Store #01-1079.....	1,928	0.53%	9	201,367	0.48%
Volusia School District.....	1,696	0.46%	10	209,527	0.50%
K-Mart.....	-	-	-	-	-
Food Lion.....	-	-	-	-	-
Totals.....	<u>38,623</u>	10.53%		<u>\$ 4,294,585</u>	10.19%

Water/Reclamation Customers	Consumption			Revenues Billed	
	Gallons (000's)	Percent of Total	Rank	Amount	Percent of Total
Reddy Ice Corp.....	18,907	1.25%	1	\$ 63,467	0.98%
Bert Fish Medical Center (52231).....	7,663	0.51%	2	24,900	0.38%
Bert Fish Medical Center (52230).....	7,641	0.51%	3	14,976	0.23%
Ocmulgee Fields.....	5,665	0.37%	4	11,497	0.18%
Minorca Owners Assoc. (526756).....	5,419	0.36%	5	17,203	0.27%
Southwind Condo Assoc.....	5,316	0.35%	6	10,398	0.16%
Sea Woods Home Owners Assoc (515878).....	5,130	0.34%	7	16,212	0.25%
Sea Woods Home Owners Assoc (515716).....	5,051	0.33%	8	15,941	0.25%
Oceanview Nursing Home.....	5,022	0.33%	9	9,952	0.15%
Tradewinds of Volusia.....	4,579	0.30%	10	14,841	0.23%
Volusia School District.....	-	-	-	-	-
Federal Housing Authority.....	-	-	-	-	-
Errol by the Sea Condo Assoc.....	-	-	-	-	-
Inlet Condo Assoc.....	-	-	-	-	-
Islander Beach Lodge.....	-	-	-	-	-
Pelican Assoc.....	-	-	-	-	-
Totals.....	<u>70,393</u>	4.66%		<u>\$ 199,387</u>	3.08%

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

Table 11

Fiscal Year Ended September 30, 2000

Kilowatt Hour Sales			Revenues Billed		
(kWh) (000's)	Percent of Total	Rank	Amount	Percent of Total	
9,898	2.91%	1	\$ 747,710	2.76%	
8,270	2.43%	3	577,445	2.13%	
2,937	0.86%	5	203,933	0.75%	
8,170	2.40%	2	643,610	2.37%	
2,472	0.73%	7	180,397	0.67%	
3,133	0.92%	4	218,057	0.80%	
2,848	0.84%	6	200,042	0.74%	
2,348	0.69%	8	163,225	0.60%	
2,297	0.67%	9	162,801	0.60%	
<u>2,247</u>	0.66%	10	<u>155,133</u>	0.57%	
<u>44,620</u>	13.11%		<u>\$ 3,252,353</u>	11.99%	

Consumption			Revenues Billed		
Gallons (000's)	Percent of Total	Rank	Amount	Percent of Total	
12,321	0.78%	7	\$ 21,296	0.46%	
16,230	1.03%	4	29,782	0.65%	
22,208	1.40%	2	40,494	0.88%	
12,535	0.79%	6	21,957	0.48%	
36,667	2.32%	1	69,496	1.51%	
14,387	0.91%	3	36,331	0.79%	
15,266	0.96%	5	25,926	0.56%	
12,102	0.76%	8	17,896	0.32%	
11,874	0.75%	9	16,390	0.39%	
<u>11,149</u>	0.70%	10	<u>14,681</u>	0.36%	
<u>164,739</u>	10.40%		<u>\$ 294,249</u>	6.40%	



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

Table 12

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

Fiscal Year Ended September 30,	Revenue Certificates ⁽¹⁾	Revenue Notes	State Revolving Fund	Total		Percent of Personal Income ⁽³⁾
				Amount	Per Capita ⁽²⁾	
2000	\$ 53,068,892	\$ 14,635,747	\$ 18,144,866	\$ 85,849,505	4,282	18.36%
2001	50,804,487	23,706,468	17,435,927	91,946,882	4,559	18.78%
2002	45,754,090	23,052,000	16,704,331	85,510,421	4,152	16.75%
2003	44,766,225	22,278,000	15,949,355	82,993,580	3,890	15.34%
2004	43,265,547	20,869,000	15,170,251	79,304,798	3,601	13.23%
2005	40,749,837	19,572,000	14,366,249	74,688,086	3,341	11.82%
2006	37,603,838	18,471,000	13,536,552	69,611,390	3,044	10.25%
2007	34,320,704	17,529,000	12,680,339	64,530,043	2,810	9.25%
2008	40,881,677	16,535,000	11,796,761	69,213,438	2,844	9.15%
2009	55,058,927	-	10,884,945	65,943,872	2,827	8.89%

