

CITY OF EDGEWATER, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2011



Photo By: Debbie Ledbetter

CITY OF EDGEWATER, FLORIDA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended September 30, 2011

Prepared by: The Finance Department

TABLE OF CONTENTS

	<u>Page</u>
Introductory Section	
Letter of Transmittal	III
GFOA Certificate of Achievement	VII
List of Principal Officials	VIII
Organizational Chart	IX
Financial Section	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet of Government Funds to the Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	22
Statement of Net Assets - Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25
Statement of Fiduciary Net Assets - Fiduciary Funds	26
Statement of Changes in Fiduciary Net Assets – Pension Trust Funds	27
Notes to Financial Statements	29
Required Supplementary Information (Unaudited)	57
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds – Fund Descriptions	59
Combining Balance Sheet - Nonmajor Governmental Funds	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	62
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Nonmajor Special Revenue Funds	64
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Nonmajor Debt Service Funds	68
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Nonmajor Capital Projects Funds	69
Internal Service Funds – Fund Descriptions	71
Combining Statement of Net Assets	72
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	73
Combining Statement of Cash Flows – Internal Service Funds	74

	<u>Page</u>
Financial Section - Continued	
Other Supplemental Scheduled – Fiduciary Funds – Fund Descriptions	75
Combining Statement of Fiduciary Net Assets – Pension Trust Funds	76
Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds	77
Statistical Section (Unaudited)	
Table of Contents	79
Financial Trends	
Net Assets by Component	80
Changes in Net Assets	81
Fund Balances of Governmental Funds	83
Changes in Fund Balances of Governmental Funds	84
Revenue Capacity:	
Tax Revenues by Source of Governmental Funds	85
Assessed Value and Actual Value of Taxable Property	86
Property Tax Rates - Direct and Overlapping Governments	87
Principal Property Taxpayers	88
Property Tax Levies and Collections	89
Debt Capacity:	
Ratios of Outstanding Debt by Type	90
Ratios of General Obligation Bonded Debt Outstanding	92
Direct and Overlapping Governmental Activities Debt	93
Legal Debt margin Information	94
Pledged-Revenue Coverage	95
Demographic and Economic Information:	
Demographic and Economic Statistics	96
Principal Employers	97
Operating Information	
Full-time Equivalent City Government Employees by Function	98
Operating Indicator by Function	99
Capital Asset Statistics by Function	100
Single Audit:	
Schedule of Expenditures of Federal Awards	101
Schedule of Findings and Questioned Costs	102
Report on Compliance with Requirements that Could Have a Direct and Material	
Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	106
Other Reports:	
Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	108
Management Letter	110
Reply to the Independent Auditors Report on Management Letter Comments	113
Affidavit of Impact Fee Compliance	115



March 30, 2012

To the Honorable Mayor, and Members of the City Council, and Citizens of the City of Edgewater

City Charter and State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with the generally accepted accounting principles in the United States of America (GAAP) and that they be audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to the requirement, it is with great pleasure that we present to the City of Edgewater, the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30th, 2011.

This report consists of management's representations concerning the finances of the City of Edgewater. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Edgewater has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Edgewater's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Edgewater's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

James Moore & Co., P.L. a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the City of Edgewater's financial statements for the fiscal year ended September 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designated to complement the MD&A and should be read in conjunction with it. The City of Edgewater's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Edgewater was incorporated in 1952 and has operated under the Council-Manager form of government since 1981. Primary responsibilities of the City Manager are to implement the policies of the elected officials. The City Manager assumes responsibilities of the day-to-day operations of the City, annual budget preparation, appointing/removing officers and employees. In addition to supervising the daily operations, the City Manager works with elected officials, committees and citizens to plan for the future of the community.

The City of Edgewater is located in southeast Volusia County, primarily east of I-95 south of New Smyrna Beach, two miles west of the Atlantic Ocean and runs along 10.5 miles of the Indian River coastline. The City is within the economic zone of Central Florida, which roughly follows Interstate 4 from Tampa through

Orlando to Daytona Beach and the communities along the Atlantic Coast in Volusia County. There are 14,362 acres of land within the City with an estimated population of 20,885.

The City of Edgewater offers a full range of services to its citizens through multiple funds. The City uses funds to separate resources and assure that the City adheres to restrictions placed upon it by legislators, grantors, donors, and other outside parties (e.g. GASB, GAAP). The following is a list of services provided by each fund:

- **General Fund** - provides planning and zoning, economic development, building (e.g. permits, inspections, etc), police, fire, fire rescue, parks, recreation, streets (new and maintained), code enforcement, and general administrative services.
- **Animal Services** – provides animal control and animal shelter
- **Water and Sewer Fund** - provides water and sewer services.
- **Refuse Fund** - uses a combination of City personnel and assets along with private contracted companies to provide solid waste collection.
- **Stormwater Fund** – provides and ensures proper water drainage from all properties.
- **Internal Service Funds** – account for fleet management services, management information systems, general liability insurance, health insurance, and workers compensation insurance.

Whenever possible the City seeks alternative sources of revenue to provide services, enhance services, and supplement the existing expenses in the budget. The most prominent example of alternative revenue is grants through the federal, state, and local levels.

Local economy

Long established businesses such as Boston Whaler, Edgewater Power Boats, R.J. Dougherty Associates, Inc, Porta Products, Tropical Blossom Honey, as well as new businesses provide employment opportunities within the City. NASA and related supporting enterprises at Cape Canaveral as well as the cruise industry located at Port Canaveral provide further employment opportunities.

The City of Edgewater currently has a 10.3 percent unemployment rate (in line with the state average of 10.4 percent). During the last year, taxable assessment values of property in Edgewater decreased 16.27 percent. The City continues exploring several options to increase economic growth within the City and improve economic development within southeast Volusia County. The City's Economic Development Board is continuing its emphasis on result-oriented initiatives. The City continues to develop many partnerships between various economic development agencies and local businesses.

Within the confines of shrinking resources, the City of Edgewater has received American Recovery and Reinvestment Act of 2009 grants for the replacement of an aging Fire Station, additional well fields, water storage facility and infill sidewalks in our biggest subdivision. The additional well fields and water storage facility were completed in FY2011. The Fire Station should be completed in FY2012. The infill sidewalk project should begin in FY2012. Without these funds, these projects would not have been completed within the foreseeable future.

Financial planning and budgeting

The City continued to stress expenditure control in preparing the FY2011 General Fund budget. The City ad valorem millage rate for FY2011 was 6.591, which was 17.45% less than the rolled-back rate. While the millage increased from the prior year rate of 6.36, actual property tax collections decreased 14% due to a decrease in property assessments. To ensure that sound financial management policies and procedures are in place to assure maximum protection and use of public funds the City adopted the Fund Balance Policy in September 2011 and has within its Charter limitations on borrowing and a requirement to maintain reserves at a minimum of 15 percent to a maximum of 25 percent of the general fund appropriations.

The City adopts a five-year capital improvement plan that identifies future funding needs to maintain, repair and upgrade capital assets and infrastructure including road resurfacing, water line upgrades and vehicle and technology replacement programs within the funding constraints. It should be noted; however, that the CIP is not a fixed document but a flexible, evolutionary document that may change to reflect changing priorities, opportunities, costs, or different financing approaches.

Relevant financial policies

The City Council recognizes the need to meet seasonal shortfalls in cash flows, its susceptibility to emergency or unanticipated expenditures or the possibility of revenue shortfalls during any fiscal year. To address these issues, the

City Council included in its Charter a requirement to maintain reserves at a minimum of 15 percent to a maximum of 25 percent of the general fund appropriations (excluding operating transfers). The unassigned fund balance at September 30, 2011 was more than the maximum requirement; therefore the City will use this additional amount to bridge the projected shortfall in upcoming budget years. For FY 2011 operating budget cuts were necessary in many areas to offset declining property tax revenues while still implementing the first year of our five year salary step plan.

Budgeting Controls

The annual budget serves as the foundation for the City of Edgewater's financial planning and control. All departments of the City of Edgewater are required to submit requests for appropriation to the City Manager. The City Manager then uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the City of Edgewater's fiscal year. The appropriated budget is prepared by fund (i.e., general fund), department (i.e., fire department) and division (i.e., Fire Operations). The City Manager may make transfers of appropriations within and between divisions and departments; however, any revisions that alter the total appropriations of any funds must be approved by City Council. Original and final amended budget-to-actual comparisons are provided in this report for each individual governmental fund.

Cash management policies and practices

The city administers a cash management and investment program that seeks to maximize, in order of priority, the preservation of funds, liquidity and interest earnings over its cash and investments. Cash resources of the individual funds are combined to form a pool of cash and investments. The City's cash and investment pool balance at September 30, 2011 (not including pension funds) was \$11,561,220. Investment income includes the change in the fair value of investments. During the year monies were invested in U.S. Agencies and Treasuries and the State Board Administration Local Government Investment Pool in accordance with the City's Investment Policy. Pension fund assets were invested mainly in equity and bond funds in accordance with the City's Investment Policy for Retirement Funds. The total pension fund assets at September 30, 2011 were \$24,235,622.

Risk Management

During the ordinary course of its operations, the City is exposed to various risks of losses. The City maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard the assets of the City. In the opinion of the City's management and legal counsel, legal claims and litigation are not anticipated to have a material impact on the financial position of the City.

Pension and other postretirement benefits

The City of Edgewater sponsors three defined benefit and one defined contribution pension plan for its employees. The general employee pension has been closed since 1996. Each year an independent actuary by the pension plan calculates the amount of the Annual Required Contribution (ARC) that the City of Edgewater must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. In addition, police and firefighters are required to contribute 6% of their salary to the plan. General employees must contribute 2.5% of their salary to the plan.

The City provides retirees with the option to purchase health insurance at the City's group rate. This creates an implicit rate subsidy benefit for the retirees' participation. GASB Statement No. 45 "Other Postemployment Benefits" was implemented at September 30, 2010. There was neither an OPEB asset nor liability at transition.

Certificate of Achievement Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Edgewater for its comprehensive annual financial report for the fiscal year ended September 30, 2010. This was the twenty-seventh consecutive year that the City of Edgewater has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility of another certificate.

Acknowledgements

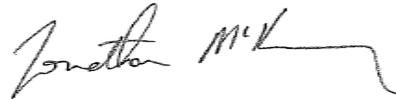
The preparation of this report would not have been possible without the efficient and dedicated commitment of the entire Finance Department. To the City departments, although not extensively involved in year-end audit activities, contributed significantly by ensuring the accuracy and integrity of the accounting information and statistics compiled throughout the year. Without their diligence, the work of the Finance Department would have been considerably more difficult. Appreciation must also be expressed to the City's external auditor whose suggestions and attention to detail enhanced the quality of this report.

In closing, special thanks to the Mayor and City Council for their support and commitment to maintaining the financial integrity and sustainability of the City.

Respectfully submitted,



Tracey T. Barlow
City Manager



Jonathan C. McKinney, CGFO
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Edgewater
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

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



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

CITY COUNCIL

Michael L. Thomas, Mayor

**Justin Kennedy,
District 1
Gigi Bennington,
District 2**

Michael Ignasiak - District 3

Ted Cooper - District 4

ADMINISTRATION

CITY MANAGER
Tracey T. Barlow

FINANCE DIRECTOR
Jonathan McKinney

CITY ATTORNEY
Aaron R. Wolfe

FIRE CHIEF
Stephen Cousins

CITY CLERK
Bonnie Wenzel

POLICE CHIEF
David J. Arcieri

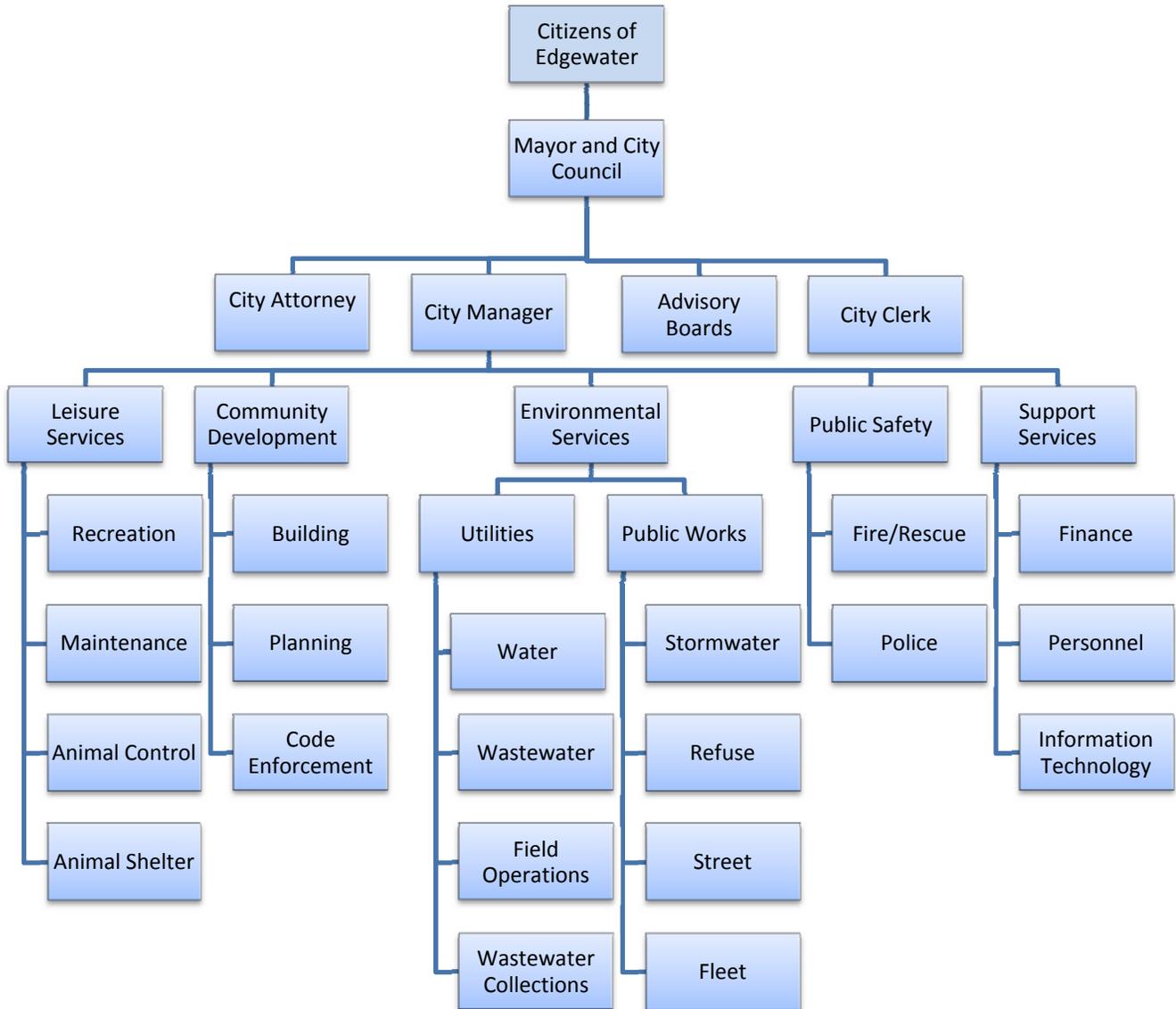
**PERSONNEL
DIRECTOR**
Donna Looney

DEVELOPMENT SERVICES DIRECTOR
Darren Lear

**ENVIRONMENTAL SERVICES
DIRECTOR**
Brenda Dewees

**LEISURE SERVICES
DIRECTOR**
Jack Corder

City of Edgewater, Florida
 City Organization Chart
 September 30, 2011



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Council, and City Manager
City of Edgewater, Florida:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Edgewater, Florida (the City), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinions.

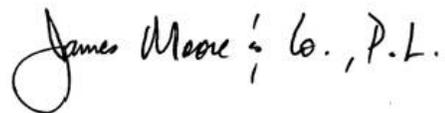
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year 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 March 29, 2012, on our consideration of City of Edgewater, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Edgewater, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

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

Daytona Beach, Florida
March 29, 2012

Management's Discussion and Analysis

As management of the City of Edgewater, Florida we offer readers of the City of Edgewater's financial statements this narrative overview and analysis of the financial activities of the City of Edgewater for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- Net Assets - The assets of the City exceeded its liabilities at the close of FY 2010-11 by \$88,726,047, which represents a decrease in net assets of \$1,186,116 or 1.32% from the prior fiscal year.
- The City's governmental funds reported combined ending fund balance of \$7,169,112, a decrease of \$204,790 from the prior fiscal year.
- At the end of FY 2010-11, the General Fund unassigned fund balance was \$3,702,417 or 32.81% of the budgeted FY 2012 General Fund expenditures, excluding transfers. This represents a decrease of \$2,072,083 from the prior fiscal year.
- During the fiscal year, the City's total debt decreased by \$1,240,979. Governmental debt decreased by \$60,873 and business-type debt reflected a decrease of \$1,180,106.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Edgewater's (the City) basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Edgewater's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Edgewater that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Edgewater include general government, public safety, transportation/public works and leisure services. The business-type activities of the City of Edgewater include water and sewer, refuse collection and stormwater management.

The government-wide financial statements include only the City of Edgewater itself (known as the *primary government*). The City of Edgewater has no component units.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements

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

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Edgewater maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and the capital projects fund, both of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Edgewater adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget at page 22. Budgetary comparison schedules have been provided for the nonmajor, debt service and capital projects funds at pages 64-69.

The basic governmental fund financial statements can be found on pages 18-22 of this report.

Proprietary Funds - The City of Edgewater maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Edgewater uses enterprise funds to account for water and sewer, refuse collection and stormwater management.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water and sewer, refuse collection and stormwater management which are all considered to be major funds.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Internal Services Funds – Internal Service funds are used to account for the financing of centralized services to the City departments on a cost-reimbursement basis.

The basic internal services fund financial statements can be found on pages 72-74 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Edgewater's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds.

The basic fiduciary fund financial statements can be found on pages 76-77 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 29-56 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in its obligation to provide pension benefits to its employees. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the Notes to Financial Statements. Combining and individual fund statements and schedules can be found on pages 60-63 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Edgewater, assets exceeded liabilities by \$88,726,047 at the close of the most recent fiscal year. The following table reflects the condensed statement of net assets for the current and prior years. For more detail see the Statement of Net Assets on page 15.

City of Edgewater's Statement of Net Assets (in whole dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	\$9,083,616	\$9,020,940	\$9,741,156	\$9,866,438	\$18,824,772	\$18,887,378
Capital Assets	48,134,573	50,418,664	51,177,308	51,264,159	99,311,881	101,682,823
Total Assets	57,218,189	59,439,604	60,918,464	61,130,597	118,136,653	120,570,201
Liabilities:						
Long term liabilities	4,447,083	4,417,817	22,567,489	23,641,545	27,014,572	28,059,362
Other liabilities	919,844	632,038	1,476,190	1,966,638	2,396,034	2,598,676
Total Liabilities	5,366,927	5,049,855	24,043,679	25,608,183	29,410,606	30,658,038
Net Assets:						
Invested in capital assets, net o related debt	45,286,948	47,510,167	29,408,827	28,325,668	74,695,775	75,835,835
Restricted	1,867,693	1,568,645	1,879,888	892,784	3,747,581	2,461,429
Unrestricted	4,696,621	5,310,937	5,586,070	6,303,962	10,282,691	11,614,899
Total Net Assets	\$51,851,262	\$54,389,749	\$36,874,785	\$35,522,414	\$88,726,047	\$89,912,163

At the end of the current fiscal year, the government's liabilities decreased by \$1,247,432 which is mostly attributed to the reduction of debt service in both governmental and business-type activities. Other liabilities decreased by \$202,642 which is attributed to the decrease in accounts payable of the city.

Eight-four percent (84%) of the City's net assets reflect its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Edgewater's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Edgewater's net assets (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$10,383,824 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Edgewater is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets decreased by \$1,186,116 in the current fiscal year. The government's restricted net assets increased by \$1,286,152 in the current fiscal year. This was mainly attributed to increases in net assets being restricted for use in capital projects in governmental-type activities of \$296,132 and \$457,758 for business-type activities. The remaining major increase was attributed to net assets being restricted for debt service in business-type activities within the Water and Sewer Funds of \$529,346. Further explanations of the increase are detailed below. The following table reflects the condensed Statement of Activities for the current and prior years. For more detail see the Statement of Activities on page 16-17.

Statement of Activities

Governmental Activities - Governmental activities decreased the City of Edgewater's net assets by \$2,437,354. Key elements of this decrease are as follows:

- Property taxes decreased by \$624,025 (12%) during the year due to a 16.27% decrease in assessed property values from the previous year.
- Charges for services decreased by \$139,743 (14%) during the year due to a decrease of development review fees associated with future development on the City's west-side.
- Investment earnings decreased by \$41,851 (53%) due to decreased nationally on the returns on investments.
- Public safety expenses increased by \$465,326 (7%) during the year due to increases in Police salaries and associated benefits resulting from the first year of a 5-year Step Plan for all eligible employees. The benefit for Police employees was greater in the first year. In addition the City paid off some capital equipment leases during the year.
- Transportation/public works expenses increased by \$532,118 (16%) during the year due to expenditures for the street repaving program and the start of the 30th Street sidewalk infill program.

Business-Type Activities - Business-type activities increased the City of Edgewater's net assets by \$1,352,371. Key elements of this increase are as follows:

- Charges for services increased by \$383,201 (3%) during the year due to a 5.5% increase in the water and sewer sales associated with the Water & Sewer fund.
- Water and sewer expenses decreased by \$314,452 (4%) during the year due to the ARRA projects being substantially completed in the previous year.
- Capital Grants and Contributions decreased by 921,289 (41%) during the year due to Water and Sewer and Stormwater projects being substantially completed in the previous year.

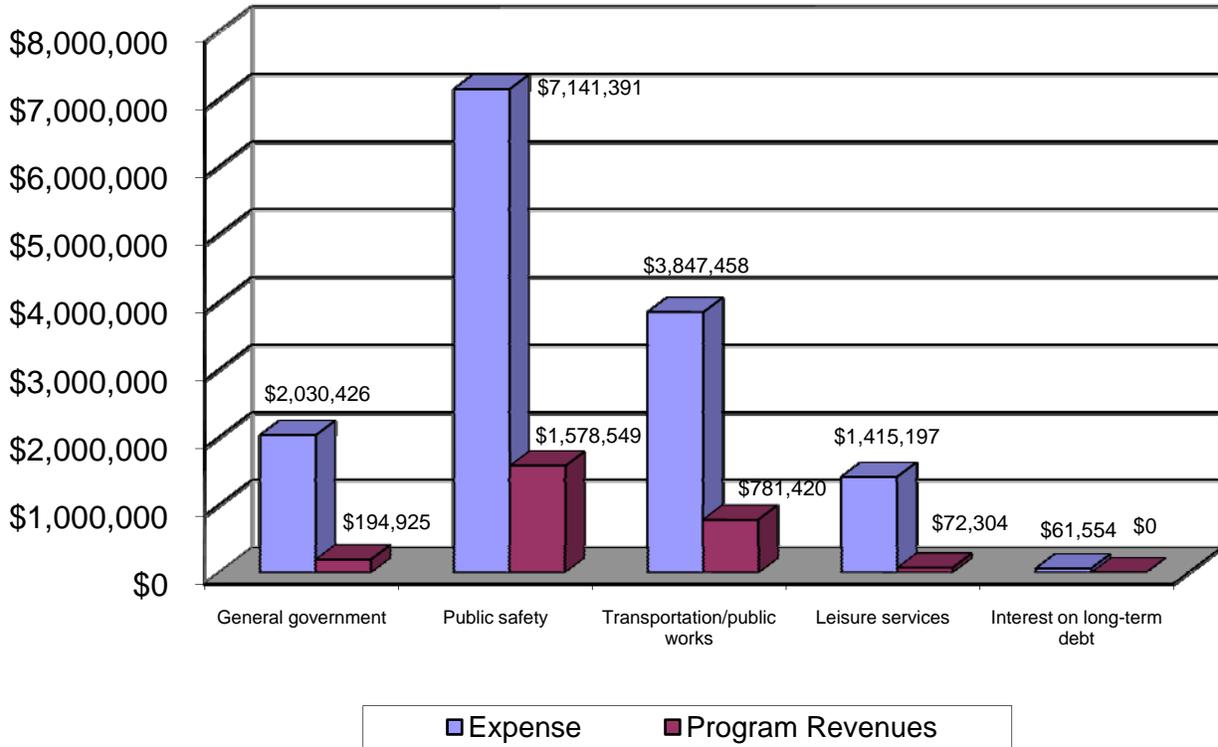
The remainder of this page intentionally left blank.

