

CITY OF EDGEWATER, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED SEPTEMBER 30, 2010

EDGEWATER "Hospitality City"

CITY OF EDGEWATER, FLORIDA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended September 30, 2009

Prepared by: The Finance Department

This page intentionally left blank

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 – Budget and Actual - 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	105
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>	107
Management Letter	109
Reply to the Independent Auditors Report on Management Letter Comments	113
Affidavit of Impact Fee Compliance	115



March 31, 2011

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, 2010.

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, 2010. 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 21,017.

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 12.6 percent unemployment rate (above the state average of 11.5 percent). During the last year, taxable assessment values of property in Edgewater decreased 16.23 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. Without these funds, these projects would not have been completed within the foreseeable future.

Financial information

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Edgewater operates.

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.

Long-term financial planning. 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.

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, 2010 (not including pension funds) was \$10,296,437. 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, 2010 were \$24,926,511.

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.

Awards and Acknowledgements

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, 2009. This was the twenty-sixth 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.

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 go 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, 2009

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



A stylized, handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

CITY OF EDGEWATER FLORIDA

List of Elected and Appointed Officials
September 30, 2010

CITY COUNCIL

Michael L. Thomas, Mayor

Debra J. Rogers, District 1
Gigi Bennington, District 2

Harriet E. Rhodes - District 3
Ted Cooper - District 4

ADMINISTRATION

CITY MANAGER

Tracey T. Barlow

CITY ATTORNEY

Carolyn S. Ansay

CITY CLERK

Bonnie Wenzel

PERSONNEL DIRECTOR

Donna Looney

**ENVIRONMENTAL SERVICES
DIRECTOR**

Brenda Dewees

FINANCE DIRECTOR

Jonathan McKinney

FIRE CHIEF

Stephen Cousins

POLICE CHIEF

William Bennett

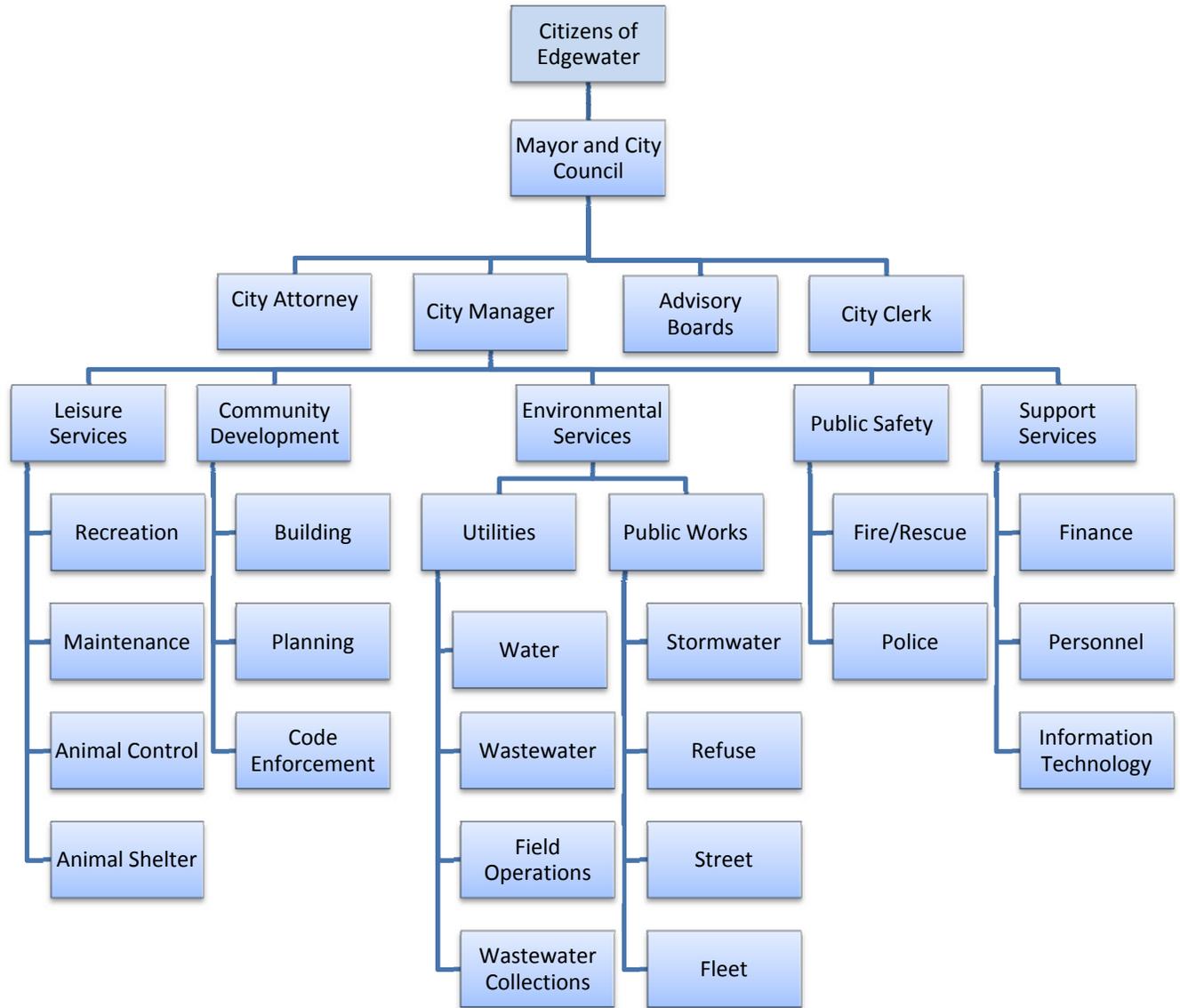
DEVELOPMENT SERVICES DIRECTOR

Darren Lear

**LEISURE SERVICES
DIRECTOR**

Jack Corder

City of Edgewater, Florida Organizational Chart



This page intentionally left blank

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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, 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 25, 2011, 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.

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

of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 as a whole. 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.

James Moore & Co.

Daytona Beach, Florida
March 25, 2011