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

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

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

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

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

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

	2009	2008	2007	2006
Revenues as defined by Certificate Resolution: ⁽¹⁾				
Operating revenues.....	\$ 56,937,294	\$ 62,922,200	\$ 59,476,142	\$ 63,950,363
Interest and other income.....	661,882	1,171,254	1,751,065	1,925,869
Capital contributions (excluding donated property)	<u>573,365</u>	<u>1,014,468</u>	<u>1,881,126</u>	<u>1,577,701</u>
	<u>58,172,541</u>	<u>65,107,922</u>	<u>63,108,333</u>	<u>67,453,933</u>
Expenses as defined by Certificate Resolution: ⁽²⁾				
Operating expenses.....	52,971,378	59,001,340	53,677,214	59,689,977
Less:				
Depreciation expense.....	(6,380,923)	(6,324,910)	(6,065,225)	(5,558,449)
Required payments to City.....	<u>(3,601,594)</u>	<u>(3,612,294)</u>	<u>(3,670,560)</u>	<u>(3,665,315)</u>
	<u>42,988,861</u>	<u>49,064,136</u>	<u>43,941,429</u>	<u>50,466,213</u>
Net revenues available for debt service.....	<u>15,183,680</u>	<u>16,043,786</u>	<u>19,166,904</u>	<u>16,987,720</u>
Annual Debt Service Requirements: ⁽³⁾				
Principal.....	5,762,816	5,685,020	5,388,214	5,415,697
Interest.....	<u>2,475,242</u>	<u>2,457,884</u>	<u>2,645,894</u>	<u>2,727,810</u>
	<u>8,238,058</u>	<u>8,142,904</u>	<u>8,034,108</u>	<u>8,143,507</u>
Coverage ratio (times).....	<u>1.84</u>	<u>1.97</u>	<u>2.39</u>	<u>2.09</u>

Notes:

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

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

⁽³⁾Annual debt service requirements are for all outstanding debt that are secured by a pledge of the net revenues derived from the operation of the utility systems (includes pro-rata amounts due for refunded obligations).

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

Table 13

Fiscal Year					
2005	2004	2003	2002	2001	2000
\$ 58,967,403	\$ 54,613,482	\$ 46,347,066	\$ 40,612,225	\$ 42,715,387	\$ 41,419,907
1,772,305	1,406,072	694,980	894,508	1,345,251	1,471,189
<u>3,428,529</u>	<u>1,854,598</u>	<u>4,474,157</u>	<u>960,595</u>	<u>1,185,634</u>	<u>773,198</u>
<u>64,168,237</u>	<u>57,874,152</u>	<u>51,516,203</u>	<u>42,467,328</u>	<u>45,246,272</u>	<u>43,664,294</u>
57,380,632	53,335,909	39,807,203	35,090,229	37,049,738	36,247,872
(5,272,971)	(5,009,752)	(4,904,128)	(4,737,946)	(4,360,451)	(3,656,949)
<u>(3,328,647)</u>	<u>(3,262,587)</u>	<u>(2,706,427)</u>	<u>(2,509,729)</u>	<u>(2,625,008)</u>	<u>(2,214,486)</u>
<u>48,779,014</u>	<u>45,063,570</u>	<u>32,196,648</u>	<u>27,842,554</u>	<u>30,064,279</u>	<u>30,376,437</u>
<u>15,389,223</u>	<u>12,810,582</u>	<u>19,319,555</u>	<u>14,624,774</u>	<u>15,181,993</u>	<u>13,287,857</u>
4,988,773	5,018,426	5,211,498	3,715,412	3,448,286	2,460,000
<u>2,405,067</u>	<u>2,407,605</u>	<u>2,592,401</u>	<u>3,292,614</u>	<u>3,921,252</u>	<u>2,857,214</u>
<u>7,393,840</u>	<u>7,426,031</u>	<u>7,803,899</u>	<u>7,008,026</u>	<u>7,369,538</u>	<u>5,317,214</u>
<u>2.08</u>	<u>1.73</u>	<u>2.48</u>	<u>2.09</u>	<u>2.06</u>	<u>2.50</u>