City of Edgewater's Changes in Revenues, Expenses and Net Assets (in whole dollars)

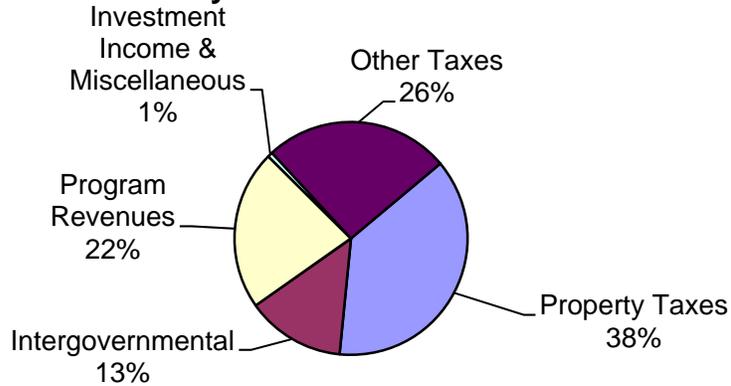
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues -						
Charges for services	\$ 845,261	\$ 985,004	\$ 11,427,633	\$ 11,044,432	\$ 12,272,894	\$ 12,029,436
Operating grants and contributions	594,849	634,000	-	-	594,849	634,000
Capital grants and contributions	1,187,088	266,779	1,300,823	2,222,112	2,487,911	2,488,891
General revenues -						
Property taxes	4,459,591	5,083,616	-	-	4,459,591	5,083,616
Franchise and utility taxes	3,047,731	3,051,595	-	-	3,047,731	3,051,595
Intergovernmental	1,618,530	1,574,091	-	-	1,618,530	1,574,091
Investment income and miscellaneous	82,399	150,817	333,833	269,445	416,232	420,262
Total revenues	11,835,449	11,745,902	13,062,289	13,535,989	24,897,738	25,281,891
Expenses:						
General government	2,030,426	2,120,727	-	-	2,030,426	2,120,727
Public safety	7,141,391	6,676,065	-	-	7,141,391	6,676,065
Transportation/public works	3,847,458	3,315,340	-	-	3,847,458	3,315,340
Leisure services	1,415,197	1,392,047	-	-	1,415,197	1,392,047
Interest on long-term debt	61,554	77,845	-	-	61,554	77,845
Water and sewer	-	-	7,931,996	8,246,448	7,931,996	8,246,448
Refuse collection	-	-	2,628,227	2,497,362	2,628,227	2,497,362
Stormwater management	-	-	1,027,605	808,413	1,027,605	808,413
Total expenses	14,496,026	13,582,024	11,587,828	11,552,223	26,083,854	25,134,247
Excess (deficiency) before transfers	(2,660,577)	(1,836,122)	1,474,461	1,983,766	(1,186,116)	147,644
Transfers in / (out)	122,090	-	(122,090)	-	-	-
Increase (Decrease) in net assets	(2,538,487)	(1,836,122)	1,352,371	1,983,766	(1,186,116)	147,644
Net Assets - Beginning	54,389,749	56,225,871	35,522,414	33,538,648	89,912,163	89,764,519
Net Assets - Ending	\$ 51,851,262	\$ 54,389,749	\$ 36,874,785	\$ 35,522,414	\$ 88,726,047	\$ 89,912,163

The remainder of this page intentionally left blank.

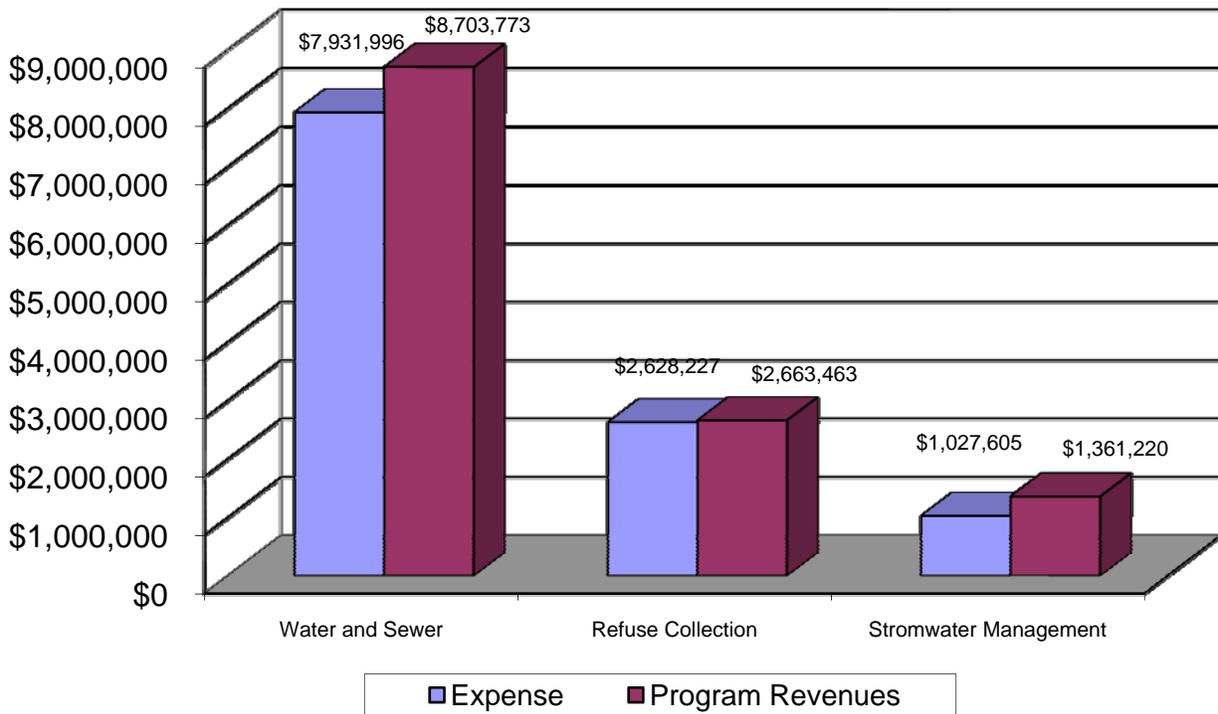
Expenses and Program Revenues - Governmental Activities



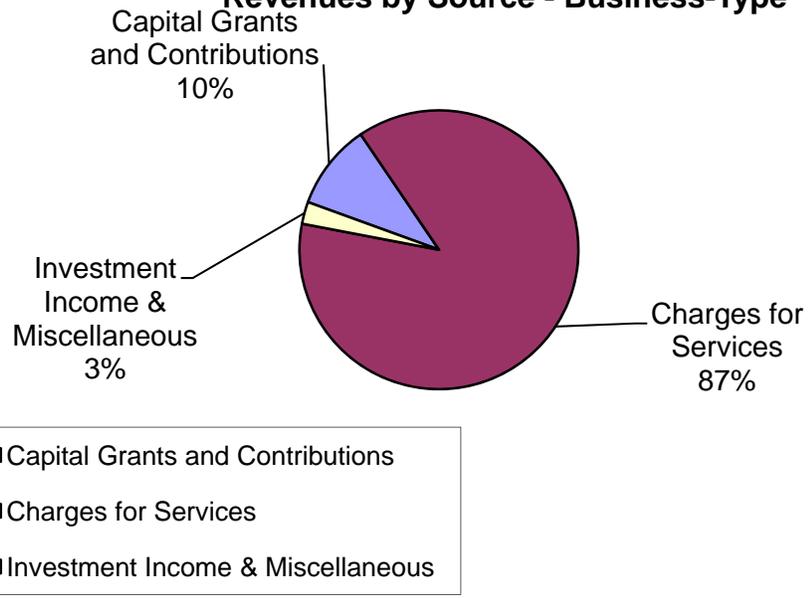
Revenues by Source – Governmental Activities



Expenses and Program Revenues - Business-Type



Revenues by Source - Business-Type



Financial Analysis of the Government's Funds

As noted earlier, the City of Edgewater used fund accounting to ensure and demonstrate compliance with finance-related requirements.

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

As of the end of the current fiscal year, the City of Edgewater's governmental funds reported combined ending fund balances of \$7,169,112, a decrease of \$204,790 in comparison with the prior year. Approximately 52% of this amount or \$3,700,298 constitutes unassigned fund balance, which is available for spending at the City's discretion. The City has assigned fund balance designated for the (1) FY 2012 budget \$1,265,639 and (2) replacement of City Hall in the amount of \$300,000. Committed fund balance for capital projects is \$542,510. Restricted fund balance of \$1,222,206 is for scholarships, public safety, debt service, and capital projects. Nonspendable fund balance is held for (1) inventories and prepaids \$3,171 and (2) for long-term advances \$135,288.

The general fund is the chief operating fund of the City of Edgewater. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,702,417, while total fund balance was \$5,406,963. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32% of the total general fund expenditures, while total fund balance represents 47% of that same amount.

During the current fiscal year, the fund balance of the general fund decreased by \$812,668. This decrease was attributed to the use of fund balance in the current year.

Proprietary Funds - The City of Edgewater's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at the year-end amounted to \$5,682,886. The total increase in net assets for these funds was \$1,374,542. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Edgewater's business-type activities.

General Fund Budgetary Highlights

The final revenue budget was \$512,903 greater than the original budget due to the ability to increase fund balance. During the year, actual revenues were \$515,405 less than budgeted revenues primarily due to lesser than anticipated utility and franchise taxes, intergovernmental revenues, charges for services, and fines and forfeitures.

The final expenditure budget was \$202,600 less than the original budget due to the year-end final budget adjustment to adjust the budget to actual expenditures. Actual expenditures were \$10,462 less than budgeted expenditures primarily due to the vacant positions within the various departments.

The final transfers-in budget increased from the original budget by \$151,036 due to mid-year and final budget amendments. Actual transfers-in were less than budget by \$44,774. The final transfers-out budget increased from the original budget by \$41,082 due to mid-year and final budget amendments. Actual transfers-out were more than budget by \$150,013 due to the close out of one of the debt service funds to the capital projects fund.

Capital Asset and Debt Administration

Capital Assets - The City of Edgewater's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$99,311,881 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment and infrastructure. The total decrease in the City's investment in capital assets for the current fiscal year was 2.3%.

City of Edgewater's Capital Assets (net of depreciation)(in whole dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 23,093,340	\$ 23,009,719	\$ 1,235,467	\$ 1,235,467	\$ 24,328,807	\$ 24,245,186
Buildings	2,241,755	2,354,672	11,218,485	9,945,007	13,460,240	12,299,678
Improvements	9,863,893	10,532,918	31,944,747	31,711,529	41,808,640	42,244,448
Machinery and equipment	1,409,356	1,313,700	5,377,772	5,587,861	6,787,128	6,901,561
Infrastructure	10,023,148	12,684,171	-	-	10,023,148	12,684,171
Construction in progress	1,503,081	523,484	1,400,837	2,784,295	2,903,918	3,307,779
Total	\$ 48,134,573	\$ 50,418,664	\$ 51,177,308	\$ 51,264,159	\$ 99,311,881	\$ 101,682,823

Additional information on the City of Edgewater's capital assets can be found in Note IV E of the notes to the financial statements on pages 40-41 of this report.

Long-Term Debt

At the end of the current fiscal year, the City of Edgewater had total debt outstanding of \$24,671,749. This debt includes bonds payable, notes payable, the state revolving loan and capital leases. In FY 2011, the City issued a Guaranteed Entitlement Note, Series 2010 for the replacement of Fire station No. 55. The City is current on all required debt service obligations.

City of Edgewater's Outstanding Debt (in whole dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Bonds payable	\$ -	\$ -	\$ 7,331,611	\$ 7,814,973	\$ 7,331,611	\$ 7,814,973
Notes payable	2,664,055	2,520,073	1,028,000	1,542,000	3,692,055	4,062,073
State revolving loan	-	-	8,582,920	8,388,828	8,582,920	8,388,828
Capital leases	183,569	388,424	4,881,594	5,258,430	5,065,163	5,646,854
	\$ 2,847,624	\$ 2,908,497	\$ 21,824,125	\$ 23,004,231	\$ 24,671,749	\$ 25,912,728

During the current fiscal year, the City's total debt decreased by \$1,240,979 (5%).

Additional information on the City of Edgewater's long-term debt can be found in Note IV H of the notes to the financial statements on pages 42-47 of this report.

Reserve Policy

The City Council has approved a Reserve Policy, which was adopted within the City Charter. The policy addresses that the city is required to maintain reserves at a minimum of 15 percent with a maximum of 25 percent of the general fund. The reserve range is established based on a percentage of current years' budget. Reserve levels above the top of the range are deemed to be available for capital or other lawful purposes.

The Reserve amount per Charter is currently set at \$1,950,000 (16%) of the FY2011 – 2012 General Fund Budget. The City Council has designated \$300,000 towards the future replacement of City Hall. The nonspendable balance is \$138,459 with restricted balances of 448. The amount available for capital or other lawful purposes less any reserves or set asides is \$3,702,417 at September 30, 2011. The decrease in available reserves is attributed to the reduction in ad valorem revenues and the use of reserves.

Next Year's Budget and Rates

Due to the City's cost-cutting efforts, the City is better positioned than most communities. Regularly updating the City's financial forecast allowed the City to take corrective action during the past several years. The City has continually reduced debt levels, refinanced existing debt and still maintained the excellent services levels.

The City Council and City administration will further develop the City's financial strategy and continue fiscal responsibility while maintaining as many core services as possible. In the meantime, the City will keep residents informed and ensure they continue to receive maximum value for their tax dollars.

Requests for Information

This financial report is designed to provide a general overview of the City of Edgewater's finances for those with an interest in the government's finances. Questions concerning any of the information should be addressed to the office of the Finance Director, City of Edgewater, P.O. Box 100, Edgewater, Florida 32132-0100.



This page intentionally left blank

CITY OF EDGEWATER, FLORIDA

Statement of Net Assets

September 30, 2011

	<u>Governmental - type Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 5,174,588	\$ 4,020,343	\$ 9,194,931
Investments	1,401,569	-	1,401,569
Receivables, ne	400,276	1,392,745	1,793,021
Special assessment receivable, ne	-	2,084,559	2,084,559
Internal balances	135,288	(135,288)	-
Due from other governments	1,157,266	114,463	1,271,729
Inventories and prepaids	25,657	-	25,657
Deferred charges, net	-	55,645	55,645
Restricted assets:			
Cash and cash equivalents	-	2,208,689	2,208,689
Investment in joint venture	242,278	-	242,278
Pension assets	546,694	-	546,694
Capital Assets			
Nondepreciable assets	24,596,421	2,636,304	27,232,725
Depreciable assets, net	23,538,152	48,541,004	72,079,156
Total assets	<u>57,218,189</u>	<u>60,918,464</u>	<u>118,136,653</u>
LIABILITIES			
Accounts payable and other current liabilities	823,551	272,304	1,095,855
Accrued interest payable	18,868	328,801	347,669
Unearned revenue	58,600	-	58,600
Due to other governments	18,825	-	18,825
Customer deposits	-	875,085	875,085
Noncurrent liabilities			
Due within one year	1,708,350	2,435,119	4,143,469
Due in more than one year	2,738,733	20,132,370	22,871,103
Total liabilities	<u>5,366,927</u>	<u>24,043,679</u>	<u>29,410,606</u>
NET ASSETS			
Invested in capital assets, net of related debt	45,286,948	29,408,827	74,695,775
Restricted for:			
Debt service	-	529,346	529,346
Public safety	719,881	-	719,881
Capital projects	1,147,364	1,350,542	2,497,906
Scholarships	448	-	448
Unrestricted	4,696,621	5,586,070	10,282,691
Total net assets	<u>\$ 51,851,262</u>	<u>\$ 36,874,785</u>	<u>\$ 88,726,047</u>

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

CITY OF EDGEWATER, FLORIDA
Statement of Activities
For the Fiscal Year Ended September 30, 2011

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General administrative	\$ 2,030,426	\$ 185,511	\$ -	\$ 9,414
Public works	3,847,458	156,857	574,994	49,569
Public safety	7,141,391	502,893	19,855	1,055,801
Culture and recreation	1,415,197	-	-	72,304
Interest on long-term debt	61,554	-	-	-
Total governmental activities	<u>14,496,026</u>	<u>845,261</u>	<u>594,849</u>	<u>1,187,088</u>
Business-type activities:				
Water / Sewer	7,931,996	7,474,168	-	1,229,605
Refuse	2,628,227	2,661,778	-	1,685
Stormwater	1,027,605	1,291,687	-	69,533
Total business-type activities	<u>11,587,828</u>	<u>11,427,633</u>	<u>-</u>	<u>1,300,823</u>
Total primary government	<u>\$ 26,083,854</u>	<u>\$ 12,272,894</u>	<u>\$ 594,849</u>	<u>\$ 2,487,911</u>

General revenues:
Property taxes
Utility and franchise taxes
Intergovernmental shared revenue - non-program
Investment earnings
Gain on sale of assets
Miscellaneous revenue
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

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

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
\$ (1,835,501)	\$ -	\$ (1,835,501)
(3,066,038)	-	(3,066,038)
(5,562,842)	-	(5,562,842)
(1,342,893)	-	(1,342,893)
(61,554)	-	(61,554)
<u>(11,868,828)</u>	<u>-</u>	<u>(11,868,828)</u>
-	771,777	771,777
-	35,236	35,236
-	333,615	333,615
<u>-</u>	<u>1,140,628</u>	<u>1,140,628</u>
<u>(11,868,828)</u>	<u>1,140,628</u>	<u>(10,728,200)</u>
4,459,591	-	4,459,591
3,047,731	-	3,047,731
1,618,530	-	1,618,530
32,274	92,243	124,517
8,008	-	8,008
42,117	241,590	283,707
122,090	(122,090)	-
<u>9,330,341</u>	<u>211,743</u>	<u>9,542,084</u>
<u>(2,538,487)</u>	<u>1,352,371</u>	<u>(1,186,116)</u>
54,389,749	35,522,414	89,912,163
<u>\$ 51,851,262</u>	<u>\$ 36,874,785</u>	<u>\$ 88,726,047</u>

CITY OF EDGEWATER, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2011

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 3,596,159	\$ 446,029	\$ 779,563	\$ 4,821,751
Investments	1,401,569	-	-	1,401,569
Receivables--net of allowance for uncollectibles	393,237	-	7,039	400,276
Due from other governments	359,672	797,594	-	1,157,266
Advances to other funds	135,288	-	-	135,288
Inventories and prepaids	3,171	-	-	3,171
Total assets	<u>\$ 5,889,096</u>	<u>\$ 1,243,623</u>	<u>\$ 786,602</u>	<u>\$ 7,919,321</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 67,138	\$ 255,084	\$ 7,122	\$ 329,344
Accrued liabilities	268,151	-	5,870	274,021
Due to other governments	18,825	-	-	18,825
Deferred revenues	69,419	-	-	69,419
Unearned revenues	58,600	-	-	58,600
Total liabilities	<u>482,133</u>	<u>255,084</u>	<u>12,992</u>	<u>750,209</u>
Fund balances				
Nonspendable:				
Inventories and prepaids	3,171	-	-	3,171
Advances	135,288	-	-	135,288
Restricted for:				
Scholarships	448	-	-	448
Public safety	-	-	72,054	72,054
Debt service	-	-	2,340	2,340
Capital projects	-	446,029	701,335	1,147,364
Committed to:				
Capital projects	-	542,510	-	542,510
Assigned to:				
2012 budget	1,265,639	-	-	1,265,639
City Hall	300,000	-	-	300,000
Unassigned	3,702,417	-	(2,119)	3,700,298
Total fund balances	<u>5,406,963</u>	<u>988,539</u>	<u>773,610</u>	<u>7,169,112</u>
Total liabilities and fund balances	<u>\$ 5,889,096</u>	<u>\$ 1,243,623</u>	<u>\$ 786,602</u>	<u>\$ 7,919,321</u>

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

CITY OF EDGEWATER, FLORIDA

Reconciliation of the Balance Sheet of Governmental Funds

To the Statement of Net Assets

September 30, 2011

Total governmental funds fund balance \$7,169,112

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds - total less accumulated depreciation.

Land and land rights	\$ 23,093,340	
Buildings and improvements	23,511,263	
Infrastructure	55,651,736	
Furniture and equipment	4,101,697	
Construction in progress	1,503,081	
Accumulated depreciation	<u>(59,752,063)</u>	
	<u>\$ 48,109,054</u>	48,109,054

Investment in joint venture is not a financial asset and therefore is not reported in the funds. 242,278

Internal service funds are used by management to charge the costs of fleet, management information systems and insurance activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 122,335

The cumulative net pension contribution in excess of the annual required contribution is presented as an asset on the government-wide statement of net assets. 546,694

Certain taxes will not be collected until after 60 days after year-end and are therefore not considered available revenue in the governmental funds. In the statement of net assets no deferral is reported since the revenue is fully recognized in the statement of activities. 69,419

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$ 1,318,227	
OPEB	222,910	
Long-term debt	<u>2,847,625</u>	
	<u>\$ 4,388,762</u>	(4,388,762)

Accrued interest payable on bonds that is not recognized on the fund statements. (18,868)

Net assets of governmental activities: \$51,851,262

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

CITY OF EDGEWATER, FLORIDA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended September 30, 2011

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 4,427,748	\$ -	\$ 31,843	\$ 4,459,591
Utility and franchise taxes	3,047,731	-	-	3,047,731
Intergovernmental	2,295,655	1,098,718	6,271	3,400,644
Licenses and permits	227,703	-	-	227,703
Charges for services	1,000,236	-	24,408	1,024,644
Fines and forfeitures	141,232	-	9,337	150,569
Investment earnings	35,782	829	768	37,379
Impact fees	-	-	68,405	68,405
Miscellaneous revenue	37,026	-	19,843	56,869
	<u>11,213,113</u>	<u>1,099,547</u>	<u>160,875</u>	<u>12,473,535</u>
EXPENDITURES				
Current:				
Legislative	100,154	-	-	100,154
Executive	454,905	-	-	454,905
Legal counsel	120,685	-	-	120,685
Community development	529,275	-	-	529,275
Public works	356,739	-	-	356,739
Public safety:				
Law enforcement	3,494,286	-	13,197	3,507,483
Fire and emergency services	2,826,861	-	-	2,826,861
Code enforcement	166,253	-	-	166,253
Animal services	-	-	227,600	227,600
Culture and recreation	1,159,916	-	-	1,159,916
General administrative services	1,478,452	-	-	1,478,452
Debt Service:				
Principal	795,871	-	15,000	810,871
Interest	42,024	-	15,765	57,789
Capital outlay	93,190	1,652,422	-	1,745,612
	<u>11,618,611</u>	<u>1,652,422</u>	<u>271,562</u>	<u>13,542,595</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(405,498)</u>	<u>(552,875)</u>	<u>(110,687)</u>	<u>(1,069,060)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	106,262	369,282	371,158	846,702
Transfers out	(521,440)	-	(219,000)	(740,440)
Issuance of debt	-	750,000	-	750,000
Sale of capital assets	8,008	-	-	8,008
	<u>(407,170)</u>	<u>1,119,282</u>	<u>152,158</u>	<u>864,270</u>
Net change in fund balances	(812,668)	566,407	41,471	(204,790)
Beginning fund balances	<u>6,219,631</u>	<u>422,132</u>	<u>732,139</u>	<u>7,373,902</u>
Ending fund balances	<u>\$ 5,406,963</u>	<u>\$ 988,539</u>	<u>\$ 773,610</u>	<u>\$ 7,169,112</u>

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

CITY OF EDGEWATER, FLORIDA

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended September 30, 2011

Net change in fund balances - total governmental funds \$ (204,790)

Amounts recorded for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditure for capital assets	\$	1,454,588	
Current year depreciation		<u>(3,749,604)</u>	
		<u>\$ (2,295,016)</u>	(2,295,016)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets. 24,561

Some taxes will not be collected for several months after the close of the city's fiscal year end, they are not considered as "available" revenue in the governmental funds. In the statement of activities, presented on the accrual basis, these revenues are recognized. 38,668

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Changes in compensated absences	\$	1,230	
Changes in OPEB obligation		(74,058)	
Changes in interest payable		(3,765)	
Changes in joint venture balance		<u>(7,227)</u>	
		<u>\$ (83,820)</u>	(83,820)

The net revenue of certain activities of internal service funds is reported with governmental activities. 22,171

Pension expenses recorded in the statement of activities which are in excess of the annual required pension contribution are considered to be assets and not expenses of the period. (101,133)

The issuance of long-term debt (i.e., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and deferred amount on refunding, when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal payments	\$	810,872	
Debt issued		<u>(750,000)</u>	
		<u>\$ 60,872</u>	<u>60,872</u>

Change in net assets of governmental activities \$ (2,538,487)