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, 2010. 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 2009-10 by \$89,912,163, which represents an increase in net assets of \$147,644 or 0.002% from the prior fiscal year.
- The City's governmental funds reported combined ending fund balance of \$7,373,902, a decrease of \$737,460 from the prior fiscal year.
- At the end of FY 2009-10, the General Fund unreserved fund balance was \$5,774,500 or 47.34% of the budgeted FY 2011 General Fund expenditures, excluding transfers. This represents a increase of \$48,106 from the prior fiscal year.
- During the fiscal year, the City's total debt decreased by \$4,695,047. Governmental debt decreased by \$1,740,503 and business-type debt reflected a decrease of \$2,954,544.

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 debt service 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 60-65 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 \$89,912,163 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	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	\$9,020,940	\$9,561,851	\$9,866,438	\$10,601,226	\$18,887,378	\$20,163,077
Capital Assets	50,418,664	53,277,693	51,264,159	51,011,222	101,682,823	104,288,915
Total Assets	59,439,604	62,839,544	61,130,597	61,612,448	120,570,201	124,451,992
Liabilities:						
Long term liabilities	4,417,817	6,022,704	23,641,545	26,541,947	28,059,362	32,564,651
Other liabilities	632,038	590,969	1,966,638	1,531,853	2,598,676	2,122,822
Total Liabilities	5,049,855	6,613,673	25,608,183	28,073,800	30,658,038	34,687,473
Net Assets:						
Invested in capital assets, net of related debt	47,510,167	48,282,223	28,325,668	25,052,445	75,835,835	73,334,668
Restricted	1,568,645	2,224,684	892,784	2,078,126	2,461,429	4,302,810
Unrestricted	5,310,937	5,718,964	6,303,962	6,408,077	11,614,899	12,127,041
Total Net Assets	\$54,389,749	\$56,225,871	\$35,522,414	\$33,538,648	\$89,912,163	\$89,764,519

At the end of the current fiscal year, the government's liabilities decreased by \$4,029,435 which is attributed to the reduction of debt service in both governmental and business-type activities. However, other liabilities increased by \$477,854 which is attributed to the increase of accounts payable and other current liabilities 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 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$11,614,899 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 increased by \$147,644 in the current fiscal year. The government's restricted net assets decreased by \$1,841,381 in the current fiscal year. This was attributed to use of the restricted net assets for debt service of \$791,093 in governmental-type activities and \$805,630 in business-type activities. The remaining major decrease was attributed to the use of the restricted net assets for capital improvements of \$379,712 in the business-type activities within the Water and Sewer Funds. 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 \$1,836,122. Key elements of this decrease are as follows:

- Property taxes decreased by \$554,578 (10%) during the year.
- Utility and franchise taxes decreased by \$113,208 (4%) during the year.
- Capital Grants and contributions decreased by \$158,218 (41%) during the year.
- Intergovernmental shared revenue decreased by \$99,431 (6%) during the year.
- Investment increased by \$73,211 13.16% primarily due to the increased returns on investments.