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

Table 14

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

Fiscal Year Ended September 30,	Population ¹	Personal Income ²	Per Capita Personal Income ³	Median Household Income ³	Median HUD Income ³	County Unemployment Rate ³
2000	20,048	467,659,696	23,327	35,278	43,000	3.50%
2001	20,169	489,158,757	24,253	34,740	44,400	4.00%
2002	20,595	509,314,350	24,730	35,010	46,700	5.20%
2003	21,334	534,672,708	25,062	36,038	46,600	5.10%
2004	22,025	575,248,950	26,118	37,247	48,600	4.60%
2005	22,356	608,496,676	27,218	38,457	48,650	3.40%
2006	22,870	648,715,785	28,365	40,857	50,300	3.10%
2007	22,963	678,798,883	29,561	42,268	n/a	4.30%
2008	24,335	749,666,382	30,806	n/a	n/a	7.20%
2009	23,325	741,688,350	31,798	n/a	n/a	11.70%

Source: ¹ U.S. Department of Commerce, Bureau of Census, for 2000 and 2005. 2006 and 2007 are estimated.

2008 U.S. Bureau of the Census, 2000 Census of Population and Housing. ESRI BIS forecasts for 2008.

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

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

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

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

Employer	September 30, 2009		
	Total Employees	Rank	Percent to Total City Employment
Volusia County School Distric.....	756	1	9.46%
Bert Fish Medical Center.....	730	2	9.14%
Publix Supermarkets.....	295	3	3.69%
City of New Smyrna Beach.....	253	4	3.17%
Wal-Mart Stores.....	207	5	2.59%
Utilities Commission, City of New Smyrna Beach.....	173	6	2.17%
Oceanview Nursing Home.....	170	7	2.13%
Winn-Dixie Supermarkets.....	140	8	1.75%
Home Depot.....	120	9	1.50%
Epic Aviation.....	<u>100</u>	10	<u>1.25%</u>
Total.....	<u>2,944</u>		36.86%
Estimated Civilian Labor Force (2005 Census).....			<u>7,988</u>

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

The September 30, 2009 employment data is derived from September 30, 2006 data. The September 30, 2009 employment data was unavailable at date CAFR produced.

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

Table 15

September 30, 2000

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

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

	Full-Time			
	2009	2008	2007	2006
Utilities Commissioners.....	5.0	5.0	5.0	5.0
Executive Management	4.0	5.0	5.0	6.0
Finance and Accounting:				
Accounting.....	7.0	7.0	8.0	7.0
Billing and collections.....	21.0	23.0	22.0	20.8
MIS.....	-	-	-	-
Materials management.....	5.0	5.0	5.0	4.0
Information Technology.....	6.0	6.0	5.0	6.0
Personnel.....	5.0	5.0	5.0	4.0
Engineering:				
Management.....	3.0	3.0	3.0	3.0
Environmental.....	4.0	4.0	4.0	3.0
Electrical engineering.....	2.0	2.0	4.0	4.0
Electric:				
Operations.....	13.0	13.0	12.0	13.0
Fleet Maintenance.....	3.0	3.0	3.0	3.0
Transmission and distribution.....	22.0	27.0	26.0	24.0
Construction.....	-	-	-	-
Substation and relay.....	5.0	5.0	5.0	3.0
Water and Reclamation:				
Water production.....	12.0	12.0	13.0	13.0
Water distribution.....	11.0	14.0	19.0	17.0
Wastewater collection.....	10.0	8.0	5.0	4.0
Wastewater treatment.....	20.0	19.0	19.0	16.0
Water reuse operations.....	-	-	-	-
Internet.....	1.0	3.0	4.0	-
Communications:				
Call center.....	-	-	-	33.0
Sales/marketing.....	-	-	-	7.0
Other operations.....	-	-	-	22.8
Total.....	<u>159.0</u>	<u>169.0</u>	<u>172.0</u>	<u>218.5</u>

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

Table 16

Equivalent Employees at September 30,

2005	2004	2003	2002	2001	2000
5.0	5.0	5.0	5.0	5.0	5.0
2.0	4.0	2.0	2.0	2.0	2.0
6.0	5.0	6.0	7.0	6.0	6.0
17.5	17.3	16.3	17.3	17.0	16.3
-	-	-	-	-	-
4.0	4.0	4.0	3.8	3.8	4.8
4.0	-	-	-	-	-
4.0	5.0	4.0	5.0	3.0	3.0
2.0	2.0	2.0	2.0	2.0	2.0
3.0	3.0	3.0	3.0	3.0	3.0
2.0	2.0	2.0	2.0	2.0	2.0
13.0	11.0	12.0	12.0	13.0	13.0
3.0	3.0	3.0	3.0	3.0	3.0
24.0	22.0	22.0	22.0	22.0	21.0
-	-	-	4.0	4.0	9.0
3.0	3.0	3.0	2.0	2.0	2.0
12.0	12.0	12.0	13.0	13.0	13.0
16.0	15.0	15.0	9.0	9.0	9.0
4.0	4.0	4.0	5.0	5.0	5.0
16.0	17.0	17.0	14.0	14.0	14.0
-	-	-	1.0	1.0	1.0
-	-	-	-	-	-
41.0	16.5	11.5	-	-	-
6.0	-	-	-	-	-
21.0	-	-	-	-	-
<u>208.5</u>	<u>150.8</u>	<u>143.8</u>	<u>132.0</u>	<u>129.8</u>	<u>134.0</u>