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

CITY OF EDGEWATER, FLORIDA
Statement of Revenues, Expenditures, and
Changes in Fund Balances--Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 4,331,714	\$ 4,428,714	\$ 4,427,748	\$ (966)
Utility and franchise taxes	3,150,468	3,296,468	3,047,731	(248,737)
Intergovernmental	2,351,172	2,416,976	2,295,655	(121,321)
Licenses and permits	159,500	233,250	227,703	(5,547)
Charges for services	1,047,762	1,064,624	1,000,236	(64,388)
Fines and forfeitures	99,500	205,250	141,232	(64,018)
Investment earnings	32,999	39,790	35,782	(4,008)
Miscellaneous revenue	42,500	43,446	37,026	(6,420)
Total revenues	11,215,615	11,728,518	11,213,113	(515,405)
EXPENDITURES				
Current:				
Legislative	104,063	104,063	100,154	3,909
Executive	462,740	463,427	454,905	8,522
Legal counsel	201,500	131,000	120,685	10,315
Community development	663,686	613,686	529,275	84,411
Public works	373,793	358,884	356,739	2,145
Public safety:				
Law enforcement	3,424,045	3,464,370	3,494,286	(29,916)
Fire and emergency services	2,862,340	2,827,150	2,826,861	289
Code enforcement	221,965	181,965	166,253	15,712
Culture and recreation	1,227,836	1,202,836	1,159,916	42,920
General administrative services	1,486,419	1,459,925	1,478,452	(18,527)
Debt service:				
Principal	591,019	591,019	795,871	(204,852)
Interest	120,535	153,810	42,024	111,786
Capital outlay	91,732	76,938	93,190	(16,252)
Total expenditures	11,831,673	11,629,073	11,618,611	10,462
Excess (deficiency) of revenues over (under) expenditures	(616,058)	99,445	(405,498)	(504,943)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	151,036	106,262	(44,774)
Transfers out	(330,345)	(371,427)	(521,440)	(150,013)
Sale of capital assets	5,000	8,000	8,008	8
Total other financing sources (uses)	(325,345)	(212,391)	(407,170)	(194,779)
Net change in fund balances	(941,403)	(112,946)	(812,668)	(699,722)
Beginning fund balances	6,219,631	6,219,631	6,219,631	-
Ending fund balances	\$ 5,278,228	\$ 6,106,685	\$ 5,406,963	\$ (699,722)

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

CITY OF EDGEWATER, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Major Funds				
	Water/ Sewer Utility	Refuse Utility	Stormwater Utility	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,789,754	\$ 762,714	\$ 467,875	\$ 4,020,343	\$ 352,837
Receivables, net	873,313	354,310	165,122	1,392,745	-
Due from other governments	114,463	-	-	114,463	-
Inventories	-	-	-	-	22,486
Special assessments receivable	1,113,944	-	-	1,113,944	-
Total current assets	4,891,474	1,117,024	632,997	6,641,495	375,323
Noncurrent assets:					
Restricted cash and cash equivalents:					
Debt service	858,147	-	-	858,147	-
Capital projects	1,350,542	-	-	1,350,542	-
Total restricted cash and cash equivalents	2,208,689	-	-	2,208,689	-
Capital assets:					
Land and land rights	966,228	-	269,239	1,235,467	-
Buildings and improvements	65,327,793	70,809	7,530,443	72,929,045	-
Machinery and equipment	8,257,085	1,858,786	860,932	10,976,803	58,112
Construction in progress	656,881	-	743,956	1,400,837	-
Less accumulated depreciation	(31,123,389)	(1,218,177)	(3,023,278)	(35,364,844)	(32,593)
Total capital assets (net of accumulated depreciation)	44,084,598	711,418	6,381,292	51,177,308	25,519
Special assessment receivable	970,615	-	-	970,615	-
Deferred charges	55,645	-	-	55,645	-
Total noncurrent assets	47,319,547	711,418	6,381,292	54,412,257	25,519
Total assets	\$ 52,211,021	\$ 1,828,442	\$ 7,014,289	\$ 61,053,752	\$ 400,842
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 54,640	\$ 44,707	\$ 45	\$ 99,392	\$ 209,732
Accrued liabilities	111,880	42,080	18,952	172,912	10,454
Compensated absences	266,696	127,488	53,286	447,470	21,100
Customer deposits	875,085	-	-	875,085	-
Accrued interest payable	328,801	-	-	328,801	-
Capital leases payable - current	354,124	-	-	354,124	-
Notes payable - current	1,028,000	-	-	1,028,000	-
State revolving loan - current	35,525	-	-	35,525	-
Revenue bonds payable - current	570,000	-	-	570,000	-
Total current liabilities	3,624,751	214,275	72,283	3,911,309	241,286
Noncurrent liabilities:					
Advances from other funds	-	-	135,288	135,288	-
Compensated absences	127,628	50,794	1,332	179,754	30,288
OPEB obligation	72,159	31,127	12,853	116,139	6,933
Long-term debt payable after one year	19,836,477	-	-	19,836,477	-
Total noncurrent liabilities	20,036,264	81,921	149,473	20,267,658	37,221
Total liabilities	23,661,015	296,196	221,756	24,178,967	278,507
NET ASSETS					
Invested in capital assets, net of related debt	22,316,117	711,418	6,381,292	29,408,827	25,519
Restricted:					
Capital projects	1,350,542	-	-	1,350,542	-
Debt service	529,346	-	-	529,346	-
Unrestricted	4,354,001	820,828	411,241	5,586,070	96,816
Total net assets	\$ 28,550,006	\$ 1,532,246	\$ 6,792,533	\$ 36,874,785	\$ 122,335

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

CITY OF EDGEWATER, FLORIDA

Statement of Revenues, Expense and
Changes in Fund Net Assets

Proprietary Funds

For the Fiscal Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Major Funds				
	Water/ Sewer Utility	Refuse Utility	Stormwater Utility	Total	
Operating revenues:					
Charges for sales and services	\$ 7,474,168	2,661,778	\$ 1,291,687	\$ 11,427,633	\$ 3,795,097
Operating expenses:					
Salaries and employee benefits	2,512,299	1,206,401	497,299	4,215,999	2,677,995
Supplies and materials	576,918	138,909	32,698	748,525	452,546
Contract services	187,591	819,191	10,803	1,017,585	104,100
Other services and charges	1,556,476	271,150	198,072	2,025,698	540,477
Depreciation and amortization	2,280,833	192,576	288,733	2,762,142	13,636
Total operating expenses	7,114,117	2,628,227	1,027,605	10,769,949	3,788,754
Operating income (loss)	360,051	33,551	264,082	657,684	6,343
Nonoperating revenues (expenses):					
Investment earnings	91,437	712	94	92,243	-
Miscellaneous revenues	206,982	24,177	10,431	241,590	-
Interest expense	(817,879)	-	-	(817,879)	-
Total nonoperating revenues (expenses)	(519,460)	24,889	10,525	(484,046)	-
Income before capital contributions and transfers	(159,409)	58,440	274,607	173,638	6,343
Transfers in	-	50,000	-	50,000	15,828
Transfers out	(116,701)	(3,861)	(51,528)	(172,090)	-
Capital contributions and grants	1,229,605	1,685	69,533	1,300,823	-
Change in net assets	953,495	106,264	292,612	1,352,371	22,171
Total net assets - beginning	27,596,511	1,425,982	6,499,921	35,522,414	100,164
Total net assets - ending	\$ 28,550,006	\$ 1,532,246	\$ 6,792,533	\$ 36,874,785	\$ 122,335

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

CITY OF EDGEWATER, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Major Funds			Total	
	Water/ Sewer Utility	Refuse Utility	Stormwater Utility		
Cash flows from operating activities:					
Receipts-customers and users	\$ 7,427,355	\$ 2,649,053	\$ 1,284,656	\$ 11,361,064	\$ 3,795,097
Payments-suppliers	(2,617,893)	(1,333,450)	(366,776)	(4,318,119)	(3,446,396)
Payments-employees	(2,496,495)	(1,135,463)	(467,655)	(4,099,613)	(273,414)
Net cash provided (used) by operating activities	<u>2,312,967</u>	<u>180,140</u>	<u>450,225</u>	<u>2,943,332</u>	<u>75,287</u>
Cash flows from noncapital financing activities:					
Cash paid to other funds	(116,701)	(3,861)	(173,552)	(294,114)	-
Cash received from other funds	122,024	50,000	-	172,024	15,828
Net cash provided by noncapital financing activities	<u>5,323</u>	<u>46,139</u>	<u>(173,552)</u>	<u>(122,090)</u>	<u>15,828</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(2,079,401)	(272,989)	(335,710)	(2,688,100)	-
Proceeds from sale of capital assets	2,684	22,441	10,245	35,370	-
Grant revenue	1,489,705	1,685	516,385	2,007,775	-
Interest payments on debt	(788,697)	-	-	(788,697)	-
Capital contributions and fees	1,514,832	1,735	188	1,516,755	-
Proceeds from issuance of debt	194,092	-	-	194,092	-
Principal paid on debt	(1,374,197)	-	-	(1,374,197)	-
Net cash used by capital and related financing activities	<u>(1,040,982)</u>	<u>(247,128)</u>	<u>191,108</u>	<u>(1,097,002)</u>	<u>-</u>
Cash flows from investing activities:					
Interest on investments	91,437	712	94	92,243	-
Net cash provided by investing activities	<u>91,437</u>	<u>712</u>	<u>94</u>	<u>92,243</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,368,745	(20,137)	467,875	1,816,483	91,115
Beginning cash and cash equivalents	3,629,698	782,851	-	4,412,549	261,722
Ending cash and cash equivalents	<u>\$ 4,998,443</u>	<u>\$ 762,714</u>	<u>\$ 467,875</u>	<u>\$ 6,229,032</u>	<u>\$ 352,837</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 360,051	\$ 33,551	\$ 264,082	\$ 657,684	\$ 6,343
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	2,280,833	192,576	288,733	2,762,142	13,636
(Increase) decrease in assets:					
Accounts receivable	(72,339)	(12,725)	(7,031)	(92,095)	-
Inventories	-	-	-	-	(8,461)
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	(299,696)	(97,329)	(118,949)	(515,974)	46,459
Compensated absences	(1,536)	50,374	16,878	65,716	15,818
Unearned revenue and other current liabilities				-	
OPEB obligation	20,128	13,693	6,512	40,333	1,492
Customer deposits	25,526	-	-	25,526	-
Total adjustments	<u>1,952,916</u>	<u>146,589</u>	<u>186,143</u>	<u>2,285,648</u>	<u>68,944</u>
Net cash provided by operating activities	<u>\$ 2,312,967</u>	<u>\$ 180,140</u>	<u>\$ 450,225</u>	<u>\$ 2,943,332</u>	<u>\$ 75,287</u>
Classified As:					
Cash and cash equivalents	\$ 2,789,754	\$ 762,714	\$ 467,875	\$ 4,020,343	\$ 352,837
Restricted cash and cash equivalents	2,208,689	-	-	2,208,689	-
Total	<u>\$ 4,998,443</u>	<u>\$ 762,714</u>	<u>\$ 467,875</u>	<u>\$ 6,229,032</u>	<u>\$ 352,837</u>

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

CITY OF EDGEWATER, FLORIDA

Statement of Fiduciary Net Assets

Fiduciary Funds

September 30, 2011

	Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 15,013
Investments, at fair value:	
Money market funds	636,104
Bonds	10,214,813
Equities	12,762,453
Real estate investment trust	812,423
Total assets	<u>24,440,806</u>
LIABILITIES	
Deferred contributions	<u>205,184</u>
Total liabilities	<u>205,184</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 24,235,622</u>

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

CITY OF EDGEWATER, FLORIDA
Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended September 30, 2011

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 1,246,057
Employee	219,764
State of Florida	<u>271,229</u>
Total contributions	<u>1,737,050</u>
Investment earnings (loss):	
Net decrease in the fair value of investments	<u>(62,701)</u>
Total investment earnings (loss)	<u>(62,701)</u>
Less investment expenses	<u>(80,764)</u>
Net investment earnings (loss)	<u>(143,465)</u>
Total Additions	<u>1,593,585</u>
DEDUCTIONS	
Pension benefits	1,969,798
Administrative expenses	<u>138,509</u>
Total deductions	<u>2,108,307</u>
Change in net assets	(514,722)
Net assets - beginning of year	<u>24,750,344</u>
Net assets - end of Year	<u>\$ 24,235,622</u>

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



This page intentionally left blank

I. Summary of Significant Accounting Policies

The accompanying financial statements present the financial position, changes in financial position and cash flows of the applicable fund types governed by the City Council of the City of Edgewater, Florida ("the City") and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's accounting policies are described below.

A. Reporting Entity:

The City of Edgewater was originally incorporated under general law on October 20, 1924. The City became the City of Edgewater and incorporated in 1951 as a political subdivision of the State of Florida and a municipal corporation with a five-member Council, including a Mayor and Vice-Mayor. The registered voters of the City of Edgewater elect the Mayor and Council. The Council appoints the City Manager, who in turn performs as the administrator of the everyday operations of the City. The City provides a full range of municipal services as directed by the City Charter including general government, public safety, public improvements, planning and zoning, water and sewer service, refuse collection, a recycling program, a stormwater management utility program, and related general and administrative services to 20,885 residents.

In evaluating how to define the government, for financial reporting purposes, the City has considered all potential component units. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations' resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. In applying the above criteria, management has determined that there are no component units to be included within the reporting entity.

B. Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. For the most part the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect expenses are included in the program expense reported for individual functions and segments. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

Grant funds received prior to the incurrence of eligible expenditures are reported as unearned revenues in the fund financial statements and are included in accounts payable and other current liabilities on the government-wide financial statements.

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

Property taxes, franchise taxes, certain other tax revenues, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Capital Projects Fund* is used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

The City reports the following major proprietary funds:

- The *Water and Sewer Utility Fund* is used to account for the activities of the City's water and wastewater systems, which are financed similar to private business enterprises, where the costs, including depreciation, of providing services to the general public on an ongoing basis are financed through user charges.

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

- The *Refuse Utility Fund* accounts for the activities of the City's refuse collection and recycling services.
- The *Stormwater Management Utility Fund* accounts for the activities of the City's stormwater management, conservation, protection, control, use and enhancement of stormwater.

Additionally, the City reports the following fund types:

- *Special Revenue Funds* account for specific revenue resources that are restricted by law or administrative action to expenditures for specific purposes.
- *Pension Trust Funds* account for the activities of the Police Officers Pension Fund, the Firefighters Pension Fund and the General Employees Pension Fund, which accumulate resources for pension benefit payments to qualified employees.
- *Internal Services Funds* account for fleet management services, management information systems, general liability insurance, health insurance, and workers compensation insurance.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues include*:

1. charges to customers or applicants for goods, services, or privileges provided,
2. operating grants and contributions, and
3. capital grants and contributions.

Internal, dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Utility Fund, the Refuse Fund, and the Stormwater Management Utility Fund are charges to customers for sales and services. The Water and Sewer Utility fund also recognize as operating revenue the portion of impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The preparation of financial statements in conformity with accounting principals generally accepted in the United States requires management to make use of estimates that affect reported amounts in the basic financial statements. Actual results could differ from estimates. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources before unrestricted resources.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and investments

The City's cash consists of cash on hand, demand deposits, and equity in pooled cash. The equity in pooled cash represents a fund's share of a cash pool maintained by the City for the use of all funds except the pension trust funds and funds that require separate bank accounts.

Florida Statutes and/or the City's investment policy authorize the City to invest in the Local Government Surplus Funds Trust Fund Investment Pool, United States Government Securities, United States Government Agencies, Federal Instrumentalities, Interest Bearing Time Deposit or Saving Accounts, Repurchase Agreements, Commercial Paper, High Grade Corporate Notes, Bankers' Acceptances, State and/or Local Government Taxable and/or Tax-Exempt Debt, Registered Investment Companies (Money Market Mutual Funds).

Florida Statutes and/or the pension plans' investment policies allow the City's retirement plans' trustees to invest in time deposits, savings and money market deposit accounts of a national bank, a state bank insured by the Bank Insurance Fund, a savings/building and loan association insured by the Savings Association Insurance Fund, a state or federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance Fund; Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government or by an agency of the United States Government; stocks, bonds or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or the District of Columbia; foreign stocks, bonds or other evidences of indebtedness; and real estate investments made through participation in diversified commingled funds of real properties.

Investments are stated at fair value. Changes in the fair value during the year are included in investment income. The Local Governmental Surplus Funds Trust Fund (LGSF) is governed by Chapter 19-7 of the Florida Administrative Code which identifies the Rules of the State Board of Administration (SBA). These rules provide guidance and establish the general operating procedures for the administration of the LGSF. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the SBA. The LGSF is not a registrant with the Securities and Exchange Commission; however, the Board has adopted operating procedures consistent with the requirements for a 2a-7-like fund. The LGSF Pool's investments are recorded at amortized cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/due from other funds". Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Accounts receivable balances are shown net of the allowance for un-collectibles. The allowances are determined based on management estimates of uncollectible amounts.

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Inventories and prepaid items

Inventories are valued at cost, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Payments made to vendors for services that will benefit periods beyond the current fiscal year are recorded as prepaid items.

4. Restricted assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet and statement of net assets and their use is limited by applicable bond covenants. Restricted cash and investments in the enterprise funds represents debt issuance proceeds that are restricted assets for purchase of assets, construction and repayment of bonded debt respectively. In the enterprise fund statement of net assets, bond issuance proceeds as well as other assets are set aside for their repayment and itemized in the restricted cash and investments.

5. Capital assets

In the Government Wide and Proprietary Fund financial statements, capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The City defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

The City has implemented the provisions of GASB Statement No. 34. In this process, infrastructure assets are being accounted for using different methods. For governmental activities, the cost or estimated cost of roads and sidewalks are presented. The City compiled this information and recorded all roads and sidewalks acquired after June 30, 1980 during the fiscal year ending September 30, 2007. For business type activities, infrastructure assets have been capitalized at cost. Water and sewer utility improvements are being depreciated over their useful lives. The City has recorded all drainage infrastructure acquired including pre-GASB 34 assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of any interest earnings on specific project debt issued. In Governmental funds capital outlay (capital assets) are reported as expenditures and no depreciation expense is reported.

Buildings and improvements, improvements other than buildings, and machinery and equipment (including assets amortized under lease purchase contracts) are amortized using the straight-line method over the following estimated useful lives:

Infrastructure	20-30 Years
Buildings and improvements	10-50 Years
Improvements other than buildings	5-65 Years
Machinery and equipment	3-35 Years

6. Compensated absences

The City records the vested portion of accumulated unused compensated absences at year-end based on each employee's unused hours and rate of pay, including the City's share of Social Security and Medicare taxes and pension costs. All compensated absences are accrued when earned in the government-wide and proprietary fund financial statements as accrued liabilities. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability for compensated absences in the Enterprise Fund Types is liquidated in the Enterprise Fund in which the liability originally incurred.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund balance

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

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

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

Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or as delegated to the City Manager.

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

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

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets:

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets.

B. Explanation of Certain Differences Between the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities.

III. Stewardship, Compliance and Accountability

A. Budgetary Information:

The annual operating budgets are adopted by City Council using the following procedures:

- Annual budgets are adopted for all funds of the City except for the Pension Trust funds that are effectively controlled through governing agreements and related City ordinances. The annual operating budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. Annual budget appropriations lapse at the end of each fiscal year, except for unexpended appropriations on open grant programs and capital projects, which are carried forward in subsequent annual budgets.
- Encumbrance accounting is employed in governmental funds. Encumbrances represent open purchase orders and other commitments for goods/services that are not yet received and are recorded to reserve that portion of the applicable appropriation. Encumbrances are recognized as expenditures in the period in which the actual goods/services are received and a liability is incurred. Encumbrances outstanding at year-end are canceled and re-appropriated in the succeeding year's budget; such amounts, if material, are disclosed in the notes as commitments.
- Prior to the first day of August of each year, the City Manager prepares a recommended budget for the next succeeding fiscal year and submits it to the City Council. The recommended budget includes proposed expenditures and the source of receipts to finance them.
- City Council holds a series of budget workshops in addition to a minimum of two public hearings on the proposed budget and adopts the official annual budget of the City, by ordinance, prior to September 30.
- The budget, as adopted, may only be amended through formal approval by City Council. Budgetary integration is established in the accounting records for control purposes at the object of expenditure level; however, the City Charter establishes the level at which expenditures may not legally exceed budget at the fund level. Therefore, the City Manager may transfer budgeted amounts within and between departments of the City without formal approval by City Council.

B. Expenditures in Excess of Appropriations:

During fiscal year 2011, expenditures and transfers out, exceeded appropriations for the General Fund in the amount of \$139,551. These expenditures in excess of budget were funded by fund balance.

C. Deficit Fund Equity:

At September 30, 2011, Animal Services special revenue fund reported a \$2,119 deficit in fund balance.

D. Ad Valorem Property Taxes:

Under Florida law, the assessment of all properties and the collections of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and the County Tax Collector. Florida Statutes regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit cities to levy property taxes at a rate of up to ten (10) mills. The millage rate in effect for the fiscal year ended September 30, 2011 was \$6.591 and the Edgewater I&S 2005 voted debt millage was \$.0475 for a total millage of \$6.6385.

The tax levy of the City is established by the City Council prior to October 1 of each year and the Volusia County Property Appraiser incorporates the millage into the total tax levy, which includes the municipalities, independent districts and the County School Board tax requirements.

Property taxes are levied in November and attached as a lien on property as of January 1 of each year. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% for payments received in the month of November, 3% for payments received in the month of December, 2% for payments received in the month of January and 1% for payments received in the month of February. The taxes paid in March are not subject to discount. Tax certificates on all property for which taxes are delinquent are sold on or about June 1 of each year.

E. Connection Fees and Impact Fees:

Water and sewer connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities. These fees are recorded as non-operating revenue at the time of service. Impact fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as non-operating revenue in the period earned in the appropriate Enterprise Fund.

F. General Fund Balance Policy

The City's charter requires the general fund to maintain reserves at a minimum of fifteen percent (15%) with a maximum of twenty-five percent (25%) of budgeted expenditures. The City's general fund is over the maximum at September 30, 2011. Disposition of the overage will be incorporated into subsequent years budgets.

IV. Detailed Notes on All Funds

A. Deposits:

At September 30, 2011, the carrying amount of the City's bank deposits was \$10,600,571. The bank balance at September 30, 2011 was \$11,561,220, all of which is held by a bank that qualifies as a public depository, as required by Chapter 280 of the Florida Statutes. All of the deposits were covered by the FDIC or collateralized in accordance with the "Florida Security for Public Deposits Act". (Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral having a market value equal to 50% of the average daily balance for each month that all public deposits are in excess of any applicable deposit insurance. If the public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits). Of the bank balance, no amount was uninsured and uncollateralized in banks or savings and loans not qualifying under the Act at September 30, 2011.

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

B. Investments:

The City Council formally adopted a comprehensive investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits and issuer limits, credit ratings requirements and maturity limits to protect the City's cash and investment assets. The City maintains a cash and investment pool for the use of all funds except the pension trust funds and funds that require separate bank accounts.

The City's investment policy allows for the following investments: Local Government Surplus Funds Trusts (SBA), SEC registered money market funds, Interest-bearing time deposits or savings accounts, direct obligations of the U.S. Treasury, Federal agencies and instrumentalities, Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940 and Other investments authorized by ordinance.

Investments of the defined benefit pension plans consist principally of debt and equity mutual funds, all of which are authorized by the plans.

Interest Rate Risk

The City's investment policy does not specifically address interest rate risk; however the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The City manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of one year or less, with a special provision allowing up to 20% of the investment portfolio to have a maturity of not more than five years.

As of September 30, 2011, the City had the following investments and effective duration presented in terms of years:

Investment Type	Fair Value	Investment Maturities (in Years)				Credit Rating
		Less Than 1	1-5	6-10	More Than 10	
Government-wide						
Investments Subject to Rate Risk:						
SBA LGIP	\$ 318,174	\$ 318,174	\$ -	\$ -	\$ -	AAAm
SBA Fund B	82,853	-	82,853	-	-	Unrated
Federal Home Loan Bank Bond	1,000,542	-	1,000,542	-	-	AA+
Total government-wide investments	<u>\$ 1,401,569</u>	<u>\$ 318,174</u>	<u>\$ 1,083,395</u>	<u>\$ -</u>	<u>\$ -</u>	
Fiduciary Funds						
Investments Subject to Rate Risk:						
Money market fund	\$ 636,104	\$ 636,104	\$ -	\$ -	\$ -	AAAm
Bonds:						
US treasury note	140,391	-	-	-	140,391	AAA
Bond mutual funds	9,135,899	-	-	7,150,457	1,985,442	*
Corporate bonds	938,523	152,799	449,440	301,033	35,251	**
	<u>\$ 10,850,917</u>	<u>\$ 788,903</u>	<u>\$ 449,440</u>	<u>\$ 7,451,490</u>	<u>\$ 2,161,084</u>	
Other Investments:						
Corporate equities	12,762,453					
Real estate investment trust	812,423					
Total other investments	<u>13,574,876</u>					
Total fiduciary fund investments	<u>24,425,793</u>					
Total City Investments	<u>\$ 25,827,362</u>					

* - The Morningstar ratings range from 1 star to 5 stars for the bond mutual funds.

** - The Standard and Poor's credit ratings range from BB- to AA+ for the Corporate bonds.

Credit Risk

The City's investment policy limits credit risk by restricting authorized investments to those described above. Also the policy requires that investments held are to be diversified to the extent practicable to

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

control the risk of loss resulting from over concentration of assets in a specific maturity, issued, instrument, dealer or bank through which financial instruments are bought and sold.

Custodial Credit Risk

The City's investment policy pursuant to Section 218.415(18), Florida Statutes requires securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the City should be properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

As of September 30, 2011, the City's investment portfolio was held with a third-party custodian as required by the City's investment policy. The City's investment policy requires that time deposit investments be made only with banking institutions that are members of the State of Florida collateral pool. Florida Statutes authorize, and the state administers, a collateral pool that ensures no loss of public funds.

Concentration of Credit Risk

The City's investment policy requires diversification, but does not specify limits on types of investments.