Business-Type Activities - Business-type activities increased the City of Edgewater's net assets by \$1,983,766. Key elements of this increase are as follows:

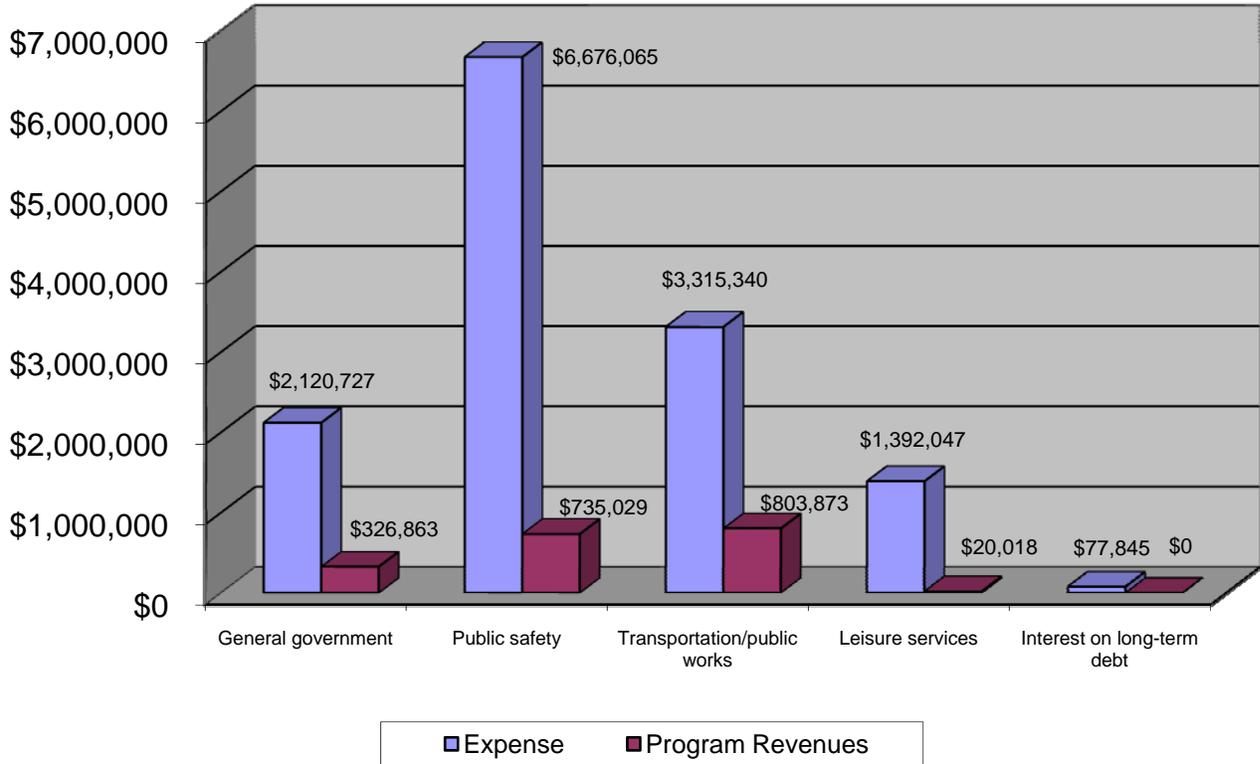
- Capital Grants and contributions increased \$2,001,004 (90%).
- Expenses decreased by \$465,012 from 2009. This net decrease was due to a decrease in water and sewer operating expenses.

The remainder of this page intentionally left blank.