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

Year Ending September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2009	2008	2007	2006
Electric:				
Net energy for load (million kWh).....	388.669	392.051	400.816	402.421
Retail energy sales (million kWh).....	366.773	370.659	378.244	383.185
Distribution loss factor (%).....	5.64%	5.46%	5.63%	4.78%
Annual peak energy demand (kW).....	99,000	89,000	91,000	94,000
Peaking Power Systems Nameplate rating (kW):				
Smith Street Generating Station (fuel oil).....	12,540	12,540	12,540	12,540
Field Street Generating Station (fuel oil).....	53,059	53,059	53,059	53,059
W.E. Swoope Generating Station (fuel oil).....	5,145	5,145	5,145	5,145
Water:				
Maximum daily flow (MGD).....	6.45	6.68	6.51	6.93
Average daily treated flow (MGD).....	4.60	4.64	4.93	4.80
Minimum daily treated flow (MGD).....	2.54	3.17	3.60	3.11
Raw water pumped and treated (MG).....	1,660,354.00	1,689.58	1,805.00	1,735.33
CUP Allowance ⁽¹⁾	7.13	6.62	6.04	5.58
Storage capacity (MGD) ⁽²⁾	5.87	5.07	5.07	5.07
Water mains (miles) ⁽³⁾	180.51	180.51	180.51	179.83
Pumping stations ⁽²⁾	4	3	3	3
Reclamation (Wastewater and Reuse):				
Maximum daily flow (MGD).....	12.03	9.59	5.57	7.26
Average daily treated flow (MGD).....	4.10	3.40	3.12	3.30
Minimum daily treated flow (MGD).....	1.15	1.66	1.95	2.43
Wastewater collected and treated (MG).....	1,497.34	1,242.79	1,140.23	1,203.83
Reclaimed water treated and pumped (MG).....	1,445.28	978.50	1,032.29	870.89
Collection system (miles) ⁽³⁾	99.02	99.02	99.02	99.02
Number of treatment plants.....	1	1	1	1
Treatment capacity (MGD) ⁽⁴⁾	7.00	7.00	7.00	7.00
Maximum plant capacity (MGD).....	15.00	14.00	14.00	14.00
Amount treated annually (MGY).....	1,497	1,243	1,140	1,204
Percent of capacity utilized (MG).....	59.00%	49.00%	45.00%	47.10%
Percent of unused capacity (MG).....	41.00%	51.00%	55.00%	52.90%

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

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

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

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

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

Table 17

Fiscal Year					
2005	2004	2003	2002	2001	2000
396.806	385.510	386.385	367.175	361.159	360.759
371.219	361.426	370.242	342.753	344.820	340.632
6.45%	6.25%	4.18%	6.65%	4.52%	5.58%
91,000	89,000	100,200	87,900	91,100	87,300
12,540	12,540	12,540	12,540	12,540	12,540
53,059	53,059	53,059	53,059	53,059	-
5,145	5,145	5,145	5,145	5,145	5,145
6.07	7.12	7.20	6.62	5.96	7.06
4.42	4.53	4.78	4.73	4.54	4.82
3.08	2.17	3.40	2.16	2.11	2.77
1,616.61	1,660.32	1,743.83	1,718.62	1,658.42	1,762.93
5.17	5.63	5.53	5.44	4.80	4.73
5.07	5.07	5.07	5.07	5.07	5.07
177.37	175.55	173.52	166.51	164.04	161.00
3	3	3	3	3	3
4.80	9.65	6.45	9.77	9.29	5.72
3.73	3.93	3.83	3.92	3.81	3.30
2.06	2.44	2.30	2.40	1.97	2.25
1,262.52	1,369.39	1,339.03	1,422.28	1,307.30	1,203.43
830.48	684.94	793.17	1,050.08	955.17	610.87
98.92	98.82	98.66	98.55	98.35	98.21
1	1	1	2	2	1
7.00	7.00	6.00	6.25	6.25	6.00
14.00	14.00	12.00	12.50	12.50	12.00
1,274	1,369	1,357	1,429	1,304	1,203
49.90%	53.60%	62.00%	62.60%	57.20%	54.90%
50.10%	46.40%	38.00%	37.40%	42.80%	45.10%