C. Receivables:

Receivables as of year-end including the applicable allowances for uncollectible accounts are as follows:

Governmental Funds

	General	Capital Projects	Nonmajor Funds	Total
Receivables:				
Accounts	\$ 398,149	\$ -	\$ 7,039	\$ 405,188
Intergovernmental	359,672	797,594	-	1,157,266
Gross receivables	757,821	797,594	7,039	1,562,454
Less: allowance for uncollectible	(4,912)	-	-	(4,912)
Net total receivables	\$ 752,909	\$ 797,594	\$ 7,039	\$ 1,557,542

Business Type Activities

	Water/ Sewer Utility	Refuse Utility	Stormwater Utility	Total
Receivables:				
Accounts	\$ 1,238,916	\$ 470,754	\$ 206,861	\$ 1,916,531
Special Assessments	1,113,944	-	-	1,113,944
Intergovernmental	114,463	-	47,026	161,489
Gross receivables	2,467,323	470,754	253,887	3,191,964
Less: allowance for uncollectible	(365,603)	(116,444)	(41,739)	(523,786)
Net total receivables	\$ 2,101,720	\$ 354,310	\$ 212,148	\$ 2,668,178

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition and report unearned revenue in connection with resources that have been received,

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

but not yet earned. At the end of the fiscal year, unearned revenue, in the amount of \$58,600, reported in the major and non-major governmental funds was unearned business tax receipts. Such amounts have been included as current liabilities on the government-wide financial statements.

D. Interfund Receivables, Payables, and Transfers:

The composition of Interfund balances as of September 30, 2011 is as follows:

Advances from / to other funds:

Receivable Funds	Payable Funds	Amount
General Fund	Stormwater Management Utility	<u>\$ 135,288</u>
Total		<u>\$ 135,288</u>

	Transfers In						Internal Service MIS	Internal Service Workers Compensation	Total
	General Fund	Capital Projects	Nonmajor Debt Service	Nonmajor Animal Services	Refuse				
Transfers Out:									
General Fund	\$ -	\$ 150,282	\$ 177,449	\$ 193,709	\$ -	\$ -	\$ -	\$ -	\$ 521,440
Nonmajor Funds									
Fire Impact Fee	-	219,000	-	-	-	-	-	-	219,000
Proprietary Funds									
Water Sewer	106,262	-	-	-	-	5,246	5,193	-	116,701
Refuse	-	-	-	-	-	1,940	1,921	-	3,861
Stormwater	-	-	-	-	50,000	768	760	-	51,528
Total	<u>\$ 106,262</u>	<u>\$ 369,282</u>	<u>\$ 177,449</u>	<u>\$ 193,709</u>	<u>\$ 50,000</u>	<u>\$ 7,954</u>	<u>\$ 7,874</u>	<u>\$ -</u>	<u>\$ 912,530</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the fund that statute or budget requires expending them and, 2) move unrestricted fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

Remainder of page intentionally left blank

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

E. Capital Assets:

Capital asset activity for the year ended September 30, 2011, was as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 23,009,719	\$ 117,600	\$ (33,979)	\$ 23,093,340
Construction in progress	523,484	1,377,652	(398,055)	1,503,081
Total assets not being depreciated	23,533,203	1,495,252	(432,034)	24,596,421
Capital assets being depreciated:				
Buildings	4,713,229	61,998	(303,601)	4,471,626
Improvement other than buildings	19,328,770	-	(289,133)	19,039,637
Machinery and equipment	4,392,302	412,993	(645,486)	4,159,809
Infrastructure	55,651,736	-	-	55,651,736
Total assets being depreciated	84,086,037	474,991	(1,238,220)	83,322,808
Less accumulated depreciation for:				
Buildings	(2,358,557)	(116,820)	245,506	(2,229,871)
Improvement other than buildings	(8,795,852)	(668,267)	288,375	(9,175,744)
Machinery and equipment	(3,078,602)	(317,130)	645,279	(2,750,453)
Infrastructure	(42,967,565)	(2,661,023)	-	(45,628,588)
Total accumulated depreciation	(57,200,576)	(3,763,240)	1,179,160	(59,784,656)
Total capital assets, being depreciated, net	26,885,461	(3,288,249)	(59,060)	23,538,152
Governmental activities capital assets, net	\$ 50,418,664	\$ (1,792,997)	\$ (491,094)	\$ 48,134,573

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,235,467	\$ -	\$ -	\$ 1,235,467
Construction in progress	2,784,295	2,100,950	(3,484,408)	1,400,837
Total assets not being depreciated	4,019,762	2,100,950	(3,484,408)	2,636,304
Capital assets being depreciated:				
Buildings	22,548,244	2,030,802	(13,277)	24,565,769
Improvement other than buildings	46,971,992	1,442,369	(51,085)	48,363,276
Machinery and equipment	10,939,647	607,108	(569,952)	10,976,803
Total assets being depreciated	80,459,883	4,080,279	(634,314)	83,905,848
Less accumulated depreciation for:				
Buildings	(12,603,237)	(757,325)	13,278	(13,347,284)
Improvement other than buildings	(15,260,463)	(1,200,536)	42,470	(16,418,529)
Machinery and equipment	(5,351,786)	(801,934)	554,689	(5,599,031)
Total accumulated depreciation	(33,215,486)	(2,759,795)	610,437	(35,364,844)
Total capital assets, being depreciated, net	47,244,397	1,320,484	(23,877)	48,541,004
Business-type activities capital assets, net	\$ 51,264,159	\$ 3,421,434	\$ (3,508,285)	\$ 51,177,308

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 41,397
Public safety	277,550
Transportation / public works	3,193,055
Leisure services	237,604
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	13,636
Total depreciation expense - governmental activities	<u>\$ 3,763,241</u>
Business-type activities:	
Water Sewer Utility	\$ 2,278,486
Refuse collection	192,576
Stormwater System	288,733
Total depreciation expense - business-type activities	<u>\$ 2,759,795</u>

F. Deferred Charges:

Deferred charges consist of the following:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Unamortized Balance</u>
Bond issues costs	\$ 454,458	\$ 398,813	\$ 55,645
Total deferred charges – business-type activities	<u>\$ 454,458</u>	<u>\$ 398,813</u>	<u>\$ 55,645</u>

G. Leases:

Capital Leases - The City has a lease agreement for financing the acquisition of rescue vehicles. Also, in March of 2005 the City entered into a lease agreement as lessee with Johnson Controls, Inc. for financing the upgrade and replacement of 12,872 water meters. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Assets - Machinery and equipment	\$ 205,486	\$ 6,124,767
Less: accumulated depreciation	(30,823)	(2,483,933)
Total	<u>\$ 174,663</u>	<u>\$ 3,640,834</u>

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011 were as follows:

Year Ending <u>30-Sep</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>
2012	\$ 35,241	\$ 553,445
2013	35,241	581,755
2014	35,241	611,510
2015	35,241	642,845
2016	35,241	675,845
2017-2021	35,241	2,880,687
Total minimum lease payments	211,443	5,926,087
Less: amount representing interest	(27,875)	(1,064,493)
	\$ 183,569	\$ 4,881,594

Operating Leases - The City has entered into an operating lease for an integrated mailing system that contains cancellation provisions and is subject to annual appropriations. For fiscal year 2011, rentals approximated \$25,227. This lease supports governmental and business activities.

H. Long-term Debt:

Revenue Bonds

The City issues bonds where the City pledges revenue derived from the acquired or constructed assets to pay debt service. Revenue bonds have been issued for business-type activities. The original amount of the revenue bond issued and outstanding at year-end is as follows:

<u>Business-Type Activities</u>	<u>Interest Rates and Dates</u>	<u>Maturity</u>	<u>Original Amount</u>	<u>Balance September 30, 2011</u>
Water and Sewer Revenue Refunding Bonds - Series 2009	3.40% (4/1 & 10/1)	10/1/2016	<u>\$7,945,000</u>	<u>\$7,440,000</u>

The Water and Sewer Revenue Bond is secured by a first lien on and pledge of the net revenues of the water and sewer system and a first lien on and pledge of allowable impact fees imposed on new users of the system.

The Water and Sewer Revenue Bond resolution provides for:

- (1) Establishment and maintenance of various funds and accounts
- (2) Restrictions on the use of cash from operations in order of priority
 - (a) Deposits are made to the operations and maintenance fund each month in an amount which will pay the costs of operation and maintenance for the next month;
 - (b) Deposits to the sinking fund are made monthly in an amount equal to one-sixth (1/6) of the interest coming due on the next semi-annual interest payment date and one-twelfth (1/12) of the bond amortization installment coming due during the next year:

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

- (c) Deposits to the reserve fund are required to make up any deficiency in its balance as compared to the reserve equipment;
- (d) Deposits to the Renewal and Replacement Fund are required each month in an amount equal to one-twelfth (1/12) of five per centum (5%) of the gross revenues of the system for the previous fiscal year; provided, however, that so long as there shall be on deposit in the renewal and replacement fund a balance of at least five per centum (5%) of the value of the fixed assets of the system, no additional deposits shall be required;
- (e) Deposits will next be made into the rate stabilization fund for the amount budgeted for the then current period; and
- (f) Thereafter for any lawful purposes.

(3) Early redemption:

The bond resolution provides for early redemption of outstanding bonds at call rates varying from 100% to 102% of the instruments' face value, dependent upon the call date.

Annual requirements to amortize water and sewer revenue bonds outstanding as of September 30, 2011 are as follows:

Year Ending <u>30-Sep</u>	Business -Type Activities	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 570,000	\$ 243,270
2013	585,000	223,635
2014	610,000	203,320
2015	635,000	182,155
2016	655,000	160,225
2017-2021	4,385,000	74,545
Total	\$ 7,440,000	\$ 1,087,150

The Water and Sewer Revenue Refunding Bonds, Series 2009 were issued on November 24, 2009, in the amount of \$7,945,000 to refund the City's outstanding Water and Sewer Revenue Bonds, Series 1991 and Water and Sewer Revenue Refunding Bonds, Series 1993. The bond will have semi-annual payments due on April 1 and October 1. The stated interest rate on the refunding revenue bond is 3.40% and maturing on October 1, 2016. The new issue will reduce debt service payments for the City by \$3,340,233 with an economic gain of \$1,082,825 or 11.719%.

State Revolving Fund Loans

The City financed a portion of its wastewater improvements for the Florida Shores capital improvement projects with two loans from the State of Florida Revolving Fund loan program. The City received the loans on a reimbursement basis as costs were incurred. The City executed agreements with the State for these loans in the amount of \$25,222,221.

The State Revolving Fund (SRF) loans are secured by a junior lien on and pledge of the net revenues of the water and sewer system and the special assessment revenues levied against the benefiting property owners in Florida Shores. The assessments are payable over 20 years with interest of 6.007% until December 1, 1994 and 5.35% thereafter. During 2009, the City extended the maturity dates on the loan, to include 5 years of interest only payments. Since many taxpayers take advantage of prepayment

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

discounts, actual interest rates paid may be less than the stated amounts.

Additionally, during the year ended September 30, 2010, the City drew upon an agreement with the Florida Department of Environmental Protection in which they are authorized to borrow up to \$3,296,674 at an interest rate of 3.71% through the State Revolving Fund loan program, for the purpose to construct a water storage and pump station and constructing new water supply wells. The loans are secured by a junior lien on and pledge of the net revenues of the water and sewer system and any special assessment revenues levied against the benefiting property owners. As of September 2011, the balance on these loans totaled \$444,957.

The SRF loans consist of the following:

	CS120 794030 Collections Loan	CS120 794020 Treatment Loan	DW640510 Water Storage & Pump Loan	DW640500 Water Supply Well Loan	DW640511 Southeast Storage Loan
Interest rates:	3.57% to 3.78%	3.16% to 3.78%	2.71%	2.71%	2.61%
Payment frequency:	24 annual payments	25 annual payments	40 semi-annual payments	40 semi-annual payments	3 semi-annual payments
Payment amount:	\$1,294,980	\$516,458	\$9,019	\$5,122	\$7,564
Outstanding amount:	\$5,822,095	\$2,315,868	\$271,997	\$157,547	\$15,413
Maturity date:	October 31, 2017	September 30, 2018	May 15, 2031	May 15, 2031	November 15, 2012

Annual debt service requirements to maturity on the State Revolving Fund Loans are as follows:

Year Ending 30-Sep	Business -Type Activities	
	Principal	Interest
2012	\$ 35,525	\$ 307,160
2013	446,491	311,286
2014	1,545,087	294,705
2015	1,601,792	238,000
2016	1,660,578	179,214
2017-2021	3,049,839	198,349
2022-2026	112,805	28,965
2027-2031	130,803	10,967
	\$ 8,582,920	\$ 1,568,646

Notes Payable

The City issued the following revenue notes in a prior year:

	Water and Sewer Revenue Note, Series 2002	General Long-term Debt Revenue Note, Series 2002A
Original amount issued	\$5,140,000	\$2,540,000
Issue date	March 13, 2002	March 13, 2002
Final maturity	October 1, 2012	October 1, 2012
Interest due	Monthly	Monthly
Interest rate	Adjusted Libor	Adjusted Libor

The Water and Sewer Revenue, Series 2002, notes are secured by all water and sewer revenues of the City. Water and sewer revenues include revenue from the operation of the water and sewer system as well as the special assessments payable to the City with respect to water service to be provided by the City to the residents of Waterway Park. The Revenue Note, Series 2002A, is secured by a covenant to budget and appropriate from Non-Ad Valorem funds.

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

Debt service requirements for these revenue notes using interest rate of 1.05% at September 30, 2011 are:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 508,000	\$ 8,117	\$ 1,028,000	\$ 16,426

The City issued the following revenue note during the current year:

**Guaranteed Entitlement
Revenue Note, Series 2010**

Original amount issued	\$750,000
Issue date	November 23, 2010
Final maturity	October 1, 2030
Interest due	April 1 and Oct 1
Interest rate	Fixed – 2.77%

The note is pledged by State Revenue Sharing monies received by the City and the proceeds were used to construct a new fire station, number 55.

Debt service requirements for these revenue notes using interest rate of 2.77% at September 30, 2011 are:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ -	\$ 7,387
2013	30,000	20,775
2014	30,000	19,944
2015	30,000	19,113
2016	35,000	18,262
2017-2021	180,000	76,868
2022-2026	210,000	50,416
2027-2031	235,000	19,926
Total	\$ 750,000	\$ 232,691

The City also entered into an agreement to borrow money from Florida Inland Navigation District (FIND) for land and improvements in a business/industrial park. The final amount of the note payable was \$5,056,567 and shall be paid in ten equal installments of \$505,657 each year starting August 26, 2003, reduced to \$337,019 beginning in 2009. For the first five years, no interest accrued on the outstanding principal balance. Starting August 26, 2007, interest began to accrue on the outstanding principal balance at an interest rate equal to interest available from the State Board Administration (SBA). During 2009, the City extended the maturity date 2 years to August 28, 2014.

Debt service requirements for the FIND note payable are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 337,019	\$ 2,325
2013	337,019	1,550
2014	337,017	775
	<u>\$ 1,011,055</u>	<u>\$ 4,650</u>

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

During 2007, the City signed a limited general obligation note payable for \$500,000 to fund the construction of a new animal shelter. The note is secured by a limited pledge of ad valorem taxes. While the note is outstanding, the City will levy ad valorem taxes, not to exceed .06 mills to pay principal and interest on the note. Annual debt service requirements are as follows:

Year Ending <u>30-Sep</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 20,000	\$ 15,188
2013	20,000	14,419
2014	20,000	13,650
2015	20,000	12,881
2016	20,000	12,112
2017-2021	130,000	47,101
2022-2026	165,000	19,610
Total	<u>\$ 395,000</u>	<u>\$ 134,961</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2011 was as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Governmental Activities:					
Notes payable					
Revenue Note, Series 2002A	\$ 762,000	\$ -	\$ (254,000)	\$ 508,000	\$ 508,000
Guaranteed Entitlement Note, Series 2010	-	750,000	-	750,000	-
FIND Note	1,348,073	-	(337,018)	1,011,055	337,019
General Obligation note	410,000	-	(15,000)	395,000	20,000
Total notes payable	2,520,073	750,000	(606,018)	2,664,055	865,019
Capital lease	388,424	-	(204,855)	183,569	27,540
Other post employment benefits	154,294	75,549	-	229,843	-
Compensated absences	1,355,026	815,791	(801,202)	1,369,615	815,791
Total governmental activities long term liabilities	<u>\$ 4,417,817</u>	<u>\$ 1,641,340</u>	<u>\$ (1,612,075)</u>	<u>\$ 4,447,082</u>	<u>\$ 1,708,350</u>
Business-type Activities					
Bonds payable					
Revenue Bonds	\$ 7,945,000	\$ -	\$ (505,000)	\$ 7,440,000	\$ 570,000
Deferred loss on refunding	(130,027)	-	21,638	(108,389)	-
Total bonds payable	7,814,973	-	(483,362)	7,331,611	570,000
Notes payable					
Revenue note, Series 2002	1,542,000	-	(514,000)	1,028,000	1,028,000
State revolving loan	8,388,828	194,092	-	8,582,920	35,525
Capital Lease	5,258,430	-	(376,836)	4,881,594	354,124
Other post employment benefits	75,806	40,333	-	116,139	-
Compensated absences	561,508	447,471	(381,754)	627,225	447,470
Total business-type activities long term debt	<u>\$ 23,641,545</u>	<u>\$ 681,896</u>	<u>\$ (1,755,952)</u>	<u>\$ 22,567,489</u>	<u>\$ 2,435,119</u>

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

Internal service funds predominately serve the governmental funds. Accordingly, \$51,388 of compensated absences and \$5,441 of Net OPEB liability are included in the above governmental activities amounts. Also, for the governmental activities, compensated absences and the net pension obligation are generally liquidated by the general fund.

I. Other Commitments and Contingencies

The City has entered into several agreements that are outstanding at September 30, 2011, which will result in future financial obligation as follows:

<u>Description</u>	<u>Amount</u>
Fire Station 55 Replacement	\$ 848,231
YMCA HVAC	87,905
30 th Street Sidewalk Additions	6,196
US 1 Sidewalk Design	1,382,306
US 1 Reclaimed Water	3,800
Aerator & Stairway Replacement	4,805
Waste Water Treatment Plant	40,985
Eastern Shores Stormwater	20,350
	<u>\$ 2,394,578</u>

V. Other Matters

A. Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. During 2011, there were no significant reductions in insurance coverage from the previous year or any settlements in excess of insurance coverage in the current year or the prior three years.

B. Other Postemployment Benefits:

Plan Description and Summary of Benefits - The City provides retirees with the option to purchase health insurance from the City's single employer, experience rated health insurance plan (Plan) that provides medical benefits to active and eligible retirees at the City's group rate as mandated by Florida Statute 112.0801. This requirement creates an implicit rate subsidy benefit for the retirees' participation. Retirees are required to pay the full amount of the health insurance premium during their eligibility period. As of the valuation dated October 1, 2010, the Plan had approximately 159 active participants, 12 spouses, and 20 retirees receiving benefits. The plan does not issue a separate publicly available financial report.

Transition Year - GASB Statement No. 45 was implemented prospectively resulting in a zero net OPEB obligation at transition, which was October 1, 2008. There was neither an OPEB asset nor liability at transition.

Funding Policy - The City has followed the pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses plus any addition to the reserve for accrued costs incurred but not yet reported, as determined as part of the insurance contract. The contribution requirements of Plan members are established annually by the City. The City pays any remaining required amounts after contributions of plan members are taken into account. Currently, retired members pay the full premium associated with the coverage elected; no direct City subsidy is applicable; however there is an implicit cost outlined below. Spouses and other dependents are also eligible for coverage, and the member is responsible for payment of the applicable premiums.

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

State of Florida law prohibits the City from separately rating retirees and active employees. The City therefore assigns both groups equal, blended-rate premiums. Although both groups are assigned the same blended rate premiums, GAAP requires actuarial liabilities to be calculated using age-adjusted premiums approximating claim costs for retirees separate from active members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the Entry Age Normal actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability (or funding excess) using a level percentage of payroll method and closed amortization over a period not to exceed 30 years. Annual requirements include a 4.5% discount rate, compounded annually, and based on assumptions that the plan will be unfunded. The annual health care cost trend rate was assumed to decline gradually over the next several years from 9% in 2011 to an ultimate rate of 5% on and after 2013. The economic rates are based on an assumed inflation rate of 3% per annum.

The actuarial accrued liability (AAL) was determined as of September 30, 2011, based on the above assumptions and cost method, and applied to member data current at October 1, 2010. Liabilities were developed based on age adjusted costs for retirees currently receiving plan benefits as of October 1, 2010, with an AAL calculated to be \$1,676,652, which is unfunded (or 0% funded). The annual covered payroll is \$5.8 million, resulting in an unfunded AAL of 29.1%. The actuarial calculations reflect a long-term perspective using methods and assumptions that are designed to reduce short-term volatility in AAL and actuarial value of assets. The Plan provisions affecting the valuation were those in effect on October 1, 2010.

OPEB GASB No. 45 results are not based on the assumption that all members terminate services as of the valuation date, but rather on assumptions of future mortality, retirement, and termination.

	2011 Fiscal Year Valuation as of 10/1/2010
Annual Required Contribution (ARC)	\$ 187,837
Interest on Net OPEB Obligation	10,355
Adjustment to ARC	<u>(9,385)</u>
Annual OPEB Cost (Expense)	188,807
Less: Employer Contributions Made	<u>(72,926)</u>
Increase in Net OPEB Obligation	115,881
Net OPEB Obligation at beginning of year	<u>230,101</u>
Net OPEB Obligation at end of year	<u><u>\$ 345,982</u></u>

In the Statement of Net Assets, as of September 30, 2011, the City reports a Net OPEB obligation of \$229,843 in governmental activities and \$116,139 in business-type activities.

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years was as follows:

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

<u>Year Ended September 30,</u>	<u>Annual OPEB Cost</u>	<u>City Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 188,807	\$ 72,926	38.8%	\$ 345,982
2010	\$ 236,129	\$ 116,928	49.5%	\$ 230,100
2009	\$ 225,651	\$ 114,752	50.9%	\$ 110,899

C. Employee Defined Benefit Retirement Pension Plans:

The City maintains three separate single-employer, defined benefit pension plans for general employees, police officers and firefighters, which are maintained as Pension Trust Funds and included as part of the City's reporting entity. These pension plans do not issue stand-alone financial reports. These plans also provide for disability and survivor benefits.

Separate boards of trustees independently govern each system. Assets may not be transferred from one plan to another or used for any purpose other than to benefit each system's participants as defined in their authorizing ordinances. Administrative expenses and fees attributable to each plan are deducted from the plan assets. These funds are reported using the full accrual basis of accounting. The benefits and refunds of each defined benefit plan are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

General Employees' Pension Fund - The General Employees' Pension Fund is a single employer defined benefit retirement system and contains the assets of the General Employees' Pension Fund. The General Employees' Pension Fund includes all full-time City employees, except police, firefighters and City Manager.

The funding methods and determination of benefits payable are provided by various acts of the City Council, including subsequent amendments thereto. The code provides, in general, that funds are to be accumulated from City contributions, and income from investment of accumulated funds. Investments are reported at fair value.

Employees become eligible for the plan after three months of continuous employment with vesting beginning as of the first day of employment. Active members are required to contribute 2.5% to the plan. The City's policy is to contribute amounts as determined by actuarial valuations. Employees vest for full benefits after five years of service. Benefit amounts are calculated based on the three consecutive years which give the highest average out of the last ten years. Members will receive a benefit amount equal to 2% of that average multiplied by years of accrual service.

The General Employees' Pension Fund was amended in October 1996, which closed off the plan to any new employees hired by the City after October 1, 1996. Employees hired after October 1, 1996, however, are eligible for the City's 401(a) Defined Contribution Plan. Employees hired prior to October 1, 1996, and not vested in the General Employees' Pension Fund as of September 30, 1997, may elect to participate in the 401(a) Defined Contribution Plan.

Police Officers' Retirement Trust Fund - The Police Officers' Retirement Trust Fund is a single employer defined benefit retirement system established pursuant with Chapter 185, Florida Statute. The funding methods and determination of benefits payable are provided in the various acts of the Florida

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

Legislature, the Board of Trustees, and the City Council. The statutes provide, in general, that funds are to be accumulated from employee contributions, City contributions, state appropriations and income from investment of accumulated funds. The City funds actuarial deficiencies, as determined by the state. The investments of the fund are administered, managed and operated by its Board of Trustees using the services of the Finance Department and Principal Mutual Life Insurance Company. Investments are reported at fair value.

Full-time police officers are eligible to participate in the Police Officers' Retirement Trust Fund on the first of the month following the completion of three months of continuous service with vesting beginning upon their first day of employment with the City. Participating police employees contribute 6% of their salary to the plan. The City is required by statute to contribute remaining amounts necessary based upon actuarial valuations to the fund as performed in accordance with State Statute. Employees vest for full benefits after five years of service. Benefit amounts are calculated based on the three years which give the highest average out of the last five years. Members will receive a benefit amount equal to 2% of that average multiplied by years of actual service up to October 1, 1987, and 3% of that average multiplied by years of actual service after October 1, 1987.