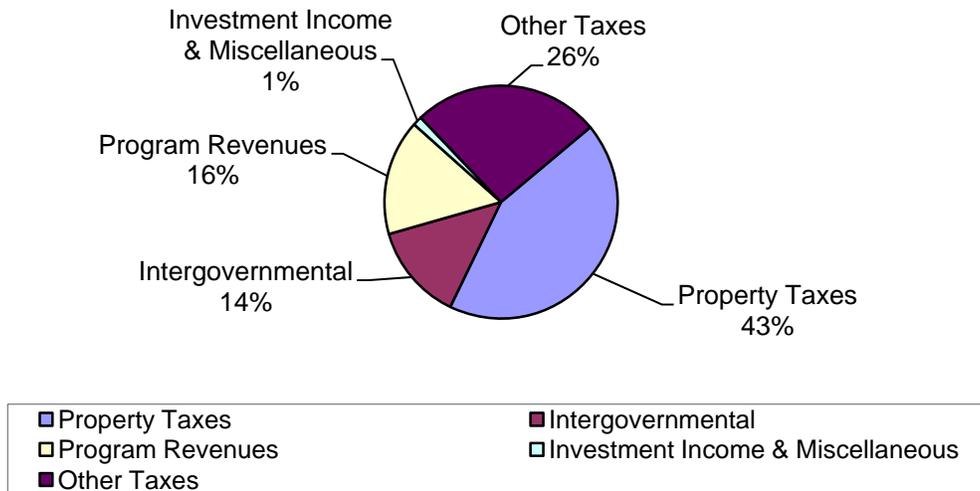
City of Edgewater's Changes in Revenues, Expenses and Net Assets (in whole dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues -						
Charges for services	\$ 985,004	\$ 930,298	\$ 11,044,432	\$10,776,285	\$12,029,436	\$11,706,583
Operating grants and contributions	634,000	593,635	-	-	634,000	593,635
Capital grants and contributions	266,779	424,997	2,222,112	221,108	2,488,891	646,105
General revenues -						
Property taxes	5,083,616	5,638,194	-	-	5,083,616	5,638,194
Franchise and utility taxes	3,051,595	3,164,803	-	-	3,051,595	3,164,803
Intergovernmental	1,574,091	1,673,522	-	-	1,574,091	1,673,522
Investment income and miscellaneous	150,817	70,715	269,445	86,072	420,262	156,787
Total revenues	11,745,902	12,496,164	13,535,989	11,083,465	25,281,891	23,579,629
Expenses:						
General government	2,120,727	2,437,060	-	-	2,120,727	2,437,060
Public safety	6,676,065	6,455,618	-	-	6,676,065	6,455,618
Transportation/public works	3,315,340	3,207,832	-	-	3,315,340	3,207,832
Leisure services	1,392,047	1,400,669	-	-	1,392,047	1,400,669
Interest on long-term debt	77,845	211,630	-	-	77,845	211,630
Water and sewer	-	-	8,246,448	8,684,972	8,246,448	8,684,972
Refuse collection	-	-	2,497,362	2,405,870	2,497,362	2,405,870
Stormwater management	-	-	808,413	926,393	808,413	926,393
Total expenses	13,582,024	13,712,809	11,552,223	12,017,235	25,134,247	25,730,044
Excess (deficiency) before transfers	(1,836,122)	(1,216,645)	1,983,766	(933,770)	147,644	(2,150,415)
Transfers in / (out)	-	(215,517)	-	215,517	-	-
Increase (Decrease) in net assets	(1,836,122)	(1,432,162)	1,983,766	(718,253)	147,644	(2,150,415)
Net Assets - Beginning	56,225,871	57,658,033	33,538,648	34,256,901	89,764,519	91,914,934
Net Assets - Ending	\$54,389,749	\$56,225,871	\$35,522,414	\$33,538,648	\$89,912,163	\$89,764,519