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SUPPLEMENTAL AUDIT REPORTS



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BM&C

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

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

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

We have audited the financial statements of Utilities Commission, City of New Smyrna Beach, Florida, a component unit of City of New Smyrna Beach, Florida, as of and for the year ended September 30, 2009, and have issued our report thereon dated January 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Utilities Commission, City of New Smyrna Beach, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Utilities Commission, City of New Smyrna Beach, Florida's financial statements that is more than inconsequential will not be prevented or detected by the Utilities Commission, City of New Smyrna Beach, Florida's internal control.

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Utilities Commission, City of New Smyrna Beach, Florida, in a separate letter dated January 21, 2010.

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



January 21, 2010

BM&C

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

MANAGEMENT LETTER

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

We have audited the financial statements of Utilities Commission, City of New Smyrna Beach, Florida, (the "Utilities Commission") as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated January 21, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated January 21, 2010, should be considered in conjunction with this management letter.

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

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

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Utilities Commission, City of New Smyrna Beach, Florida, was created in 1967 through the passage of Chapter 67-1754, Laws of Florida, Special Acts of 1967 (House Bill 1669), which amended the Charter of the City of New Smyrna Beach, Florida, to create the Utilities Commission as a component unit of the City of New Smyrna Beach, Florida.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Utilities Commission, City of New Smyrna Beach, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Utilities Commission, City of New Smyrna Beach, Florida for the fiscal year ended September 30, 2009, required to be filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. This report has not yet been completed by the Commission's oversight unit (City of New Smyrna Beach, Florida, Unit ID#251) at the time of submitting this report. Upon completion of the annual financial report, we will compare the reported data with that data contained in their audited financial statements to confirm that both are in agreement. Should it be determined by us that the data reported in the annual financial report is not in agreement with the Commission's audited financial statements, we will promptly report our findings to you in an amended or supplemental management letter.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Utilities Commission, City of New Smyrna Beach, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

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

Brent Milliken & Co., P.A.

January 21, 2010

PRIOR YEAR MATTERS

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

PY-01 Fraud Risk Assessment and Monitoring Process

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

While the Utilities Commission has commenced with the development of a formal fraud risk assessment and monitoring processes, and has implemented limited antifraud policies, we noted that many of these actual antifraud procedures have not been documented and subsequently put into practice to identify and monitor potentially high-risk areas that could affect the safeguarding of assets or the Commission's financial reporting.

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

UC Response: *The UC has implemented a formal policy officially addressing this matter. The Anti-Fraud Risk Control Policy and Procedures with assessment tool was presented to and approved by the Commission on October 19, 2009. A risk assessment scorecard was also completed as a self-assessment prior to September 30, 2009. The possibility of fraud and risks are ever changing and the assessment tool was designed to be flexible. Random audits and review (spot checks) are an integral component of the Fraud Risk Procedures. The Controller is tasked with regularly monitoring and updating the documentation. At least semi-annually the Commission will be presented with the self-assessment rating tool.*

PY-02 Management's Assessment of Internal Control

The AICPA's Statement on Auditing Standard Number 78 defines "internal control" as a process effected by an entity's board of directors (governing board), management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

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

1. Control environment. The tone of an organization, which influences the control consciousness of its employees. This environment is what provides a foundation of

Year Ended September 30, 2009

UTILITES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

discipline and structure to other elements of internal control.

2. Risk assessment. This is the entity's identification of risks that may affect the integrity of the financial reporting system. This forms the basis for controls that reduce the risk of financial reporting errors.
3. Control activities. These are practices, policies, and procedures that reduce the possibility of errors entering in the financial reporting system (preventive controls), or that detect errors that are made (detective controls).
4. Information and communication. These are processes aimed at identifying, capturing, and exchanging information, to ensure the availability of complete and reliable information.
5. Monitoring. This is the process of testing the quality of internal control over time. This may include an internal audit function, or testing by outside auditors.