Firefighters' Pension Fund - The Firefighters' Pension Fund is a single employer defined benefit retirement system established pursuant with Chapter 175, Florida Statute in July 1990, with an effective date of November 1989. The funding methods and determination of benefits payable are provided in the various acts of the Florida Legislature, Firefighters' Pension Board and the City Council. The statutes provide in general, that funds are to be accumulated from employee contributions, City contributions, state appropriations and income from investment of accumulated funds. Investments are reported at fair value.

Full-time firefighters are eligible to participate in the Firefighters' Pension Fund upon their first day of employment with the City. Participating fire employees contribute 6% of their salary to the plan. The City is required by statute to contribute remaining amounts necessary based upon actuarial valuations to the fund as performed in accordance with State Statute. Employees vest for full benefits after five years of service. Benefit amounts are calculated based on the five years, which give the highest average out of the last ten years. Members will receive a benefit amount equal to 3% of that average multiplied by years of accrual service.

Current membership in the Employees' Pension Plans is comprised of the following as of the latest actuarial valuation report:

Group	General Employee's	Police Officers'	Fire Fighters'
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but yet receiving them (vested)	114	35	5
Actively employed participants	22	22	28
Totals	136	57	33

Funding Policy - The City has traditionally contributed the annual required contribution (ARC) and thus had never been required to report a net pension obligation (NPO). The State of Florida Department of Management Services, Division of Retirement has required the City of Edgewater to change their contribution method to a fixed percentage of actual payroll. This change in methodology will result in an NPO at year end. In accordance with GASB Statement No. 27, Accounting for Pensions by State and Local Government Employers, the total NPO at year end was \$546,694, the cumulative net contribution in excess of the annual required contribution, is presented as an asset on the City's entity-wide Statement of Net Assets. In accordance with GAAP, the City recorded the approved state police and firefighter pension contribution from insurance premium payments and excise tax in the amount of \$271,229 as an intergovernmental revenue and pension contribution expense in the General fund.

Annual Pension Cost and Annual Pension Obligation - The annual pension cost, net pension obligation and required contribution for September 30, 2011, were determined as part of the latest actuarial valuation of each plan, using the respective actuarial cost method for each plan. The City's annual pension cost and net pension obligation based on the most recent actuarial valuation were as follows:

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

	General Employee's Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund
Annual Required Contribution (ARC)	\$ 443,259	\$ 673,391	\$ 355,689
Interest on Net Pension Obligation (NPO)	2	(39,363)	(9,224)
Adjustment to ARC	(2)	67,138	15,628
Annual Pension Cost	443,259	701,166	362,093
City and State Contributions Made	443,259	606,437	355,689
Increase/(Decrease) in NPO	-	94,729	6,404
NPO beginning of year	-	(524,844)	(122,983)
NPO end of year	\$ -	\$ (430,115)	\$ (116,579)

Three Year Trend Information:

General Employee's Pension			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of ARC Contributed	Net Pension Obligation
September 30, 2011	443,259	100%	-
September 30, 2010	358,254	100%	-
September 30, 2009	746,270	100%	-

Police Officers' Pension			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2011	701,166	86.50%	(430,115)
September 30, 2010	629,164	95.50%	(524,844)
September 30, 2009	482,755	111.60%	(553,293)

Firefighters' Pension			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of ARC Contributed	Net Pension Obligation
September 30, 2011	362,093	98.20%	(116,579)
September 30, 2010	360,815	98.10%	(122,983)
September 30, 2009	294,442	109.30%	(129,739)

As of October 1, 2011, the most recent actuarial valuation date, the General Employees' plan was 70.72 percent funded. The actuarial accrued liability for benefits was \$17,289,981, and the actuarial value of assets was \$12,227,558, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,062,423. The covered payroll (annual payroll of active employees covered by the plan) was \$1,017,953, and the ratio of the UAAL to the covered payroll was 497.31 percent.

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

As of October 1, 2011, the most recent actuarial valuation date, the Police Officers' plan was 82.74 percent funded. The actuarial accrued liability for benefits was \$9,128,729, and the actuarial value of assets was \$7,552,835, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,575,894. The covered payroll (annual payroll of active employees covered by the plan) was \$968,913, and the ratio of the UAAL to the covered payroll was 162.65 percent.

As of October 1, 2011, the most recent actuarial valuation date, the Firefighters' plan was 75.33 percent funded. The actuarial accrued liability for benefits was \$7,319,117, and the actuarial value of assets was \$5,513,147, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,805,970. The covered payroll (annual payroll of active employees covered by the plan) was \$1,439,711, and the ratio of the UAAL to the covered payroll was 125.44 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The amounts legally required as of September 30, 2011 to be reserved for the general, police and firefighter pension funds are \$11,346,451, \$7,308,351 and \$5,580,820, respectively.

During the past year the actuarial experience for the general, police and firefighters plan has been less favorable than expected on the basis of actuarial assumptions. The principal components included a (3.4%), (2.5%), and (1.7%) return(loss) on investments for the years ended September 30, 2011 for the general, police and firefighters plan, respectively, that was less than the 7.5% assumption which was partially offset by greater than expected turnover and increases in pensionable compensation that were less than the assumed rates.

Description of Plan Benefits-All Plans

The benefit provisions and all other requirements of the employees' pension retirement systems are established by Chapter 13 of the City's Code of Ordinances and comply with all applicable Florida State Statutes. Notable points of the plans are summarized below. The Florida Constitution requires local governments to make the actuarially determined contribution. The Florida Division of Retirement reviews and approves each local government's actuarial report prior to it being appropriate for funding purposes. The funding methods and determination of benefits payable are provided in various acts of the Florida Legislature, which created the funds including subsequent amendments thereto.

Actuarial methods and significant assumptions

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>
Valuation date	10/1/2011	10/1/2011	10/1/2011
Actuarial cost method	Aggregate *	Frozen Entry age	Entry age Normal
Amortization method	N/A	Level % of pay, Closed	Level % of pay, Closed
Remaining amortization method	N/A	22 years	23 years
Asset valuation method	4-year smoothed market	4-year smoothed market	4-year smoothed market
Actuarial assumptions:			
Investment rate of return	7.5%	7.5%	7.5%
Projected salary increases **	5.5%	6.0%	7.5%
** Includes inflation at	3%	3%	3%
Cost-of-living adjustments	None	None	None

* Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities, information about the funded status and funding progress is presented using the entry age actuarial cost method. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

At September 30, 2011 the Police Officers plan has \$385,121 of accumulated funding in the Funding Standard Account, as determined by the actuary. The Funding Standard Account balance can be utilized in future years to reduce the City's contributions into the Police Officers Retirement Trust Fund. In addition, for the year ended September 30, 2011 the City utilized \$66,954 from the Funding Standard Account to meet the Annual Required Contribution.

Individual Fiduciary Fund Statements

Individual statements of net assets for the three plans included in the City of Edgewater fiduciary funds are as follows:

CITY OF EDGEWATER, FLORIDA
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
September 30, 2011

	<u>General</u>		
	<u>Employee's</u>	<u>Police Officers'</u>	<u>Firefighters'</u>
ASSETS			
Investments, at fair value:			
Cash and cash equivalents	\$ -	\$ 9,238	\$ 5,775
Investments, at fair value			
Money market funds	-	-	636,104
Bonds	5,489,228	3,646,671	1,078,914
Equities	5,509,503	3,350,397	3,902,553
Real estate investment trust	<u>510,378</u>	<u>302,045</u>	<u>-</u>
Total assets	11,509,109	7,308,351	5,623,346
LIABILITIES			
Deferred Contributions	162,658	-	42,526
NET ASSETS			
Held in trust for pension benefits	<u>\$ 11,346,451</u>	<u>\$ 7,308,351</u>	<u>\$ 5,580,820</u>

The remainder of this page intentionally left blank

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2011

CITY OF EDGEWATER, FLORIDA

Combining Statement of Changes in Fiduciary Net Assets

Pension Trust Funds

For the fiscal year ended September 30, 2011

	General		
	Employee's	Police Officers'	Firefighters'
ADDITIONS			
Contributions:			
Employer	\$ 442,331	\$ 481,015	\$ 322,711
Employee	27,758	79,823	112,183
State of Florida	-	125,639	145,590
Total contributions	<u>470,089</u>	<u>686,477</u>	<u>580,484</u>
Investment earnings:			
Net increase/ (decrease) in the fair value of investments	(3,677)	13,431	(72,455)
Less investment expenses	<u>(11,722)</u>	<u>(13,712)</u>	<u>(55,330)</u>
Net investment earnings	<u>(15,399)</u>	<u>(281)</u>	<u>(127,785)</u>
Total Additions	<u>454,690</u>	<u>686,196</u>	<u>452,699</u>
DEDUCTIONS			
Pension benefits	1,068,081	707,694	194,023
Administrative expenses	64,875	66,990	6,644
Total deductions	<u>1,132,956</u>	<u>774,684</u>	<u>200,667</u>
Change in net assets	(678,266)	(88,488)	252,032
Net assets - beginning of year	<u>12,024,717</u>	<u>7,396,839</u>	<u>5,328,788</u>
Net assets - end of Year	<u>\$ 11,346,451</u>	<u>\$ 7,308,351</u>	<u>\$ 5,580,820</u>

D. Employee Defined Contribution Retirement Pension Plans:

General Employees - The City adopted a defined contribution plan effective October 1, 1996. The plan is a money purchase plan administered for the City by the Principal Financial Group. Eligible employees are employees hired effective October 1, 1996, or thereafter that would otherwise qualify for the General Employees' Pension Plan. Employees hired prior to October 1, 1996, and not vested in the General Employees' Pension Plan may also elect, instead, to participate in the defined contribution plan. The plan provides for an employer contribution equal to 12% of employee earnings.

Employee participation is immediate upon hiring and are 100% vested after five years of employment. Employees direct the investment of funds contributed to the plan on their behalf. Employer contributions made during the year amounted to \$393,657. The City Council has the authority to amend the Plan's provisions including amending contribution requirements.

E. Deferred Compensation Plans:

The City offers its employees a choice of two deferred compensation plans created in accordance with Internal Revenue Code Section 457; i.e., International City/County Management Association (ICMA) or Principal Financial. The plans are available to all City employees and permit employees to defer a portion of their salary until future years. Participation in either of the plans is optional. Deferred compensation withdrawals are not available to employees until termination, retirement, death, or an unforeseeable emergency. In accordance with current professional pronouncements, the City has not included such funds in its financial statements.

**F. Joint Venture
Communications Interlocal Agency.**

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

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

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

The financial statements of the joint venture can be obtained by contacting the Finance Director of the City of Port Orange, Florida, at the following address:

John A. Shelley, Finance Director
City of Port Orange
1000 City Center Circle
Port Orange, FL 32129

Summarized audited information of the Communications Interlocal Agency for the year ended September 30, 2011 is as follows:

Operating revenues	\$ 2,098,468
Operating expenses	(2,154,566)
Non-operating revenues	<u>10,554</u>
Net income	<u>\$ (45,544)</u>
Total assets	<u>\$ 929,204</u>
Total liabilities	<u>\$ 278,142</u>
Total net assets	<u>\$ 651,062</u>

A summary of the changes in the City's investment in the Communications Interlocal Agency for the year ended September 30, 2011 is as follows:

September 30, 2010 balance	\$ 249,505
Fiscal year 2011 activity	<u>(7,227)</u>
Total investment at September 30, 2011	<u>\$ 242,278</u>

Effective September 30, 2011, the CIA was dissolved as the County of Volusia, Florida voted to go to a centralized dispatch service for the entire County. The CIA is still determining the dissolution of assets between the three cities, and the remaining assets are expected to be distributed during the year ended September 30, 2012.

G. Contingencies:

The City has been involved in miscellaneous collections, lot cleaning, stormwater and other liens. In addition, the City has numerous pending/threatened claims against it. In the opinion of City management the loss if any, resulting from these actions will not have a material adverse affect on the financial condition of the City.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The remainder of this page intentionally left blank

CITY OF EDGEWATER, FLORIDA

Required Supplementary Information (unaudited)
Schedules of Funding Progress

Other Post Employment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)--Entry Age (b)	Unfunded or (Assets in Excess of) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded or (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2010	\$ -	\$ 1,676,652	\$ 1,676,652	0.00%	\$ 5,765,693	29.1%
10/1/2008	-	3,009,113	3,009,113	0.00%	6,080,589	49.5%

The City implemented GASB Statement No. 45 for the fiscal year ended September 30, 2009. Information for prior years is not available.

General Employee's Retirement Trust

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)--Entry Age (b)	Unfunded or (Assets in Excess of) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded or (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2011	\$ 12,227,558	\$ 17,289,981	\$ 5,062,423	70.72%	\$ 1,017,953	497.31%
10/1/2010	13,310,777	17,088,869	3,778,092	77.89%	1,077,877	350.51%
10/1/2009	13,876,405	16,842,925	2,966,520	82.39%	1,204,161	246.36%
10/1/2008	14,472,525	16,636,744	2,164,219	86.99%	1,254,441	172.52%
10/1/2007	14,130,355	17,505,616	3,375,261	80.72%	2,307,345	146.28%
10/1/2006	13,036,725	13,036,725	-	100.00%	2,621,289	0.00%

Police Officers Pension Trust

Actuarial Valuation Payroll	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-- Frozen Entry Age (b)	Unfunded or (Assets in Excess of) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded or (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2011	\$ 7,552,835	\$ 9,128,729	\$ 1,575,894	82.74%	\$ 968,913	162.65%
10/1/2010	7,801,777	8,944,282	1,142,505	87.23%	1,063,774	107.40%
10/1/2009	7,980,169	9,081,117	1,100,948	87.88%	1,105,895	99.55%
10/1/2008	8,040,328	9,229,229	1,188,901	87.12%	1,032,166	115.19%
10/1/2007	7,772,999	9,136,180	1,363,181	85.08%	1,222,818	111.48%
10/1/2006	7,062,840	8,476,559	1,413,719	83.32%	1,239,780	114.03%

Firefighters Pension Trust

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)--Entry Age (b)	Unfunded or (Assets in Excess of) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded or (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2011	\$ 5,513,147	\$ 7,319,117	\$ 1,805,970	75.33%	\$ 1,439,711	125.44%
10/1/2010	5,315,976	6,499,389	1,183,413	81.79%	1,475,291	80.22%
10/1/2009	4,977,603	5,652,886	675,283	88.05%	1,475,963	45.75%
10/1/2008	4,700,591	4,813,030	112,439	97.66%	1,556,068	7.23%
10/1/2007	4,004,108	4,557,499	553,391	87.86%	1,495,480	37.00%
10/1/2006	3,280,579	3,786,476	505,897	86.64%	1,477,632	34.24%

CITY OF EDGEWATER, FLORIDA

Required Supplementary Information (unaudited)

Schedules of Contributions from the Employer and Other Contributing Entities

Other Post Employment Benefit Plan

Year Ended Sept 30,	Annual Required City Contribution	City Contribution	Percentage Contribution
2011	\$ 187,837	\$ 72,926	38.8%
2010	236,130	116,928	49.5%
2009	225,651	114,752	50.9%

General Employee's Retirement Trust

Year Ended Sept 30,	Annual Required City Contribution	City Contribution	Percentage Contribution
2011	\$ 443,259	\$ 443,259	100%
2010	358,255	358,255	100%
2009	746,270	746,270	100%
2008	746,270	746,270	100%
2007	639,794	639,794	100%
2006	580,701	580,701	100%

Police Officers Pension Trust

Year Ended Sept 30,	Annual Required City Contribution	City Contribution	State Contribution	Percentage Contribution
2011	\$ 673,391 **	\$ 547,752	\$ 125,639	100.00%
2010	600,715 *	475,560	125,156	100.00%
2009	474,810	407,647	131,228	113.49%
2008	474,810	474,810	126,189	126.58%
2007	378,127	258,902	222,837	127.40%
2006	378,127	258,902	119,225	100.00%

** City used \$66,954 from the Funding Standard Account to meet the annual required City contribution.

* City used \$117,184 from the Funding Standard Account to meet the annual required City contribution

Firefighters Pension Trust

Year Ended Sept 30,	Annual Required City Contribution	City Contribution	State Contribution *	Percentage Contribution
2011	\$ 355,689	\$ 288,744	\$ 66,946	100.00%
2010	354,059	287,113	66,946	100.00%
2009	292,806	254,858	66,946	109.90%
2008	323,433	256,487	66,946	100.00%
2007	318,049	264,272	63,785	103.15%
2006	316,265	254,640	61,625	100.00%
2005	242,078	181,391	60,688	100.00%

* Frozen pursuant to Chapter 175, Florida Statutes

CITY OF EDGEWATER, FLORIDA

Nonmajor Governmental Funds

September 30, 2011

SPECIAL REVENUE FUNDS are used to account for revenue derived from specific taxes or other earmarked revenue sources (other than for major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

Animal Services Fund – This fund was established to account for revenues received to fund the animal and animal control.

Justice Assistance Grant Fund – This fund was established to receive revenues derived from money received from the Department of Justice for the Victims Of Crime Act grant for the Victim Advocate salaries and benefits.

Special Law Enforcement Trust Fund – This fund was established to receive revenues derived from confiscated property obtained during the enforcement purposes, exclusive of salaries and vehicles. Such purposes may include drug education programs such as DARE.

Transportation Impact Fees Fund – This fund was established to account for road impact fees collected from new developments constructed in the City.

Police Impact fees Fund – This fund was established to account for police impact fees collected from new developments constructed in the City.

Fire Impact Fees Fund – This fund was established to account for fire impact fees collected from new developments constructed in the City.

Recreation Impact Fees Fund – This fund was established to account for recreation impact fees collected from new developments constructed in the City.

DEBT SERVICE FUNDS are established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Debt Service Fund – This fund was established to account for the payment of general long-term debt principal and interest for the Station 55 replacement and Animal Shelter.

CAPITAL PROJECTS FUNDS are established to account for resources used for the acquisition and construction of capital facilities by the City, except for those financed by proprietary funds.

Capital Projects Fund – This fund was established to account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds.

CITY OF EDGEWATER, FLORIDA

Combining Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2011

	<u>Special Revenue</u>			
	<u>Animal Services</u>	<u>Justice Assistance Grants</u>	<u>SLETF</u>	<u>Transportation Impact</u>
ASSETS				
Cash	\$ 7,129	\$ 3,533	\$ 65,226	\$ 386,100
Receivables-net	3,744	-	3,295	-
Total assets	<u>\$ 10,873</u>	<u>\$ 3,533</u>	<u>\$ 68,521</u>	<u>\$ 386,100</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,122	\$ -	\$ -	\$ -
Accrued liabilities	5,870	-	-	-
Total liabilities	<u>12,992</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Spendable:				
Restricted for:				
Public safety	-	3,533	68,521	-
Debt service	-	-	-	-
Capital projects	-	-	-	386,100
Unassigned	(2,119)	-	-	-
Total fund balances	<u>(2,119)</u>	<u>3,533</u>	<u>68,521</u>	<u>386,100</u>
Total liabilities and fund balance	<u>\$ 10,873</u>	<u>\$ 3,533</u>	<u>\$ 68,521</u>	<u>\$ 386,100</u>

Special Revenue

Police Impact	Fire Impact	Recreation Impact	Debt Service	Total Nonmajor Governmental Funds
\$ 143,641	\$ 8,570	\$ 163,024	\$ 2,340	\$ 779,563
-	-	-	-	7,039
<u>\$ 143,641</u>	<u>\$ 8,570</u>	<u>\$ 163,024</u>	<u>\$ 2,340</u>	<u>\$ 786,602</u>
\$ -	\$ -	\$ -	\$ -	\$ 7,122
-	-	-	-	5,870
-	-	-	-	12,992
-	-	-	-	72,054
-	-	-	2,340	2,340
143,641	8,570	163,024	-	701,335
-	-	-	-	(2,119)
<u>143,641</u>	<u>8,570</u>	<u>163,024</u>	<u>2,340</u>	<u>773,610</u>
<u>\$ 143,641</u>	<u>\$ 8,570</u>	<u>\$ 163,024</u>	<u>\$ 2,340</u>	<u>\$ 786,602</u>

CITY OF EDGEWATER, FLORIDA

Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Fiscal Year Ended September 30, 2011

	Special Revenue			
	Animal Services	Justice Assistance Grants	SLETF	Transportation Impact
REVENUES				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	6,271	-	-
Charges for services	24,408	-	-	-
Fines and forfeitures	-	-	9,337	-
Investment earnings	-	3	54	288
Impact fees	-	-	-	49,569
Miscellaneous revenue	19,843	-	-	-
Total revenues	<u>44,251</u>	<u>6,274</u>	<u>9,391</u>	<u>49,857</u>
EXPENDITURES				
Current:				
Public safety	227,600	6,271	6,926	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>227,600</u>	<u>6,271</u>	<u>6,926</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(183,349)</u>	<u>3</u>	<u>2,465</u>	<u>49,857</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	193,709	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>193,709</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>10,360</u>	<u>3</u>	<u>2,465</u>	<u>49,857</u>
Beginning fund balances	<u>(12,479)</u>	<u>3,530</u>	<u>66,056</u>	<u>336,243</u>
Ending fund balances (deficit)	<u>\$ (2,119)</u>	<u>\$ 3,533</u>	<u>\$ 68,521</u>	<u>\$ 386,100</u>

<u>Special Revenue</u>				<u>Total Nonmajor Governmental Funds</u>
<u>Police Impact</u>	<u>Fire Impact</u>	<u>Recreation Impact</u>	<u>Debt Service</u>	
\$ -	\$ -	\$ -	\$ 31,843	\$ 31,843
-	-	-	-	6,271
-	-	-	-	24,408
-	-	-	-	9,337
111	176	123	13	768
4,056	5,131	9,649	-	68,405
-	-	-	-	19,843
<u>4,167</u>	<u>5,307</u>	<u>9,772</u>	<u>31,856</u>	<u>160,875</u>
-	-	-	-	240,797
-	-	-	15,000	15,000
-	-	-	15,765	15,765
-	-	-	30,765	271,562
<u>4,167</u>	<u>5,307</u>	<u>9,772</u>	<u>1,091</u>	<u>(110,687)</u>
-	-	-	177,449	371,158
-	(219,000)	-	-	(219,000)
-	(219,000)	-	177,449	152,158
4,167	(213,693)	9,772	178,540	41,471
139,474	222,263	153,252	(176,200)	732,139
<u>\$ 143,641</u>	<u>\$ 8,570</u>	<u>\$ 163,024</u>	<u>\$ 2,340</u>	<u>\$ 773,610</u>

CITY OF EDGEWATER, FLORIDA

Schedule of Revenues, Expenditures, and
 Changes in Fund Balances--Budget and Actual
 Annually - Budgeted Nonmajor Special Revenue Funds
 For the Fiscal Year Ended September 30, 2011

	Special Revenue							
	Animal Services				Justice Assistance Grants			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
Original	Final	Original			Final			
REVENUES								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ 6,271	\$ 6,271	\$ -
Charges for services	24,500	24,500	24,408	(92)	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	3	3
Impact fees	-	-	-	-	-	-	-	-
Miscellaneous	41,196	31,791	19,843	(11,948)	-	-	-	-
Total revenues	<u>65,696</u>	<u>56,291</u>	<u>44,251</u>	<u>(12,040)</u>	<u>2,000</u>	<u>6,271</u>	<u>6,274</u>	<u>3</u>
EXPENDITURES								
Current:								
Public safety	246,926	237,521	227,600	9,921	2,000	6,500	6,271	229
Total expenditures	<u>246,926</u>	<u>237,521</u>	<u>227,600</u>	<u>9,921</u>	<u>2,000</u>	<u>6,500</u>	<u>6,271</u>	<u>229</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(181,230)</u>	<u>(181,230)</u>	<u>(183,349)</u>	<u>(2,119)</u>	<u>-</u>	<u>(229)</u>	<u>3</u>	<u>232</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	180,063	193,709	193,709	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>180,063</u>	<u>193,709</u>	<u>193,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,167)	12,479	10,360	(2,119)	-	(229)	3	232
Beginning fund balances	<u>(12,479)</u>	<u>(12,479)</u>	<u>(12,479)</u>	<u>-</u>	<u>3,530</u>	<u>3,530</u>	<u>3,530</u>	<u>-</u>
Ending fund balances (deficit)	<u>\$ (13,646)</u>	<u>\$ -</u>	<u>\$ (2,119)</u>	<u>\$ (2,119)</u>	<u>\$ 3,530</u>	<u>\$ 3,301</u>	<u>\$ 3,533</u>	<u>\$ 232</u>