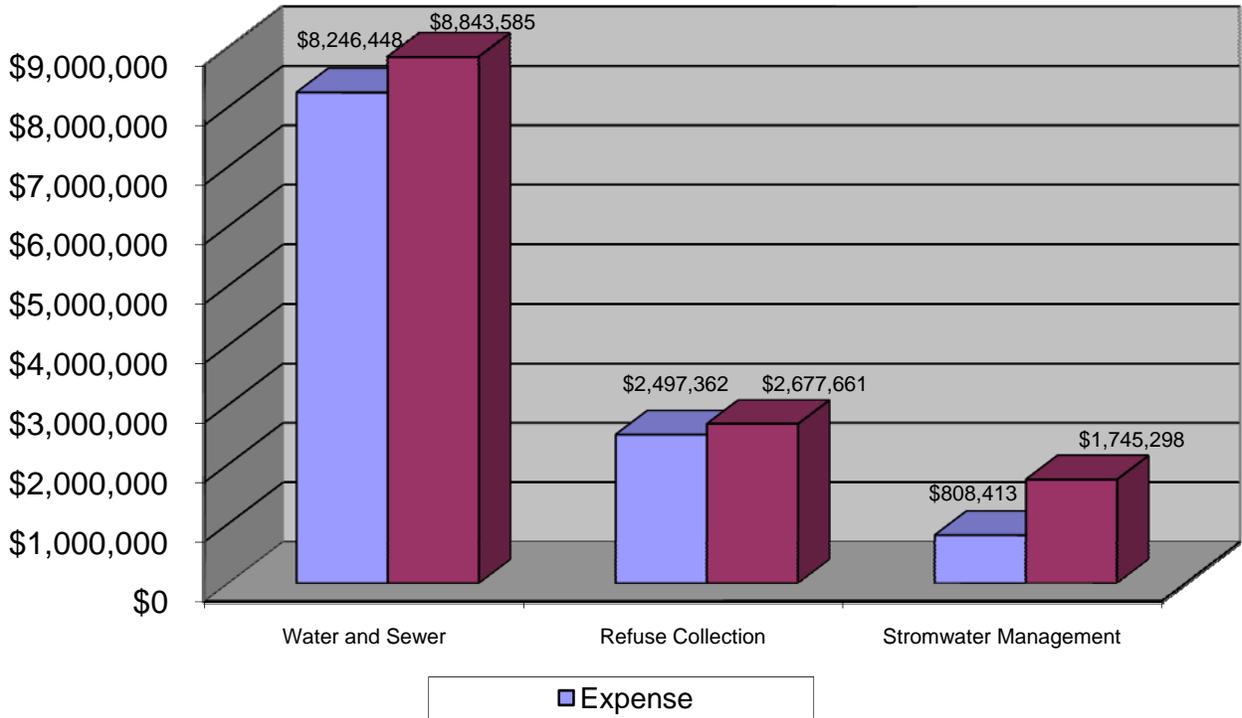
Expenses and Program Revenues - Governmental Activities



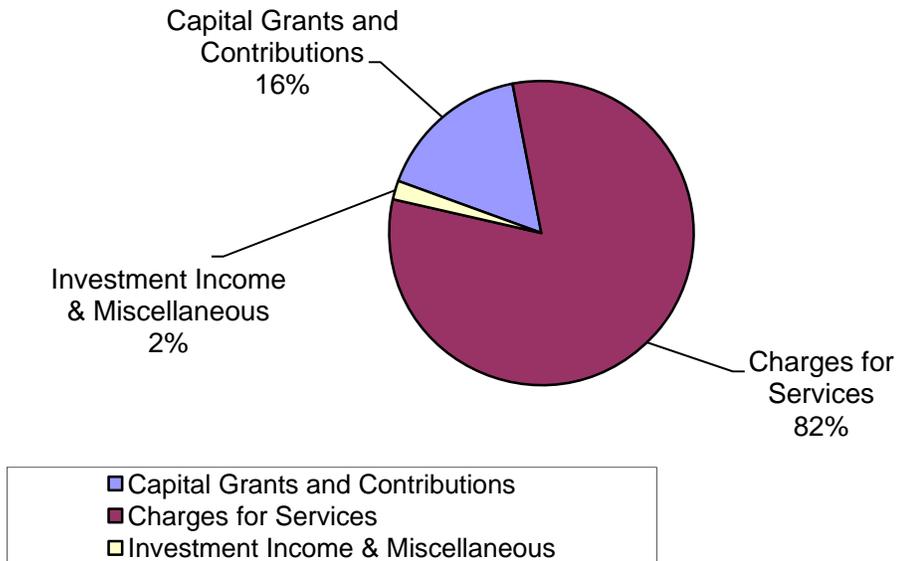
Revenues by Source – Governmental Activities



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, unreserved 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 \$7,373,902, an decrease of \$737,460 in comparison with the prior year. Approximately 94% of this amount or \$6,928,771 constitutes unreserved fund balance, which is available for spending at the City's discretion. The City has an unreserved designated for the replacement of City Hall in the amount of \$200,000. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to (1) held for inventories and prepaids \$109,843 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, unreserved and undesignated fund balance of the general fund was \$5,774,500, while total fund balance was \$6,219,631. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 50% of the total general fund expenditures, while total fund balance represents 54% of that same amount.