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

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

UC Response: *As our Fraud Risk Assessment and Monitoring Process evolves so shall our formal documentation and testing of Internal Controls. Over the past fiscal year the Controller/Budget Supervisor has been documenting existing controls and establishing additional controls. As information is available/compiled all is provided to the Commission for approval.*

PY-03 Unrestricted Cash

As has been reported to the Utilities Commission in prior years, the carrying amount of its position in unrestricted cash and cash equivalents continues to decline and was significantly over-drafted at year end. In the previous years, we noted that several unrelated factors contributed to the deficit in the unrestricted cash balance and included operating losses sustained by the now discontinued telecommunications division and increasing fuel and purchased power costs not yet fully recovered through the fuel adjustment billed to customers.

While the negative amount of unrestricted (pooled) cash did not increase substantially in 2009, the Utilities Commission did not experience a reversal in this trend. The current period positive changes in the timing and collection of (unbilled) customer accounts were not sufficient to provide the additional anticipated liquidity to offset the rising costs of purchased power and other operating costs incurred during the fiscal year. These increases, coupled with the global economic downturn, have continued to

Year Ended September 30, 2009

UTILITES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

impede the Commission's ability to make headway in recovering the unrestricted cash deficit and continue to hamper its liquidity position.

Recommendation: We understand that uncertainties caused by current economic conditions will hamper the ability of the Utilities Commission to make significant progress in reversing this negative trend, making it a long-term commitment to build back an adequate operating cash reserve. However, we continue to recommend that management take the necessary actions to reverse this trend and to assist in the restoration of stronger liquidity position.

UC response: *We will continue to move forward with cost saving efforts as we work through the UC's Strategic Plan. As we recover the fuel and purchased power under recovery, we expect to see a significant improvement in our operating cash balance over the next several years.*

PY-4 Internet Division-Operating Loss

At its inception, the Utilities Commission began separately reporting the financial activity for internet services. During 2009, this operating division has continued to experience operating losses for the fourth consecutive year in a row. We have also noted that gross revenues from providing internet services have continued to decline in each of the past four years and that actual earned revenues recognized have been substantially lesser than amounts anticipated (budgeted) for each annual period.

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

Based on these provisions the Utilities Commission must take some formal actions to decide the outcome of its study to determine the feasibility of continuing to provide customer internet services sometime after October 2009.

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

Year Ended September 30, 2009

UTILITES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

UC response: On June 15, 2009 a public hearing was held as well as a presentation to the Commission on the financial and customer status of the Division. The Commission approved continuation of the Internet Division as a value added service to be provided to New Smyrna Beach residents and adopted Resolution 4-09.

CURRENT YEAR MATTERS

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

CY-01 Potential Fixed Asset Impairment

The Utilities Commission has a significant investment in tangible personal and real property. Many of these capitalized costs were originally acquired and placed in productive service to support its now abandoned telecommunications operations. Since the abandonment of these operations, we noted that no significant steps have been taken to specifically identify and/or isolate these remaining tangible and intangible assets, many of which are either not being used, or have not been reclassified for use in other departments. Those items that are not presently in productive use may have suffered extensive impairment and, therefore, should be assessed for such potential loss and disposition.

Recommendation: We recommend that the Commission should examine its fixed asset records to identify and isolate all potential nonproductive assets that were previously in use with its abandoned telecommunications system. Under GASB Statement 42, entities are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset.

Impaired capital assets that will no longer be used by the Commission should be reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the Commission should be measured using the method that best reflects the diminished service utility of the capital asset.

UC response: All assets previously acquired through the Telecommunications Division have been transferred to another Division within the UC after determination of use and need. This process was completed as of April, 2009. Any assets determined to have no use have been disposed of as

Year Ended September 30, 2009

UTILITES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

per proper procedures and removed from the UC's fixed asset accounting system. Two remaining former "telecommunications assets" of significant value are the Communications Tower and Head End Building. The UC does not consider these assets impaired.

In regard to the Tower, in January and July of 2008 through an official solicitation (utilizing the RFP process) the UC requested co-location parties, making the tower a revenue generator. We will continue to solicit for interested parties. At this time, the tower is utilized by the UC. The UC attached antennas to transmit our internal broadband wireless network signal to two off-site office buildings (Paige Avenue and the Reclamation Plant).

In regard to the Head End Building due to its location, size and construction, the UC's data center is planned to be relocated to avoid hurricane effects and lends itself to the perfect disaster recovery site for our redundant servers. The head end building use has been clearly defined in our disaster recovery plan as well as Information Technologies network redundancy plan. A backbone fiber communications network is being deployed based upon available funding and deployed with other UC projects.