Special Revenue

SLETF				Transportation Impact			
Budgeted Amounts			Variance with Final Budget-Positive (Negative)	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
Original	Final	Actual Amounts		Original	Final	Actual Amounts	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
12,500	9,677	9,337	(340)	-	-	-	-
323	323	54	(269)	1,620	1,620	288	(1,332)
-	-	-	-	57,500	57,500	49,569	(7,931)
-	-	-	-	-	-	-	-
<u>12,823</u>	<u>10,000</u>	<u>9,391</u>	<u>(609)</u>	<u>59,120</u>	<u>59,120</u>	<u>49,857</u>	<u>(9,263)</u>
12,823	10,000	6,926	3,074	-	-	-	-
<u>12,823</u>	<u>10,000</u>	<u>6,926</u>	<u>3,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	2,465	2,465	59,120	59,120	49,857	(9,263)
-	-	-	-	-	-	-	-
-	-	-	-	(151,653)	(75,000)	-	75,000
-	-	-	-	(151,653)	(75,000)	-	75,000
-	-	2,465	2,465	(92,533)	(15,880)	49,857	65,737
66,056	66,056	66,056	-	336,243	336,243	336,243	-
<u>\$ 66,056</u>	<u>\$ 66,056</u>	<u>\$ 68,521</u>	<u>\$ 2,465</u>	<u>\$ 243,710</u>	<u>\$ 320,363</u>	<u>\$ 386,100</u>	<u>\$ 65,737</u>

CITY OF EDGEWATER, FLORIDA

Schedule of Revenues, Expenditures, and
 Changes in Fund Balances--Budget and Actual--
 Annually-Budgeted Nonmajor Special Revenue Funds (continued)
 For the Fiscal Year Ended September 30, 2011

	Special Revenue							
	Police Impact				Fire Impact			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
Original	Final	Original			Final			
REVENUES								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Investment earnings	686	686	111	(575)	1,095	1,095	176	(919)
Impact fees	-	-	4,056	4,056	-	-	5,131	5,131
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	<u>686</u>	<u>686</u>	<u>4,167</u>	<u>3,481</u>	<u>1,095</u>	<u>1,095</u>	<u>5,307</u>	<u>4,212</u>
EXPENDITURES								
Current:								
Public safety	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	<u>686</u>	<u>686</u>	<u>4,167</u>	<u>3,481</u>	<u>1,095</u>	<u>1,095</u>	<u>5,307</u>	<u>4,212</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(219,000)	(219,000)	(219,000)	-
Total other financing sources (uses)	-	-	-	-	(219,000)	(219,000)	(219,000)	-
Net change in fund balances	<u>686</u>	<u>686</u>	<u>4,167</u>	<u>3,481</u>	<u>(217,905)</u>	<u>(217,905)</u>	<u>(213,693)</u>	<u>4,212</u>
Beginning fund balances	<u>139,474</u>	<u>139,474</u>	<u>139,474</u>	<u>-</u>	<u>222,263</u>	<u>222,263</u>	<u>222,263</u>	<u>-</u>
Ending fund balances (deficit)	<u>\$ 140,160</u>	<u>\$ 140,160</u>	<u>\$ 143,641</u>	<u>\$ 3,481</u>	<u>\$ 4,358</u>	<u>\$ 4,358</u>	<u>\$ 8,570</u>	<u>\$ 4,212</u>

Special Revenue				Total			
Recreation Impact							
Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ 6,271	\$ 6,271	\$ -
-	-	-	-	24,500	24,500	24,408	(92)
-	-	-	-	12,500	9,677	9,337	(340)
745	745	123	(622)	4,469	4,469	755	(3,714)
-	-	9,649	9,649	57,500	57,500	68,405	10,905
-	-	-	-	41,196	31,791	19,843	(11,948)
<u>745</u>	<u>745</u>	<u>9,772</u>	<u>9,027</u>	<u>142,165</u>	<u>134,208</u>	<u>129,019</u>	<u>(5,189)</u>
-	-	-	-	261,749	254,021	240,797	13,224
-	-	-	-	261,749	254,021	240,797	13,224
<u>745</u>	<u>745</u>	<u>9,772</u>	<u>9,027</u>	<u>(119,584)</u>	<u>(119,813)</u>	<u>(111,778)</u>	<u>8,035</u>
-	-	-	-	180,063	193,709	193,709	-
-	-	-	-	(370,653)	(294,000)	(219,000)	75,000
-	-	-	-	(190,590)	(100,291)	(25,291)	75,000
745	745	9,772	9,027	(310,174)	(220,104)	(137,069)	83,035
<u>153,252</u>	<u>153,252</u>	<u>153,252</u>	<u>-</u>	<u>908,339</u>	<u>908,339</u>	<u>908,339</u>	<u>-</u>
<u>\$153,997</u>	<u>\$ 153,997</u>	<u>\$163,024</u>	<u>\$ 9,027</u>	<u>\$ 598,165</u>	<u>\$ 688,235</u>	<u>\$ 771,270</u>	<u>\$ 83,035</u>

CITY OF EDGEWATER, FLORIDA

Schedule of Revenues, Expenditures, and
 Changes in Fund Balances--Budget and Actual
 Annually - Budgeted Nonmajor Debt Service Funds
 For the Fiscal Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 30,915	\$ 30,915	\$ 31,843	\$ 928
Investment earnings	-	-	13	13
Impact fees / special assessments	700,000	272,564	-	(272,564)
Total revenues	<u>730,915</u>	<u>303,479</u>	<u>31,856</u>	<u>(271,623)</u>
EXPENDITURES				
Debt Service:				
Principal	15,000	15,000	15,000	-
Interest	15,915	33,415	15,765	17,650
Total expenditures	<u>30,915</u>	<u>48,415</u>	<u>30,765</u>	<u>17,650</u>
Excess (deficiency) of revenues over (under) expenditures	<u>700,000</u>	<u>255,064</u>	<u>1,091</u>	<u>(253,973)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	27,436	177,449	150,013
Transfers out	(700,000)	(282,500)	-	282,500
Total other financing sources (uses)	<u>(700,000)</u>	<u>(255,064)</u>	<u>177,449</u>	<u>432,513</u>
Net change in fund balances	-	-	178,540	178,540
Beginning fund balances	(176,200)	(176,200)	(176,200)	-
Ending fund balances	<u>\$ (176,200)</u>	<u>\$ (176,200)</u>	<u>\$ 2,340</u>	<u>\$ 178,540</u>

CITY OF EDGEWATER, FLORIDA
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances--Budget and Actual
 Annually - Budgeted Major Capital Projects Funds
 For the Fiscal Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 1,270,593	\$ 1,098,718	\$ (171,875)
Investment earnings	1,355	55	829	774
Total revenues	<u>1,355</u>	<u>1,270,648</u>	<u>1,099,547</u>	<u>(171,101)</u>
EXPENDITURES				
Capital outlay	2,978,449	2,000,000	1,652,422	347,578
Total expenditures	<u>2,978,449</u>	<u>2,000,000</u>	<u>1,652,422</u>	<u>347,578</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,977,094)</u>	<u>(729,352)</u>	<u>(552,875)</u>	<u>176,477</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,913,873	710,746	369,282	(341,464)
Issuance of debt	-	-	750,000	750,000
Total other financing sources (uses)	<u>2,913,873</u>	<u>710,746</u>	<u>1,119,282</u>	<u>408,536</u>
Net change in fund balance	(63,221)	(18,606)	566,407	585,013
Beginning fund balances	422,132	422,132	422,132	
Ending fund balances	<u>\$ 358,911</u>	<u>\$ 403,526</u>	<u>\$ 988,539</u>	<u>\$ 585,013</u>



This page intentionally left blank

CITY OF EDGEWATER, FLORIDA

Internal Service Funds

September 30, 2011

INTERNAL SERVICE FUNDS are used to account for the financing of centralized services to City departments on a cost-reimbursement basis (including depreciation).

Management Information Systems (MIS) – To account for data processing operations and the cost of computer services used by other City departments.

Fleet – To account for the cost of operating a maintenance facility for automotive equipment used by other City departments / divisions.

Loss Fund – To account for the general liability and property insurances of the City.

Fully Insured – To account for the health, dental and life insurance of the City's employees and retirees.

Workers Comp – To account for the workers compensation insurance of the City.

CITY OF EDGEWATER, FLORIDA

Combining Statement of Net Assets

Internal Service Funds

September 30, 2011

	<u>MIS</u>	<u>FLEET</u>	<u>Loss Fund</u>	<u>Fully Insured</u>	<u>Workers Comp</u>	<u>Total</u>
ASSETS						
Current assets:						
Cash	\$ 35,054	\$ 23,381	\$ 49,017	\$ 215,198	\$ 30,187	\$ 352,837
Inventories	-	22,486	-	-	-	22,486
Total current assets	<u>35,054</u>	<u>45,867</u>	<u>49,017</u>	<u>215,198</u>	<u>30,187</u>	<u>375,323</u>
Noncurrent assets:						
Capital assets:						
Machinery and equipment	29,057	29,055	-	-	-	58,112
Less accumulated depreciation	<u>(16,079)</u>	<u>(16,514)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,593)</u>
Total capital assets (net accumulated depreciation)	<u>12,978</u>	<u>12,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,519</u>
Total noncurrent assets	<u>12,978</u>	<u>12,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,519</u>
Total assets	<u>48,032</u>	<u>58,408</u>	<u>49,017</u>	<u>215,198</u>	<u>30,187</u>	<u>400,842</u>
LIABILITIES						
Current liabilities:						
Accounts payable	5,153	39	-	174,353	30,187	209,732
Accrued liabilities	5,706	4,748	-	-	-	10,454
Compensated absences	<u>13,204</u>	<u>7,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,100</u>
Total current liabilities	<u>24,063</u>	<u>12,683</u>	<u>-</u>	<u>174,353</u>	<u>30,187</u>	<u>241,286</u>
Noncurrent liabilities:						
Compensated absences	20,891	9,397	-	-	-	30,288
OPEB obligation	<u>3,078</u>	<u>3,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,933</u>
Total noncurrent liabilities	<u>23,969</u>	<u>13,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,221</u>
Total liabilities	<u>48,032</u>	<u>25,935</u>	<u>-</u>	<u>174,353</u>	<u>30,187</u>	<u>278,507</u>
NET ASSETS						
Invested in capital assets	12,978	12,541	-	-	-	25,519
Unrestricted	<u>(12,978)</u>	<u>19,932</u>	<u>49,017</u>	<u>40,845</u>	<u>-</u>	<u>96,816</u>
Total net assets	<u>\$ -</u>	<u>\$ 32,473</u>	<u>\$ 49,017</u>	<u>\$ 40,845</u>	<u>\$ -</u>	<u>\$ 122,335</u>

CITY OF EDGEWATER, FLORIDA

Combining Statement of Revenues, Expenses, and

Changes in Fund Net Assets

Internal Service Funds

For the Fiscal Year Ended September 30, 2011

	<u>MIS</u>	<u>FLEET</u>	<u>Loss Fund</u>	<u>Fully Insured</u>	<u>Workers Comp</u>	<u>Total</u>
Operating revenues:						
Billings to City departments	\$ 366,415	\$ 757,778	\$ 355,957	\$ 2,118,707	\$ 196,240	\$ 3,795,097
Operating expenses:						
Salaries and employee benefits	161,522	130,752	-	2,135,486	250,235	2,677,995
Supplies and materials	44,551	407,995	-	-	-	452,546
Contract services	103,922	178	-	-	-	104,100
Other services and charges	39,736	193,801	306,940	-	-	540,477
Depreciation	7,825	5,811	-	-	-	13,636
Total operating expenses	<u>357,556</u>	<u>738,537</u>	<u>306,940</u>	<u>2,135,486</u>	<u>250,235</u>	<u>3,788,754</u>
Operating income (loss)	<u>8,859</u>	<u>19,241</u>	<u>49,017</u>	<u>(16,779)</u>	<u>(53,995)</u>	<u>6,343</u>
Income (loss) before contributions and transfers	<u>8,859</u>	<u>19,241</u>	<u>49,017</u>	<u>(16,779)</u>	<u>(53,995)</u>	<u>6,343</u>
Transfers in	7,954	-	-	-	7,874	15,828
Change in net assets	16,813	19,241	49,017	(16,779)	(46,121)	22,171
Total net assets - beginning	(16,813)	13,232	-	57,624	46,121	100,164
Total net assets - end	<u>\$ -</u>	<u>\$ 32,473</u>	<u>\$ 49,017</u>	<u>\$ 40,845</u>	<u>\$ -</u>	<u>\$ 122,335</u>

CITY OF EDGEWATER, FLORIDA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended September 30, 2011

	<u>MIS</u>	<u>FLEET</u>	<u>Loss Fund</u>	<u>Fully Insured</u>	<u>Workers Comp</u>	<u>Total</u>
Cash flows from operating activities:						
Receipts-customers and users	\$ 366,415	\$ 757,778	\$ 355,957	\$ 2,118,707	\$ 196,240	\$ 3,795,097
Payments-suppliers	(184,747)	(610,571)	(306,940)	(2,124,090)	(220,048)	(3,446,396)
Payments-employees	(153,234)	(120,180)	-	-	-	(273,414)
Net cash provided (used) by operating activities	<u>28,434</u>	<u>27,027</u>	<u>49,017</u>	<u>(5,383)</u>	<u>(23,808)</u>	<u>75,287</u>
Cash flows from noncapital financing activities:						
Cash received from (paid to) other funds	<u>6,620</u>	<u>(3,646)</u>	<u>-</u>	<u>4,980</u>	<u>7,874</u>	<u>15,828</u>
Net increase (decrease) in cash and cash equivalents	35,054	23,381	49,017	(403)	(15,934)	91,115
Beginning cash and cash equivalents	-	-	-	215,601	46,121	261,722
Ending cash and cash equivalents	<u>\$ 35,054</u>	<u>\$ 23,381</u>	<u>\$ 49,017</u>	<u>\$ 215,198</u>	<u>\$ 30,187</u>	<u>\$ 352,837</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 8,859	\$ 19,241	\$ 49,017	\$ (16,779)	\$ (53,995)	\$ 6,343
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	7,825	5,811	-	-	-	13,636
(Increase) decrease in assets:						
Inventories	-	(8,461)	-	-	-	(8,461)
Increase (decrease) in liabilities:						
Accounts payable	3,462	(136)	-	11,396	30,187	44,909
Accrued liabilities	643	907	-	-	-	1,550
OPEB obligation	-	1,492	-	-	-	1,492
Compensated absences	7,645	8,173	-	-	-	15,818
Total adjustments	<u>19,575</u>	<u>7,786</u>	<u>-</u>	<u>11,396</u>	<u>30,187</u>	<u>68,944</u>
Net cash provided (used) by operating activities	<u>\$ 28,434</u>	<u>\$ 27,027</u>	<u>\$ 49,017</u>	<u>\$ (5,383)</u>	<u>\$ (23,808)</u>	<u>\$ 75,287</u>

CITY OF EDGEWATER, FLORIDA

Other Supplemental Schedules

September 30, 2011

Fiduciary Funds – Pension trust Funds

Police, Firefighter and General Employees' Pension Funds – These funds are used to account for the accumulation of resources to be used for retirement annuity payments at the appropriate amounts and times in the future. Resources are contributed by employees at a rate fixed by law and by the City and the State at amounts determined by an annual actuarial study.

CITY OF EDGEWATER, FLORIDA
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
September 30, 2011

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 9,238	\$ 5,775	\$ 15,013
Investments, at fair value:				
Money market funds	-	-	636,104	636,104
Bonds	5,489,228	3,646,671	1,078,914	10,214,813
Equities	5,509,503	3,350,397	3,902,553	12,762,453
Real estate investment trust	510,378	302,045	-	812,423
Total assets	<u>11,509,109</u>	<u>7,308,351</u>	<u>5,623,346</u>	<u>24,440,806</u>
LIABILITIES				
Deferred contributions	<u>162,658</u>	<u>-</u>	<u>42,526</u>	<u>205,184</u>
Total liabilities	<u>162,658</u>	<u>-</u>	<u>42,526</u>	<u>205,184</u>
NET ASSETS				
Held in trust for pension benefits	<u>\$ 11,346,451</u>	<u>\$ 7,308,351</u>	<u>\$ 5,580,820</u>	<u>\$ 24,235,622</u>

CITY OF EDGEWATER, FLORIDA

Combining Statement of Changes in Fiduciary Net Assets

Pension Trust Funds

For the Fiscal Year Ended September 30, 2011

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>	<u>Total</u>
ADDITIONS				
Contributions:				
Employer	\$ 442,331	\$ 481,015	\$ 322,711	\$ 1,246,057
Employee	27,758	79,823	112,183	219,764
State of Florida	-	125,639	145,590	271,229
Total contributions	<u>470,089</u>	<u>686,477</u>	<u>580,484</u>	<u>1,737,050</u>
Investment earnings (loss):				
Net increase/ (decrease) in the fair value of investments	<u>(3,677)</u>	<u>13,431</u>	<u>(72,455)</u>	<u>(62,701)</u>
Total investment earnings	<u>(3,677)</u>	<u>13,431</u>	<u>(72,455)</u>	<u>(62,701)</u>
Less investment expenses	<u>(11,722)</u>	<u>(13,712)</u>	<u>(55,330)</u>	<u>(80,764)</u>
Net investment earnings (loss)	<u>(15,399)</u>	<u>(281)</u>	<u>(127,785)</u>	<u>(143,465)</u>
Total Additions	<u>454,690</u>	<u>686,196</u>	<u>452,699</u>	<u>1,593,585</u>
DEDUCTIONS				
Pension benefits	1,068,081	707,694	194,023	1,969,798
Administrative expenses	<u>64,875</u>	<u>66,990</u>	<u>6,644</u>	<u>138,509</u>
Total deductions	<u>1,132,956</u>	<u>774,684</u>	<u>200,667</u>	<u>2,108,307</u>
Change in net assets	<u>(678,266)</u>	<u>(88,488)</u>	<u>252,032</u>	<u>(514,722)</u>
Net assets - beginning	<u>12,024,717</u>	<u>7,396,839</u>	<u>5,328,788</u>	<u>24,750,344</u>
Net assets - ending	<u>\$ 11,346,451</u>	<u>\$ 7,308,351</u>	<u>\$ 5,580,820</u>	<u>\$ 24,235,622</u>



This page intentionally left blank

CITY OF EDGEWATER, FLORIDA
Statistical Section

This part of the City of Edgewater, Florida's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health and is unaudited.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	80-84
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax, and the municipal sales tax.	85-89
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	90-95
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	96-97
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	98-100

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant fiscal year. The City implemented GASB Statement 34 in Fiscal Year 2003; schedules presenting government-wide information include information beginning in that fiscal year.

CITY OF EDGEWATER, FLORIDA

Net Assets by Component

Last Nine Fiscal Years

(accrual basis of accounting)

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2,003
Governmental Activities									
Invested in Capital Assets, Net of Related Debt	\$ 45,286,948	\$ 47,510,167	\$ 48,282,223	\$ 49,083,883	\$ 47,677,631	\$ 10,790,015	\$ 9,283,844	\$ 8,207,197	\$ 6,010,568
Restricted	1,867,693	1,568,645	2,224,684	1,575,186	3,204,310	3,547,595	3,760,701	4,168,822	5,309,445
Unrestricted	4,696,621	5,310,937	5,718,964	6,126,300	8,896,934	2,109,332	1,165,791	396,934	169,883
Total Governmental Activities Net Assets	\$ 51,851,262	\$ 54,389,749	\$ 56,225,871	\$ 56,785,369	\$ 59,778,875	\$ 16,446,942	\$ 14,210,336	\$ 12,772,953	\$ 11,489,896
Business-Type Activities									
Invested in Capital Assets, Net of Related Debt	\$ 29,408,827	\$ 28,325,668	\$ 25,052,445	\$ 24,260,590	\$ 23,558,802	\$ 23,188,819	\$ 18,641,079	\$ 16,796,965	\$ 13,185,840
Restricted	1,879,888	892,784	2,078,126	3,614,794	4,787,027	4,344,362	3,567,108	3,158,533	4,627,937
Unrestricted	5,586,070	6,303,962	6,408,077	6,398,470	5,322,505	6,732,197	9,332,979	12,161,692	15,688,777
Total Business-Type Activities Net Assets	\$ 36,874,785	\$ 35,522,414	\$ 33,538,648	\$ 34,273,854	\$ 33,668,334	\$ 34,265,378	\$ 31,541,166	\$ 32,117,190	\$ 33,502,554
Total									
Invested in Capital Assets, Net of Related Debt	\$ 74,695,775	\$ 75,835,835	\$ 73,334,668	\$ 73,344,473	\$ 71,236,433	\$ 33,978,834	\$ 27,924,923	\$ 25,004,162	\$ 19,196,408
Restricted	3,747,581	2,461,429	4,302,810	5,189,980	7,991,337	7,891,957	7,327,809	7,327,355	9,937,382
Unrestricted	10,282,691	11,614,899	12,127,041	12,524,770	14,219,439	8,841,529	10,498,770	12,558,626	15,858,660
Total Net Assets	\$ 88,726,047	\$ 89,912,163	\$ 89,764,519	\$ 91,059,223	\$ 93,447,209	\$ 50,712,320	\$ 45,751,502	\$ 44,890,143	\$ 44,992,450

CITY OF EDGEWATER, FLORIDA

Changes in Net Assets
 Last Nine Fiscal Years
 (accrual basis of accounting)

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Program Revenues									
Governmental Activities:									
Charges for Services:									
General Administrative	\$ 185,511	\$ 326,863	\$ 288,180	\$ 248,113	\$ 268,546	\$ 327,113	\$ 294,176	\$ 188,791	\$ 176,881
Public Safety	502,893	478,001	429,232	457,791	461,116	583,840	476,050	296,947	335,753
Public Works	156,857	173,895	200,101	317,602	408,345	731,819	750,284	783,766	616,394
Culture and recreation	-	6,245	12,785	11,814	25,982	137,053	229,995	150,256	130,192
Operating Grants and Contributions	594,849	634,000	593,635	384,417	485,854	505,161	574,193	951,863	401,116
Capital Grants and Contributions	1,187,088	266,779	424,997	127,030	260,884	845,639	326,163	487,060	192,861
<i>Total Governmental Activities Program Revenues</i>	<u>\$ 2,627,198</u>	<u>\$ 1,885,783</u>	<u>\$ 1,948,930</u>	<u>\$ 1,546,767</u>	<u>\$ 1,910,727</u>	<u>\$ 3,130,625</u>	<u>\$ 2,650,861</u>	<u>\$ 2,858,683</u>	<u>\$ 1,853,197</u>
Business-Type Activities:									
Charges for Services:									
Water / Sewer Utility	\$ 7,474,168	\$ 7,085,984	\$ 6,907,413	\$ 6,914,844	\$ 6,743,708	\$ 6,597,883	\$ 6,295,493	\$ 5,404,709	\$ 4,808,221
Refuse collection	2,661,778	2,670,316	2,704,541	2,538,797	2,393,425	2,242,197	2,085,965	1,946,298	1,737,454
Stormwater Utility	1,291,687	1,288,132	1,164,331	957,348	1,042,592	917,703	953,752	886,848	824,559
Operating Grants and Contributions	-	-	-	55,823	130,400	272,580	1,224,518	2,303,189	-
Capital Grants and Contributions	1,300,823	2,222,112	221,108	570,208	300,107	2,438,556	1,218,691	989,665	3,047,057
<i>Total Business-Type Activities Program Revenues</i>	<u>\$ 12,728,456</u>	<u>\$ 13,266,544</u>	<u>\$ 10,997,393</u>	<u>\$ 11,037,020</u>	<u>\$ 10,610,232</u>	<u>\$ 12,468,919</u>	<u>\$ 11,778,419</u>	<u>\$ 11,530,709</u>	<u>\$ 10,417,291</u>
<i>Total Government Program Revenues</i>	<u>\$ 15,355,654</u>	<u>\$ 15,152,327</u>	<u>\$ 12,946,323</u>	<u>\$ 12,583,787</u>	<u>\$ 12,520,959</u>	<u>\$ 15,599,544</u>	<u>\$ 14,429,280</u>	<u>\$ 14,389,392</u>	<u>\$ 12,270,488</u>
Expenses									
Governmental Activities:									
General administrative	\$ 2,030,426	\$ 2,120,727	\$ 2,437,060	\$ 3,368,997	\$ 3,268,496	\$ 3,338,289	\$ 2,801,030	\$ 2,227,242	\$ 2,478,672
Culture and recreation	1,415,197	1,392,047	1,400,669	1,417,080	1,495,209	1,511,621	1,727,507	1,572,699	1,573,582
Public Works	3,847,458	3,315,340	3,207,832	3,182,898	3,418,018	643,943	725,242	1,257,545	2,765,177
Public Safety	7,141,391	6,676,065	6,455,618	5,893,950	6,522,598	6,259,632	6,235,432	6,212,610	5,670,853
Interest on long-term debt	61,554	77,845	211,630	315,637	196,466	291,830	310,433	324,137	356,159
<i>Total Governmental Activities Expenses</i>	<u>\$ 14,496,026</u>	<u>\$ 13,582,024</u>	<u>\$ 13,712,809</u>	<u>\$ 14,178,562</u>	<u>\$ 14,900,787</u>	<u>\$ 12,045,315</u>	<u>\$ 11,799,644</u>	<u>\$ 11,594,233</u>	<u>\$ 12,844,443</u>
Business-Type Activities:									
Water / Sewer Utility	\$ 7,931,996	\$ 8,246,448	\$ 8,684,972	\$ 8,463,439	\$ 8,479,766	\$ 8,053,623	\$ 7,635,312	\$ 6,922,171	\$ 6,285,152
Refuse collection	2,628,227	2,497,362	2,405,870	2,447,631	2,226,068	2,067,329	2,951,045	4,288,882	1,565,664
Stormwater Utility	1,027,605	808,413	926,393	1,016,948	1,003,143	1,017,118	935,770	929,433	882,456
<i>Total Business-Type Activities Expenses</i>	<u>\$ 11,587,828</u>	<u>\$ 11,552,223</u>	<u>\$ 12,017,235</u>	<u>\$ 11,928,018</u>	<u>\$ 11,708,977</u>	<u>\$ 11,138,070</u>	<u>\$ 11,522,127</u>	<u>\$ 12,140,486</u>	<u>\$ 8,733,272</u>
<i>Total Government Expenses</i>	<u>\$ 26,083,854</u>	<u>\$ 25,134,247</u>	<u>\$ 25,730,044</u>	<u>\$ 26,106,580</u>	<u>\$ 26,609,764</u>	<u>\$ 23,183,385</u>	<u>\$ 23,321,771</u>	<u>\$ 23,734,719</u>	<u>\$ 21,577,715</u>