During the current fiscal year, the fund balance of the general fund increased by \$159,153. This increase was due primarily to the budgeted set aside for the future replacement of City Hall in 2010.

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 \$6,303,962. The total increase in net assets for these funds was \$1,983,766. 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

During the year, actual revenues were \$285,053 more than budgeted revenue primarily due to the greater than anticipated charges for services, fines and forfeitures, and investment earnings. Actual expenditures were \$59,697 less than budgeted expenditures primarily due to the vacant positions within the various departments. Actual expenditures did not exceed budgeted expenditures in the following functions: Community Development, Public Works, Law Enforcement and Culture and Recreation.

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, 2010, amounts to \$101,682,823 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 2.5%.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land	\$23,009,719	\$23,009,719	\$ 1,235,467	\$ 1,235,467	\$ 24,245,186	\$ 24,245,186
Buildings	2,354,671	2,561,917	9,945,007	10,792,492	12,299,678	13,354,409
Improvements	10,532,919	10,802,575	31,711,529	32,903,495	42,244,448	43,706,070
Machinery and equipment	1,313,700	1,261,393	5,587,861	5,724,749	6,901,561	6,986,142
Infrastructure	12,684,171	15,069,249	-	-	12,684,171	15,069,249
Construction in progress	523,484	572,840	2,784,295	355,019	3,307,779	927,859
Total	\$ 50,418,664	\$53,277,693	\$51,264,159	\$51,011,222	\$ 101,682,823	\$ 104,288,915

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 \$25,912,728. This debt includes bonds payable, notes payable, the state revolving loan and capital leases. The City Refunded the Water and Sewer Series 1991 and 1993 Bonds. The City utilized Bond Reserves in the amount of \$1,295,000 in the issuance to reduce the overall issuance of the Water and Sewer Revenue Refunding Bonds Series 2009 in FY 2009-2010. 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	
	2010	2009	2010	2009	2010	2009
Bonds payable	\$ -	\$ -	\$ 7,814,973	\$ 9,679,987	\$ 7,814,973	\$ 9,679,987
Notes payable	2,520,073	4,423,534	1,542,000	2,592,437	4,062,073	7,015,971
State revolving loan	-	-	8,388,828	8,137,963	8,388,828	8,137,963
Capital leases	388,424	225,466	5,258,430	5,548,388	5,646,854	5,773,854
	\$ 2,908,497	\$ 4,649,000	\$ 23,004,231	\$ 25,958,775	\$25,912,728	\$30,607,775

During the current fiscal year, the City's total debt decreased by \$4,695,047 (15%).

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 42-46 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 FY2010 – 2011 General Fund Budget. The City has set aside the future F.I.N.D. note payable payments in the amount of \$1,322,798. The City Council has designated \$200,000 towards the future replacement of City Hall. The unreserved Fund Balance at 9/30/10 is \$5,774,500. The amount available for capital or other lawful purposes less any reserves or set asides is \$2,501,702 at September 30, 2010. The increase in available reserves is attributed to the strategies realized within the next section discussed below.

Next Year's Budget and Rates

Preliminary estimates indicated that the City faced a \$1,038,540 gap between projected ad valorem revenue and the cost to continue the level of service to the citizens. In order to bridge that gap, the City has maintained the following strategies:

- Eliminated / Held positions
- Maintained a hiring freeze
- No increases for employees
- Reduced operating budgets
- Responsible use of reserves