City of Edgewater, Florida

Changes in Net Assets (continued)

Last Nine Fiscal Years

(accrual basis of accounting)

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net (Expense)/Revenue									
Governmental Activities	\$ (11,868,828)	\$ (11,696,241)	\$ (11,763,879)	\$ (12,631,795)	\$ (12,990,060)	\$ (8,914,690)	\$ (9,148,783)	\$ (8,735,550)	\$ (10,991,246)
Business-Type Activities	1,140,628	1,714,321	(1,019,842)	(890,998)	(1,098,745)	1,330,849	256,292	(609,777)	1,684,019
<i>Total Government Net Expense</i>	<u>\$ (10,728,200)</u>	<u>\$ (9,981,920)</u>	<u>\$ (12,783,721)</u>	<u>\$ (13,522,793)</u>	<u>\$ (14,088,805)</u>	<u>\$ (7,583,841)</u>	<u>\$ (8,892,491)</u>	<u>\$ (9,345,327)</u>	<u>\$ (9,307,227)</u>
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
Property taxes	\$ 4,459,591	\$ 5,083,616	\$ 5,638,194	\$ 6,053,965	\$ 5,983,622	\$ 5,045,677	\$ 4,125,604	\$ 3,884,932	\$ 3,403,304
Utility and franchise taxes	3,047,731	3,051,595	3,164,803	2,822,644	3,134,569	3,098,230	2,721,040	2,615,188	2,555,819
Intergovernmental shared revenue	1,618,530	1,574,091	1,673,522	1,842,215	1,956,463	1,952,077	1,901,135	1,746,746	1,627,439
Investment earnings	32,274	79,230	6,019	173,233	173,234	1,734,431	468,314	359,091	298,967
Gain on sale of assets	8,008	7,308	9,533	9,228	4,767,674	-	-	-	-
Miscellaneous revenue	42,117	64,279	55,163	53,686	116,255	-	-	-	-
Transfers	122,090	-	(215,517)	(1,316,682)	-	(679,119)	1,370,073	1,412,650	751,758
<i>Total Governmental Activities</i>	<u>\$ 9,330,341</u>	<u>\$ 9,860,119</u>	<u>\$ 10,331,717</u>	<u>\$ 9,638,289</u>	<u>\$ 16,131,817</u>	<u>\$ 11,151,296</u>	<u>\$ 10,586,166</u>	<u>\$ 10,018,607</u>	<u>\$ 8,637,287</u>
Business-Type Activities:									
Investment earnings	\$ 92,243	\$ 161,505	\$ (3,450)	\$ 108,935	\$ 501,098	\$ 714,244	\$ 537,757	\$ 637,063	\$ 661,124
Miscellaneous revenue	241,590	107,940	89,522	70,901	603	-	-	-	-
Transfers	(122,090)	-	215,517	1,316,682	-	679,119	(1,370,073)	(1,412,650)	(751,758)
<i>Total Business-Type Activities</i>	<u>\$ 211,743</u>	<u>\$ 269,445</u>	<u>\$ 301,589</u>	<u>\$ 1,496,518</u>	<u>\$ 501,701</u>	<u>\$ 1,393,363</u>	<u>\$ (832,316)</u>	<u>\$ (775,587)</u>	<u>\$ (90,634)</u>
<i>Total Government</i>	<u>\$ 9,542,084</u>	<u>\$ 10,129,564</u>	<u>\$ 10,633,306</u>	<u>\$ 11,134,807</u>	<u>\$ 16,633,518</u>	<u>\$ 12,544,659</u>	<u>\$ 9,753,850</u>	<u>\$ 9,243,020</u>	<u>\$ 8,546,653</u>
Change in Net Assets									
Governmental Activities	\$ (2,538,487)	\$ (1,836,122)	\$ (1,432,162)	\$ (2,993,506)	\$ 3,141,757	\$ 2,236,606	\$ 1,437,383	\$ 1,283,057	\$ (2,353,959)
Business-Type Activities	1,352,371	1,983,766	(718,253)	605,520	(597,044)	2,724,212	(576,024)	(1,385,364)	1,593,385
<i>Total Government Change in Net Assets</i>	<u>\$ (1,186,116)</u>	<u>\$ 147,644</u>	<u>\$ (2,150,415)</u>	<u>\$ (2,387,986)</u>	<u>\$ 2,544,713</u>	<u>\$ 4,960,818</u>	<u>\$ 861,359</u>	<u>\$ (102,307)</u>	<u>\$ (760,574)</u>

CITY OF EDGEWATER, FLORIDA

Fund Balances of Governmental Funds

Last Nine Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
General Fund								
Reserved	\$ -	\$ 245,131	\$ 234,084	\$ 135,287	\$ 1,387,418	\$ 41,532	\$ 32,555	\$ 27,178
Unreserved	-	5,974,500	5,826,394	3,223,169	1,990,994	2,257,987	1,199,383	503,911
Nonspendable	138,459	-	-	-	-	-	-	-
Restricted	448	-	-	-	-	-	-	-
Assigned	1,565,639	-	-	-	-	-	-	-
Unassigned	3,702,417	-	-	-	-	-	-	-
Total General Fund	\$ 5,406,963	\$ 6,219,631	\$ 6,060,478	\$ 3,358,456	\$ 3,378,412	\$ 2,299,519	\$ 1,231,938	\$ 531,089
All Other Governmental Funds								
Reserved	\$ -	\$ -	\$ 836,596	\$ 352,214	\$ 351,462	\$ 259,967	\$ 255,589	\$ 234,909
Unreserved, Reported in:								
Debt service funds	-	(176,200)	-	-	-	-	-	-
Special revenue funds	-	908,339	879,195	936,772	1,671,241	1,380,331	1,057,887	452,575
Capital projects funds	-	422,132	335,093	1,209,193	2,852,848	978,087	1,191,193	1,199,110
Restricted	1,221,758	-	-	-	-	-	-	-
Committed	542,510	-	-	-	-	-	-	-
Unassigned	(2,119)	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 1,762,149	\$ 1,154,271	\$ 2,050,884	\$ 2,498,179	\$ 4,875,551	\$ 2,618,385	\$ 2,504,669	\$ 1,886,594
Total Governmental Funds	\$ 7,169,112	\$ 7,373,902	\$ 8,111,362	\$ 5,856,635	\$ 8,253,963	\$ 4,917,904	\$ 3,736,607	\$ 2,417,683

CITY OF EDGEWATER, FLORIDA

Changes in Fund Balances of Governmental Funds

Last Nine Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues									
Taxes	\$ 7,507,322	\$ 8,159,811	\$ 8,747,647	\$ 8,876,609	\$ 9,118,191	\$ 8,143,907	\$ 6,846,644	\$ 6,500,120	\$ 5,959,123
Intergovernmental	3,400,644	2,436,438	2,724,831	2,353,662	2,703,201	3,302,877	3,032,676	2,678,916	2,221,416
Licenses and permits	227,703	237,714	231,006	258,106	415,394	500,588	657,920	508,609	445,741
Charges for services	1,024,644	1,156,279	1,098,013	474,457	490,255	547,221	305,320	128,751	112,985
Fines and forfeitures	150,569	164,897	128,806	113,893	124,903	142,880	153,176	145,415	193,962
Investment Earnings	37,379	79,230	6,019	173,233	173,235	244,972	189,852	236,291	254,253
Impact fees	68,405	97,734	551,218	652,905	574,621	1,022,485	1,054,974	699,969	44,714
Miscellaneous	56,869	102,790	55,163	53,685	115,757	240,012	326,354	350,475	644,420
Total Revenues	\$ 12,473,535	\$ 12,434,893	\$ 13,542,703	\$ 12,956,550	\$ 13,715,557	\$ 14,144,942	\$ 12,566,916	\$ 11,248,546	\$ 9,876,614
Expenditures									
Current:									
General administrative services	\$ 2,683,471	\$ 2,736,166	\$ 2,804,195	\$ 3,338,863	\$ 3,169,768	\$ 3,060,861	\$ 2,716,664	\$ 2,838,695	\$ 2,033,442
Cultural and recreation	1,159,916	1,153,785	1,146,168	1,213,046	1,306,084	1,844,753	1,595,896	1,978,216	1,609,971
Public works	356,739	325,752	311,807	347,303	348,985	546,555	450,738	890,755	359,916
Public safety	6,728,197	6,386,706	6,206,243	6,466,388	5,738,281	6,512,195	5,966,169	5,878,112	5,308,937
Debt service:									
Principal	810,871	1,903,462	1,548,714	1,691,776	1,277,575	1,670,146	1,555,004	1,552,115	1,134,891
Interest and Fiscal Charges	57,789	155,287	166,127	315,637	195,971	291,830	310,433	324,137	356,159
Capital outlay	1,745,612	728,503	1,659,313	2,004,164	747,534	304,532	23,161	658,277	409,383
Total Expenditures	\$ 13,542,595	\$ 13,389,661	\$ 13,842,567	\$ 15,377,177	\$ 12,784,198	\$ 14,230,872	\$ 12,618,065	\$ 14,120,307	\$ 11,212,699
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(1,069,060)</i>	<i>(954,768)</i>	<i>(299,864)</i>	<i>(2,420,627)</i>	<i>931,359</i>	<i>(85,930)</i>	<i>(51,149)</i>	<i>(2,871,761)</i>	<i>(1,336,085)</i>
Other Financing Sources (Uses)									
Transfers In	\$ 846,702	\$ 757,345	\$ 975,601	\$ 1,941,890	\$ 1,881,908	\$ 1,097,713	\$ 1,788,326	\$ 1,424,650	\$ 1,108,429
Transfers Out	(740,440)	(757,345)	(1,168,748)	(3,258,572)	(1,881,908)	(1,776,832)	(418,253)	(12,000)	(356,671)
Capital lease	-	-	144,998	143,016	-	196,899	-	581,487	-
Debt Issued	750,000	210,000	-	-	12,500	-	-	-	104,630
General obligation note	-	-	-	-	-	500,000	-	-	-
Sale of capital assets	8,008	7,308	1,194,770	1,196,965	2,392,200	1,249,447	-	342,860	262,000
Total Other Financing Sources (Uses)	864,270	217,308	1,146,621	23,299	2,404,700	1,267,227	1,370,073	2,336,997	1,118,388
Net Change in Fund Balances	\$ (204,790)	\$ (737,460)	\$ 846,757	\$ (2,397,328)	\$ 3,336,059	\$ 1,181,297	\$ 1,318,924	\$ (534,764)	\$ (217,697)
Debt Service as a Percentage of Noncapital Expenditures	7.95%	19.42%	16.38%	17.66%	13.95%	16.40%	17.39%	16.19%	16.01%

CITY OF EDGEWATER, FLORIDA

Tax Revenues by Source of Governmental Funds

Last Nine Fiscal Years

(modified accrual basis of accounting)

Fiscal Year Ended September 30	Property Taxes	Utility and franchise taxes	Total
2003	\$ 3,403,304	\$ 2,555,819	\$ 5,959,123
2004	3,884,932	2,615,188	6,500,120
2005	4,125,604	2,721,040	6,846,644
2006	5,045,677	3,098,230	8,143,907
2007	5,983,622	3,134,569	9,118,191
2008	6,053,935	2,822,644	8,876,579
2009	5,638,194	3,109,453	8,747,647
2010	5,083,616	3,076,195	8,159,811
2011	4,459,591	3,047,731	7,507,322

CITY OF EDGEWATER, FLORIDA

Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended Sept. 30,	Real Property	Personal Property	Centrally Assessed Property	Estimated Actual Value	Exemptions Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
2002	\$ 632,971,616	\$ 33,671,941	\$ 1,788,337	\$ 668,431,894	\$ 183,344,625	\$ 485,087,269	5.9500
2003	696,268,451	33,686,937	1,900,229	731,855,617	208,800,134	523,055,483	6.9500
2004	811,610,789	36,369,013	2,076,539	850,056,341	272,478,247	577,578,094	6.4500
2005	974,165,071	37,819,634	2,160,414	1,014,145,119	350,007,187	664,137,932	6.4500
2006	1,219,005,146	40,150,036	2,247,029	1,261,402,211	448,458,761	812,943,450	6.5100
2007	1,715,797,872	42,021,446	2,506,641	1,760,325,959	670,906,020	1,089,419,939	5.7317
2008	1,816,484,284	44,912,803	1,824,075	1,863,221,162	667,246,620	1,195,974,542	5.2271
2009	1,567,728,018	46,686,002	3,852,385	1,618,266,405	636,648,753	981,617,652	5.9330
2010	1,239,413,071	47,937,851	2,789,838	1,290,140,760	467,797,506	822,343,254	6.3982
2011	1,014,902,147	46,368,404	2,452,717	1,063,723,268	374,884,311	688,838,957	6.6385

Source: Volusia County Property Appraiser's Office & City of Edgewater CAFRs

CITY OF EDGEWATER, FLORIDA

Property Tax Rates

Direct and Overlapping Governments

Last Ten Fiscal Years

Fiscal Year	City of Edgewater Operating Millage	Debt Service Millage	Volusia County ⁽¹⁾ Millage	School District Millage	Other ⁽²⁾	Grand Total
2002	5.9500	0.0000	9.1620	8.8990	0.5910	24.6020
2003	6.9500	0.0000	9.1620	8.6990	0.5910	25.4020
2004	6.9500	0.0000	8.7620	8.6990	0.5910	25.0020
2005	6.4500	0.0000	8.8820	8.5170	0.5910	24.4400
2006	6.4500	0.0600	7.7210	8.2590	0.5910	23.0810
2007	5.7000	0.0317	5.3235	7.6850	2.7886	21.5288
2008	5.2000	0.0271	4.8819	7.4670	2.6866	20.2626
2009	5.9000	0.0330	5.4037	7.4590	3.5865	22.3823
2010	6.3600	0.0382	6.4233	8.2370	3.7932	24.8517
2011	6.5910	0.0475	6.3025	8.2370	4.0012	25.1792

(1) Millage includes General Fund, Southeast Volusia Hospital District

(2) Inlet and Port Authority, Florida Inland Navigation District and St. Johns River Water Management District, Mosquito Control, and Hospital Operating

CITY OF EDGEWATER, FLORIDA

Principal Taxpayers

Current year and ten years ago

Taxpayer	2011			2002		
	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Florida Power & Light	\$ 13,333,310	1	1.94%	\$ 8,078,287	1	1.67%
RJ Dougherty Associates Inc	4,103,526	2	0.60%			
Carder James C & Rosemary TR	4,016,416	3	0.58%	1,513,472	10	0.31%
Edgewater Power Boats LLC	3,686,471	4	0.54%			
Revenue Properties Florida	3,610,148	5	0.52%			
308 Realty LLC	3,457,163	6	0.50%			
Bright House Networks LLC	3,396,981	7	0.49%			
Bellsouth Telecommunications Inc	3,390,228	8	0.49%	3,488,626	3	0.72%
3050 Holdings LLC	3,150,609	9	0.46%			
Holly Investments	2,911,706	10	0.42%			
Coronado Paint Company, Inc	-	-	-	6,602,260	2	1.36%
Edgewater Commons	-	-	-	3,236,924	4	0.67%
Laramie Florida Shores, LP	-	-	-	2,811,944	5	0.58%
Time Warner Entertainment	-	-	-	2,805,513	6	0.58%
Bel Aire Investments, Inc	-	-	-	1,903,500	7	0.39%
First Federal Savings and Loan Association	-	-	-	1,788,533	8	0.37%
Porta, Scott	-	-	-	1,670,366	9	0.34%
	<u>\$ 45,056,558</u>		<u>6.54%</u>	<u>\$ 33,899,425</u>		<u>6.99%</u>
Total Assessed Valuation	<u>\$ 688,838,957</u>			<u>\$ 485,087,269</u>		

Source: Volusia County Property Appraiser's Office & 2002 City of Edgewater CAFR

CITY OF EDGEWATER, FLORIDA

Property Tax Levies And Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Tax Collections To Tax Levy	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections To Tax Levy
2002	2,794,043	2,704,707	96.80 %	12,326	2,717,033	97.24 %
2003	3,516,953	3,388,208	96.34 %	21,654	3,409,862	96.96 %
2004	4,014,168	3,863,278	96.24 %	10,563	3,873,841	96.50 %
2005	4,283,690	4,115,041	96.06 %	5,140	4,120,181	96.18 %
2006	5,243,485	5,040,537	96.13 %	17,219	5,057,756	96.46 %
2007	6,209,694	5,933,287	95.55 %	218,300	6,151,587	99.06 %
2008	6,219,068	5,835,665	93.84 %	-	5,835,665	93.84 %
2009	5,822,971	5,611,299	96.36 %	26,895	5,638,194	96.83 %
2010	5,230,103	5,035,560	96.28 %	17,704	5,053,264	96.62 %
2011	4,515,489	4,343,936	96.20 %	83,812	4,427,748	98.06 %

Source: Volusia County Property Appraiser and Tax Collector

CITY OF EDGEWATER, FLORIDA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities						Notes Payable
	Notes Payable	Special Assessment Notes	General Obligation Note	Capital Improvement Revenue Bonds	Capital Leases	Line of Credit	
2002	4,951,936	-	-	2,540,000	48,096	-	-
2003	12,382,864	-	-	-	-	-	7,922,467
2004	6,331,253	4,628,163	-	-	452,820	-	7,039,543
2005	5,571,596	3,954,514	-	-	331,123	-	6,147,017
2006	4,811,939	3,244,502	470,000	-	357,544	-	5,239,457
2007	4,052,282	2,874,549	455,000	-	224,579	12,500	4,472,504
2008	3,292,112	2,106,625	440,000	-	181,415	50,000	3,541,000
2009	2,701,092	1,297,442	425,000	-	225,466	-	2,592,437
2010	2,110,073	-	410,000	-	388,424	-	1,542,000
2011	2,269,055	-	395,000	-	183,569	-	1,028,000

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

Business-Type Activities						
Capital Leases	State Revolving Loan	Revenue Bonds	Line of Credit	Total	Percentage of Personal Income (2)	Per Capita
9,672	16,991,868	12,325,000	-	36,866,572	7.64%	1,889
-	15,804,864	11,820,292	-	47,930,487	9.44%	2,386
395,952	14,574,225	11,426,212	-	44,848,168	8.01%	2,173
6,544,290	13,298,345	11,011,773	-	46,858,658	7.81%	2,215
6,750,820	11,975,560	10,660,000	-	43,509,822	6.91%	2,017
6,391,335	10,604,143	10,215,000	37,500	39,339,392	6.00%	1,825
5,971,878	9,182,304	10,146,086	-	34,911,420	5.04%	1,604
5,548,388	8,137,963	9,679,987	-	30,607,775	5.70%	1,431
5,258,430	8,388,828	7,814,973	-	25,912,728	4.72%	1,233
4,881,594	8,582,920	7,331,611	-	24,671,749	5.70%	1,181

CITY OF EDGEWATER, FLORIDA
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding				
	Population	Estimated Actual Taxable Value	General Obligation Bonded Debt	Percentage of Actual Taxable Value of Property	Net Bonded Debt Per Capita
2002	19,515	\$ 485,087,269	\$ -	-	\$ -
2003	20,088	523,055,483	-	-	-
2004	20,637	577,578,094	-	-	-
2005	21,156	664,137,932	-	-	-
2006	21,572	812,943,450	470,000	0.058%	21.79
2007	21,558	1,089,419,939	455,000	0.042%	21.11
2008	21,770	1,195,974,542	440,000	0.037%	20.21
2009	21,394	981,617,652	425,000	0.043%	19.87
2010	21,017	822,343,254	410,000	0.050%	19.51
2011	20,885	688,838,957	395,000	0.057%	18.91

CITY OF EDGEWATER, FLORIDA

Direct and Overlapping Debt

Governmental Unit	Net General Obligation Debt Outstanding	Percentage Applicable to the City of Edgewater	City of Edgewater Share of Debt
Volusia County	\$ 27,750,000	2.62%	\$ 727,050
Volusia County School District	-	0%	-
Subtotal Overlapping Debt	27,750,000	2.41%	727,050
City Direct Debt	395,000	100%	395,000
Total Direct and Overlapping Debt	\$ 28,145,000		\$ 1,122,050

Note: The county-wide debt amount is comprised of \$27,750,000 of the County of Volusia's Limited Tax general obligation bonds.

The County's debt is overlapping to the City's in relation to its taxable property value compared to the County's as a whole. The City's general obligation debt is listed above and is direct debt to the City and underlapping to the County.

Source: Volusia County

CITY OF EDGEWATER, FLORIDA

Pledged-Revenue Coverage

Last Ten Fiscal Years

(dollars in thousands)

Water and Wastewater Refunding Revenue Bond, Series 2009

Fiscal Year	Gross Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Impact Fees	Net Available Revenue	Debt Service			Coverage
					Principal	Interest	Total	
2010	7,085,984	4,863,198	226,897	2,449,683	-	95,296	95,296	25.71
2011	7,474,168	4,372,447	70,550	3,172,271	505,000.00	261,545	766,545	4.14

State Revolving Fund Debt

Fiscal Year	Available Net Revenue & Impact Fees		Net Available Revenue	Debt Service			Coverage
	Special Assessments			Principal	Interest	Total	
2002	1,285,307	823,170	2,108,477	1,144,918	666,520	1,811,438	1.16
2003	1,243,506	834,005	2,077,511	1,187,004	624,433	1,811,437	1.15
2004	1,345,718	845,063	2,190,781	1,230,638	580,799	1,811,437	1.21
2005	2,289,700	889,393	3,179,093	1,275,879	535,558	1,811,437	1.76
2006	3,533,822	909,890	4,443,712	1,322,785	488,652	1,811,437	2.45
2007	1,723,811	899,990	2,623,801	1,371,417	440,021	1,811,438	1.45
2008	2,076,711	914,911	2,991,622	1,421,839	389,599	1,811,438	1.65
2009	1,774,918	974,602	2,749,520	1,044,341	250,638	1,294,979	2.12
2010	1,582,224	951,221	2,533,445	-	299,203	299,203	8.47
2011	2,405,726	1,012,031	3,417,757	-	299,203	299,203	11.42

Water & Sewer Revenue Note, Series 2002⁽³⁾

Fiscal Year	Available Net Revenue & Impact Fees		Debt Service			Coverage
	Principal		Interest	Total		
2002	297,039	514,000	54,478	568,478	0.52	
2003	266,074	514,000	92,076	606,076	0.44	
2004	379,344	514,000	78,471	592,471	0.64	
2005	1,367,656	514,000	112,879	626,879	2.18	
2006	2,632,275	514,000	141,124	655,124	4.02	
2007	812,363	514,000	123,147	637,147	1.28	
2008	1,180,184	514,000	81,168	595,168	1.98	
2009	1,454,541	514,000	32,137	546,137	2.66	
2010	2,234,242	514,000	17,674	531,674	4.20	
2011	3,118,554	514,000	11,401	525,401	5.94	

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

- (1) According to the Resolution, Gross Revenues should exclude interest earnings on the Renewal and Replacement Fund and Construction Fund.
- (2) Total direct operating expenses excludes depreciation, amortization and overhead charges.
Required coverage of 1.05 refers to the Series 2009 Bonds.
- (3) Series 2002 was incurred in FY2002

CITY OF EDGEWATER, FLORIDA

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Calendar Year</u>	<u>Population(1)</u>	<u>Total Personal Income (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (1)</u>	<u>County Unemployment Rate (2) (4)</u>	<u>School Enrollment (3) (5)</u>
2002	19,515	482,937,705	24,747	43.2	5.1%	2,096
2003	20,088	510,295,464	25,403	43.6	5.2%	2,137
2004	20,637	538,997,166	26,118	43.6	5.0%	2,179
2005	21,156	575,675,916	27,211	43.7	3.4%	2,191
2006	21,572	611,501,484	28,347	43.8	3.1%	2,203
2007	21,558	535,586,952	24,844	45.4	3.4%	2,166
2008	21,997	561,319,446	25,518	46.0	7.2%	2,180
2009	21,394	536,989,400	25,100	46.3	11.8%	2,188
2010	21,017	549,153,193	26,129	46.1	12.6%	2,144
2011	20,885	432,528,350	\$20,710	46.4	10.3%	1,900

Sources:

(1) Volusia County Demographic Statistics

(2) Florida Agency for Workforce Innovation: 2002 - 2010

(3) Includes Discovery Days, Indian River Elementary and Edgewater Elementary

(4) University of Florida Bureau of Economic and Business Research(BEBR): 2011

(5) For 2011: Volusia County School District 2011 CAFR

CITY OF EDGEWATER, FLORIDA

Principal Employers
Current Year and Ten Years Ago

Employer (1) (2)	2011		2002	
	Number of Employees	Percentage of Total County Employment	Number of Employees	Percentage of Total County Employment
City of Edgewater	185	0.08%	-	-
Publix Supermarkets	135	0.06%	-	-
Everglade Boats	125	0.05%	-	-
Brunswick Commercial & Government Products	110	0.05%	-	-
Edgewater Elementary	110	0.05%	-	-
Winn Dixie Supermarkets	100	0.04%	-	-
Indian River Elementary	93	0.04%	-	-
Edgewater Power Boats	69	0.03%	-	-
Dustins	30	0.01%	-	-
G&W Roofing	30	0.01%	-	-
Total	<u>987</u>	<u>0.43%</u>	<u>-</u>	<u>-</u>
Total County Employment (3)		<u>228,470</u>		<u>-</u>

Sources:

- (1) Information provided by each company
- (2) Information not available for 2002
- (3) Labor Market Statistics, Florida Research and Economic Database

CITY OF EDGEWATER, FLORIDA

Full-Time Equivalent City Government Employees by Function/Program

Last Nine Fiscal Years

<u>Function/program</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Government:									
Mayor and Commission	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
City Manager	2.0	2.0	2.0	1.0	2.0	3.0	3.0	3.0	3.0
City Clerk	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Finance	6.5	6.5	7.0	8.0	9.0	10.0	10.0	7.0	10.0
IT/MIS	2.0	2.0	2.0	2.0	0.0	0.0	0.0	0.0	0.0
Human Resources	2.0	2.0	2.0	2.0	2.0	3.0	2.0	2.0	3.0
Community Development									
Planning and Zoning	3.0	3.0	3.0	3.0	4.0	3.0	3.0	3.0	3.0
Building	3.5	3.5	3.5	4.0	4.0	6.0	5.0	4.0	4.0
Public Safety:									
Police Department	33.0	34.0	33.5	36.0	33.0	40.0	37.0	38.0	39.0
Fire Department	30.0	30.0	31.0	32.0	35.0	38.0	28.0	23.0	22.0
Animal Control/Shelter	5.0	4.0	4.0	5.0	2.0	3.0	2.0	2.0	2.0
Code Enforcement	1.0	3.0	3.0	3.0	2.0	3.0	4.0	3.0	3.0
Water Resources									
Water Utility	10.0	10.0	10.0	10.0	9.0	10.0	10.0	10.0	10.0
Wastewater Utility	15.0	15.0	15.0	15.0	16.0	11.0	11.0	11.0	11.0
Field Operations	9.0	10.0	10.0	9.0	10.0	5.0	13.0	13.0	12.0
Stormwater	8.0	7.0	6.0	8.0	9.0	10.0	5.0	5.0	4.0
Refuse	23.0	23.0	23.0	24.0	27.0	28.0	22.0	22.0	18.0
Parks and Recreation	15.0	16.0	16.0	16.0	12.0	20.0	14.0	15.0	13.0
Fleet	3.0	2.0	2.0	3.0	0.0	0.0	0.0	0.0	5.0
Public Works	7.0	7.0	8.0	0.0	0.0	0.0	7.0	5.0	0.0
Totals:	<u>185.0</u>	<u>187.0</u>	<u>188.0</u>	<u>188.0</u>	<u>183.0</u>	<u>200.0</u>	<u>183.0</u>	<u>173.0</u>	<u>169.0</u>

CITY OF EDGEWATER, FLORIDA

Operating Indicators by Function/Program
Last Nine Fiscal Years

Function/program	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government									
Employment Applications Received	401	339	625	763	392	275	298	334	367
Personnel Actions Processed	81	90	94	116	89	157	152	156	162
Accidents & Injuries Reviewed	29	40	51	45	30	18	20	26	27
Business Tax Receipts Issued	982	1,401	1,707	1,699	1,722	1,720	1,681	1,650	1,435
Checks Issued	1,727	983	2,947	3,253	3,682	4,883	4,243	*	*
Purchase Orders Issued	408	449	766	1,000	1,124	1,962	1,975	729	619
Public Safety									
Police Department									
Accidents	328	259	250	257	281	254	341	323	*
Traffic citations issued	5,958	4,780	5,514	3,419	6,528	6,000	6,319	6,764	*
Evidence Processed	2,130	2,027	1,582	1,703	2,197	2,203	2,153	2,191	*
Physical arrests	1,327	1,227	1,649	1,378	1,287	1,141	1,113	945	*
Calls for service	34,228	31,168	31,394	33,379	41,909	33,115	32,706	36,321	*
Fire Department									
Emergency responses	2,825	2,873	2,841	2,991	3,035	3,069	2,922	2,701	2,197
Average response time - minutes	4.25	4.56	4.41	4.50	4.50	4.40	4.10	4.70	4.40
Public Education Programs	62	60	70	41	56	19	10	12	9
Fire inspections	920	810	807	860	867	171	168	180	172
Burn Permits Issued	*	1	*	5	*	4	8	8	1
Public Works									
Miles of street paved	*	*	*	*	*	1	*	7	4
Miles of street Resurfaced	*	*	4	*	*	3	7	7	7
Sidewalks - new construction - miles	*	*	*	*	*	14	*	*	*
Leisure Services									
Ball games & field rentals	1,726	1,887	1,974	1,958	1,935	2,003	*	*	*
Events/Programs	14	19	21	23	26	11	*	*	*
Water Resources									
Water main breaks	88	88	63	76	81	60	64	72	87
Average daily consumption - mgd	2	1.931	1.941	1.944	1.989	1.850	1.770	1.710	1,710.000
Number of water customers	10,542	10,542	10,504	10,487	10,467	10,387	10,164	10,191	9,746
New Connections	38	38	16	35	54	175	278	265	380
Sewer Resources									
New Connections	26	26	8	30	42	162	261	214	339
Average daily consumption - mgd	1	1.179	1.324	1.523	1.225	1.070	1.180	1.090	1,120.000
Number of customers	9,823	9,823	9,797	9,784	9,761	9,626	9,394	9,214	8,966
Refuse Collection									
Number of Customers	9,378	9,378	9,356	9,326	9,272	9,205	8,977	8,809	7,945

Sources: Provided by the respective departments of the City of Edgewater

CITY OF EDGEWATER, FLORIDA
 Capital Asset Statistics by Function/Program
 Last Nine Fiscal Years

Function/program	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police									
Police Stations	1	1	1	1	1	1	1	1	1
Police Vehicles	30	30	30	24	26	30	24	24	24
Patrol Zones	2	2	2	2	2	2	2	2	2
Fire									
Fire Stations	2	2	2	2	2	2	2	2	2
Fire Vehicles	18	15	15	13	13	15	11	11	11
Public Works									
Streets (miles)	124	124	124	124	124	124	123	123	123
Number of street lights	1068	1068	1068	1068	1068	1068	1068	1068	1068
Number of traffic signals	3	3	3	3	3	3	3	3	3
Vehicles	5	5	5	5	5	5	4	4	4
Leisure Services									
Vehicles	12	12	12	9	9	10	10	9	9
Parks Acreage	151	151	151	151	151	143	150	151	151
Parks	28	28	28	28	28	28	28	28	28
Baseball Fields	7	7	7	7	7	7	7	7	7
Tennis Courts	4	4	4	4	4	4	4	5	5
Basketball Courts	2	2	2	2	2	2	2	2	2
Racquetball Courts	4	4	4	4	4	4	4	6	6
Community Center	1	1	1	1	1	1	1	1	1
Gymnasiums	1	1	1	1	1	1	1	1	1
Water Resources									
Water mains (miles)	274	274	274	274	274	194	186	186	186
Fire hydrants	700	700	695	694	694	691	686	670	670
Vehicles	23	23	23	23	23	14	13	13	13
Sewer mains (miles)	189	189	189	189	189	189	180	180	180
Reclaim Water (miles)	71	71	71	71	71	71	71	69	69
Stormwater Utility									
Storm Sewers (miles)	35	35	35	35	35	35	35	35	35
Vehicles	7	7	10	10	10	10	7	7	7
Solid Waste									
Garbage Trucks	7	7	8	7	10	10	7	5	5
Other Vehicles	12	12	14	14	15	15	12	10	10

Sources: Provided by the respective departments of the City of Edgewater

CITY OF EDGEWATER, FLORIDA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2011

Federal Agency / Pass-Through Entity / Federal Program	CFDA Number	Contract/Grant Number	Federal Expenditures
Federal Awards			
<u>U.S. Department of Housing and Urban Development</u>			
Passed-through County of Volusia, Florida:			
Community Development Block Grant FY 08/09	14.218	B-08-UC-12-008	\$ 18,628
Community Development Block Grant FY 09/10	14.218	B-09-UC-12-008	109,272
Community Development Block Grant FY 10/11	14.218	YMCA HVAC	8,700
Community Development Block Grant FY 11/12	14.218	Turgot YMCA	-
Total U.S. Department of Housing and Urban Development / Total CDBG – Entitlement Grants Cluster			136,600
<u>U.S. Department of Justice</u>			
Passed-through Florida Office of Attorney General:			
Victim of Crime Act Grant FY 10/11	16.575	V10110	29,848
Passed-through Florida Department of Law Enforcement:			
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2011-JAGD-VOLU-4-B3-065	6,271
Direct:			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG)	16.804	2009-SB-B9-0285	27,056
Total Edward Byrne Memorial Justice Assistance Grant (JAG)			33,327
Total U.S. Department of Justice			63,175
<u>U.S. Department of Transportation</u>			
Passed-through Florida Department of Transportation:			
Highway Planning and Construction - Local Agency Program	20.205	APX32	22,041
US1 Sidewalks - Local Agency Program	20.205	AQF04	-
Highway Construction - Local Agency Program	20.205	AQE76	-
Total U.S. Department of Transportation			22,041
<u>Environmental Protection Agency</u>			
Passed through Florida Department of Environmental Protection:			
Nonpoint Source Implementation Grants - Eastern Shores Stormwater	66.460	G0215	-
Passed through Florida Department of Environmental Protection:			
ARRA - Capitalization Grants for Clean Water State Revolving Funds - New Water Supply Wells	66.468	DW640500	444,004
ARRA - Capitalization Grants for Clean Water State Revolving Funds - SE Storage / Pump Station	66.468	DW640510	733,094
			1,177,098
Capitalization Grants for Drinking Water State Revolving Funds - SE Storage / Pump Station	66.468	DW640511	15,348
Total U.S. Department of Environmental Protection			1,192,446
<u>U.S. Department of Homeland Security</u>			
Direct:			
ARRA - Assistance to Firefighters Grant - Station 55	97.115	EMW-2009-FC-04842R	1,006,678
Passed-through State of Florida Division of Emergency Management:			
FEMA Wind Retrofit	97.039	07HM-72-06-74-02-057	9,414
Total U.S. Department of Homeland Security			1,016,092
Total Federal Awards			\$ 2,430,354

Notes:

- 1) The accompanying Schedule of Expenditures of Federal Awards includes federal awards activity of the City of Edgewater, Florida and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.
- 2) The accompanying Schedule of Expenditures of Federal Awards includes expenditures from three Federal loans the City has through the Florida Department of Environmental Protection (FDEP) under CFDA 66.468. The loans will be repaid over forty semiannual payments. As of September 30, 2010, the City owed FDEP \$157,547, \$271,997, and \$15,413, respectively.

CITY OF EDGEWATER, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Auditors' Results:

Financial Statements:

- Type of audit report issued on the basic financial statements: *Unqualified.*

Internal control over financial reporting:

- There were four significant deficiencies related to internal control over financial reporting disclosed by the audit of the basic financial statements, of which one is considered a material weakness.
- The audit did not disclose any noncompliance, which was material to the basic financial statements.

Federal Awards:

Internal control over major Federal programs:

- Two significant deficiencies related to internal control over major Federal programs were disclosed by the audit, of which none are considered a material weaknesses.
- Type of report issued on compliance for each major program: *Unqualified.*
- The audit disclosed one audit finding, which is required to be reported under OMB Circular A-133 and is included in this schedule.
- Major program identification:
 - CFDA No. 66.468 – U.S. Environmental Protection Agency, Capitalization Grants for Drinking Water State Revolving Funds (ARRA)
 - CFDA No. 97.115 – U.S. Department of Homeland Security, Assistance to Firefighters Grant
- Dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The City of Edgewater, Florida did not qualify as a low risk auditee.

B. Financial Statement Findings:

2011-01 Reconciliation of Balance Sheet Accounts

During the course of our audit, we noted numerous audit adjustments were required to reconcile balance sheet accounts to supporting documentation. In order to make the financial reports generated by the accounting system as meaningful as possible, the City should reconcile the general ledger accounts for all balance sheet accounts to supporting documentation on a monthly basis. In addition, all reconciliations should be signed or initialed by the preparer so responsibility can be easily determined and provide documentation the internal control procedure was performed.

While additional reconciliations were done during the current year versus prior years, we noted the following accounts for which reconciliation procedures could be strengthened or implemented: Accounts receivable, allowance for doubtful accounts, special assessments receivables and related deferred revenues, due from other governments, accounts payable, suspense asset and liability accounts, principal payments on governmental debt, water and sewer debt payables, and fund balance.

2011-02 Information Technology

During our auditing procedures, we noted IT documentation and procedures should be strengthened by documenting and/ or implementing the following procedures:

- The City does not have complete documentation relating to IT procedures (Backup, Disaster Recovery, Security Access, Computer Usage, Network Diagram, etc.) We recommend these procedures be formally documented.
- We also noted currently, users are not forced to change passwords regularly nor are there any criteria on the strength of passwords being used.
- We recommend the use of secure access to local network resources by implementing a password policy for network users be enforced to ensure a secure network, whereby users can change their own password at any time without IT assistance and initial passwords set up by IT are unique and not standard citywide.
- In addition, we noted backups are not taken offsite or are stored in a nearby building. We recommend the implementation of offsite backup procedures and document process to ensure no data loss occurs in the event of an emergency.
- Finally, we recommend that the City consolidate and organize various hardware to lessen the amount of IT management related tasks. Consolidation of services currently on multiple physical servers to one server using virtualization technology would greatly reduce the upkeep required.

2011-03 Reconciliation of Grant Revenues and Receivables

During our single audit testing, we noted several revenues were not recorded properly. The funding for one project is paid for by both grant and debt proceeds. The entire portion was recorded as grant revenues, and therefore revenues were overstated by the loan portion. Additionally, there was an amount due from other governments which was unchanged from the prior year. When cash was received from a reimbursement, revenues were credited, versus removing the receivable resulting in overstated revenues. In another instance, reimbursement was requested by the department in charge of the grant, but no related revenues or receivable were recorded on the general ledger. We

recommend additional procedures be implemented to properly reconcile grant revenues and expenditures on a timely basis to ensure monies are received timely from the grantor and properly recorded on the trial balance.

2011-04 Purchasing Policies and Controls over Cash Disbursements and Purchasing Cards

In reading purchasing policies in conjunction with our testing of controls over cash disbursements, we noted it is the City's policy to have two signatures on checks over \$50,000. One of these signatures is electronically printed and the other is that of the finance director. Because the finance director has access to create a vendor, cut checks, adjust for it within the general ledger; we recommend a check signer other than the finance director sign checks over \$50,000.

During our testing we also noted several items which were missing proper authorization. Proper authorization would be indicated with electronic manager approval on the field purchase orders (FPOs), which are required for purchases less than \$2,500 in accordance with the city's purchasing policies as well as signature on the invoice. We noted two items, which had no signature on the invoice and were not accompanied by FPOs. We also noted three invoices which had signature approval, but were not accompanied by FPOs.

Also, the City allows some employees to have purchasing card transactions in order to make purchasing more efficient. Every purchase must have support (i.e. invoice), then approval by a manager. During the audit, we noted an instance where a purchase had taken place with no supporting document, but was approved by a manager. In addition, according to the purchasing policy adopted by the City, purchases in excess of \$2,500 must be supported by an approved purchase order. In many instances, purchases in excess of \$2,500 were made on the purchasing cards without an approved purchase order.

Additionally, the person reconciling the purchase card activity should not also have a purchasing card.

We recommend the City review and update the policies and procedures manual, then consistently follow the policies and procedures in place so controls are not circumvented. We recommend the City consistently follow the policies and procedures in place so controls are not circumvented.

C. Federal Award Findings and Questioned Costs:

2011-05 U.S. Environmental Protection Agency, Nonpoint Source Implementation Grants, CFDA 66.460

This grant was tested as a major program for the year ended September 30, 2010. During our testing in the prior year, we noted a requirement to submit an annual report to the grantor no later than 4 months after year end. This report was not completed until we requested it for testing. As a follow up to ensure proper controls were implemented during the current year, we requested the report due January 31, 2012, noting it was not completed again until requested. Currently, the controls in place over single audit compliance and related reporting are deficient and could result in a loss of funding from grantors. It is imperative for the City to have controls in place over grant revenues and expenditures as well as the related compliance requirements.

D. **Prior Audit Findings:**

2010-01 Reconciliation of Balance Sheet Accounts: Corrective action not taken. See current year comment 2011-01.

2010-02 Journal Entry Approval and Support: Corrective action taken.

2010-03 Reconciliation of Special Assessments: Corrective action not taken. Included in current year comment 2011-01.

2010-04 Reconciliation of Grant Revenues and Receivables: Corrective action not taken. See current year comment 2011-03.

2010-05 U.S. Environmental Protection Agency, Nonpoint Source Implementation Grants, CFDA 66.460: Corrective action not taken. See current year comment 2011-05.

E. **Corrective Action Plan:**

See attached response to findings as listed in the table of contents.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Honorable Mayor, City Council, and City Manager,
City of Edgewater, Florida:

Compliance

We have audited the City of Edgewater, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-05.

Internal Control Over Compliance

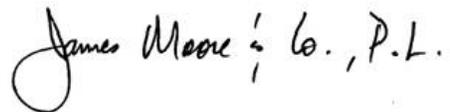
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-03 and 2011-05. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the State of Florida Office of the Auditor General, City Council, management, others within the City, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Daytona Beach, Florida
March 29, 2012

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

To the Honorable Mayor, City Council, and City Manager
City of Edgewater, Florida:

We have audited the financial statements of City of Edgewater, Florida (the City) as of and for the year ended September 30, 2011, and have issued our report thereon dated March 29, 2012. 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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. [2011-01]

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. [2011-02 through 2011-04]

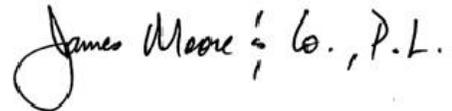
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 City of Edgewater, Florida in a separate letter dated March 29, 2012.

The City of Edgewater, Florida's response to the findings identified in our audit is described in the accompanying response to internal control and management comments. We did not audit City of Edgewater, Florida's response and, accordingly, we express no opinion on it.

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 management letter is intended solely for the information and use of the State of Florida Office of the Auditor General, City Council, management, others within the City, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Daytona Beach, Florida
March 29, 2012

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

To the Honorable Mayor, City Council, and City Manager,
City of Edgewater, Florida:

We have audited the financial statements of City of Edgewater, Florida, as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated March 29, 2012.

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on each Major Federal Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 29, 2012, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Findings and recommendations made in the preceding annual financial audit and their status is summarized in the schedule of findings and questioned costs and below:

2009-08 Excess Expenditures over Appropriations – See comment 2011-07 for current year funds with expenditures in excess of appropriations.

For the year ended September 30, 2011, the Animal Service fund's total expenditures and transfers out did not exceed appropriations.

2009-09 Deficit Fund Equity – The MIS internal service fund and the Fleet internal service fund no longer has a fund balance deficit at September 30, 2011. However, Animal Services nonmajor special revenue fund has a remaining fund balance deficit at September 30, 2011. See recommendation 2011-08 for current year funds with deficit fund equity.

2009-13 Permitting Process and Payments – Corrective action taken.

2009-14 Information Technology – Corrective action not taken. See schedule of findings and questioned costs, comment 2011-02 for current year comment pertaining to information technology.

2009-15 Interest Earnings Allocation – Corrective action taken.

2009-17 Calculation of Charges for Services – Corrective action not taken, see current year recommendation 2011-06.

2009-20 Access to Information Systems – Corrective action taken.

2009-21 Implementation of GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions – Standard appropriately implemented during the year ended September 30, 2011.

2010-06 Disposition of Evidence and Found Property – Corrective action taken.

2010-07 Additional Pay Items – Corrective action taken.

2010-08 Positive Pay – Corrective action taken.

2010-09 Utility Adjustments – Corrective action taken.

In addition, findings 2011-01, 02, 03, 06, 07, and 08 were included in the second preceding fiscal year financial audit report under the same paragraph headings.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Edgewater, Florida complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we have some findings, as discussed below:

2011-06 Calculations of Charges for Services – We noted certain enterprise fund revenue streams were miscalculated due to improper set up of the City’s utility billing system. As a result customers were undercharged for utility tax and overcharged for penalties. We recommend all overcharges of penalties be refunded to the customers for the period overcharged.

2011-07 Excess of Expenditures over Appropriations – For the year ended September 30, 2011, the General fund’s total expenditures and transfers out exceeded appropriations by \$139,551. We recommend the City amend the budget allowed by Florida Statutes within 60 days of year end so that expenditures do not exceed appropriations.

2011-08 Deficit Fund Equity – At September 30, 2011, Animal Services fund has a negative fund balance of \$2,119. The animal service fund is supported by the general fund. We recommend the City develop a plan to eliminate these deficit fund balances and net assets.

2011-09 Prepaid Pension Contributions – At September 30, 2011, the City had contributed amounts in excess of the annual requirements to their pension funds, which are recognized in the respective fiduciary fund statements as deferred contributions. At year end, the General Employee pension plan had \$162,658 of deferred contributions and the Fire Fighters’ pension plan had \$42,526. In addition, the Police Officers’ pension plan had \$385,121 in a Funding Standard Account trust fund. All of these can be utilized to reduce future City contributions. We recommend the City appropriately budget to reduce these balances.

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 official title and legal authority for the primary government are discussed in note 1 to the financial statements. The City does not report any component units.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Edgewater, 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 the City of Edgewater, Florida for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to 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 City of Edgewater, Florida 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.

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 management letter is intended solely for the information and use of the State of Florida Office of the Auditor General, City Council, management, others within the City, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Daytona Beach, Florida
March 29, 2012



MEMO TO: The Honorable Mayor and City Council
The State Auditor General

THRU: Tracey T. Barlow, City Manager

FROM: Jonathan C. McKinney, Finance Director

DATE: March 30, 2012

SUBJECT: Reply to the Independent Auditor's Report on Internal Control and Management
Letter Comments for Fiscal Year Ended September 30, 2011

INTERNAL CONTROL

Reconciliation of Balance Sheet Accounts

Management concurs with this comment and recommendation to reconcile accounts on a monthly basis and proper approvals documented.

Information Technology

Management concurs with this comment and recommendation to document, secure and strengthen access to the City's systems.

Reconciliation of Grant Revenues and Receivables

Management concurs with this comment and recommendation to provide additional procedures and reconcile grant revenues and expenditures.

Purchasing Policies and Controls over Cash Disbursements and Purchasing Cards

Management concurs with this comment and recommendation to revise the policies and procedures and to increase controls on our policy.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. EPA, Nonpoint Source Implementation Grants

Management concurs with this comment and recommendation to develop controls to track grant revenues and expenditures and compliance requirements.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Calculations of Charges for Services

Management concurs with this comment and recommendation that all miscalculated charges be refunded to customer's accounts.

Excess Expenditures over Appropriations

Management concurs with this comment and recommendation to amend the City's budget as allowed by Florida Statutes within 60 days of year-end so that expenditures do not exceed appropriations.

Deficit Fund Equity

Management concurs with this comment and implemented the necessary changes in the FY 2011 – 2012 budgets.

Prepaid Pension Contributions

Management concurs with this comment and recommendation to appropriately budget these deferred contributions in future years.



AFFIDAVIT OF IMPACT FEE COMPLIANCE

The City of Edgewater, Florida has complied with Section 163.31801 of Florida Statutes regarding accounting and reporting of impact fee collections and expenditures.

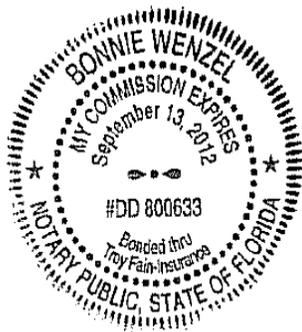
Tracey T. Barlow
City Manager

Jonathan C. McKinney
Finance Director

**STATE OF FLORIDA
COUNTY OF VOLUSIA**

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Tracey T. Barlow and Jonathan C. McKinney, whom I know personally and whom executed the foregoing instrument and acknowledged before me that he executed the same.

WITNESS my hand and official seal in the County and State last aforesaid this 30rd day of March 2012.



(Seal/Stamp)
(Commission Expiration Date)

Notary Public
State of Florida at Large



This page intentionally left blank