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, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 6,390,186	\$ 3,519,765	\$ 9,909,951
Investments	386,486	-	386,486
Receivables, ne	397,198	1,300,650	1,697,848
Special assessment receivable, ne	16,439	3,171,901	3,188,340
Internal balances	135,288	(135,288)	-
Due from other governments	674,143	1,050,886	1,725,029
Inventories and prepaids	123,868	-	123,868
Deferred charges, net	-	65,740	65,740
Restricted assets:			
Cash and cash equivalents	-	892,784	892,784
Investments	-	-	-
Investment in joint venture	249,505	-	249,505
Pension assets	647,827	-	647,827
Capital Assets			
Nondepreciable assets	23,533,203	4,019,762	27,552,965
Depreciable assets, net	26,885,461	47,244,397	74,129,858
Total assets	<u>59,439,604</u>	<u>61,130,597</u>	<u>120,570,201</u>
LIABILITIES			
Accounts payable and other current liabilities	561,243	788,278	1,349,521
Accrued interest payable	15,103	328,801	343,904
Unearned revenue	51,767	-	51,767
Due to other governments	3,925	-	3,925
Customer deposits	-	849,559	849,559
Due to pension trust fund	-	-	-
Noncurrent liabilities			
Due within one year	1,418,071	1,706,408	3,124,479
Due in more than one year	2,999,746	21,935,137	24,934,883
Total liabilities	<u>5,049,855</u>	<u>25,608,183</u>	<u>30,658,038</u>
NET ASSETS			
Invested in capital assets, net of related debt	47,510,167	28,325,668	75,835,835
Restricted for:			
Debt service	-	-	-
Public Safety	717,413	-	717,413
Capital improvements	851,232	892,784	1,744,016
Unrestricted	5,310,937	6,303,962	11,614,899
Total net assets	<u>\$ 54,389,749</u>	<u>\$ 35,522,414</u>	<u>\$ 89,912,163</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, 2010

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General administrative	\$ 2,120,727	\$ 326,863	\$ -	\$ -
Public Works	3,315,340	173,895	560,335	69,643
Public Safety	6,676,065	478,001	73,665	183,363
Culture and recreation	1,392,047	6,245	-	13,773
Interest on long-term debt	77,845	-	-	-
Total governmental activities	<u>13,582,024</u>	<u>985,004</u>	<u>634,000</u>	<u>266,779</u>
Business-type activities:				
Water / Sewer	8,246,448	7,085,984	-	1,757,601
Refuse	2,497,362	2,670,316	-	7,345
Stormwater	808,413	1,288,132	-	457,166
Total business-type activities	<u>11,552,223</u>	<u>11,044,432</u>	<u>-</u>	<u>2,222,112</u>
Total primary government	<u>\$ 25,134,247</u>	<u>\$ 12,029,436</u>	<u>\$ 634,000</u>	<u>\$ 2,488,891</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, as restated
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
\$ (1,793,864)	\$ -	\$ (1,793,864)
(2,511,467)	-	(2,511,467)
(5,941,036)	-	(5,941,036)
(1,372,029)	-	(1,372,029)
(77,845)	-	(77,845)
<u>(11,696,241)</u>	<u>-</u>	<u>(11,696,241)</u>
-	597,137	597,137
-	180,299	180,299
-	936,885	936,885
<u>-</u>	<u>1,714,321</u>	<u>1,714,321</u>
<u>(11,696,241)</u>	<u>1,714,321</u>	<u>(9,981,920)</u>
5,083,616	-	5,083,616
3,051,595	-	3,051,595
1,574,091	-	1,574,091
79,230	161,505	240,735
7,308	-	7,308
64,279	107,940	172,219
-	-	-
<u>9,860,119</u>	<u>269,445</u>	<u>10,129,564</u>
<u>(1,836,122)</u>	<u>1,983,766</u>	<u>147,644</u>
<u>56,225,871</u>	<u>33,538,648</u>	<u>89,764,519</u>
<u>\$ 54,389,749</u>	<u>\$ 35,522,414</u>	<u>\$ 89,912,163</u>

CITY OF EDGEWATER, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2010

	General Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 4,921,470	\$ 1,236	\$ 1,205,758	\$ 6,128,464
Investments	386,486	-	-	386,486
Receivables--net of allowance for uncollectibles	396,963	171	64	397,198
Special assessments receivable	-	16,439	-	16,439
Due from other funds	204,338	-	-	204,338
Due from other governments	509,420	-	164,723	674,143
Advances to other funds	135,288	-	-	135,288
Inventories and prepaid	109,843	-	-	109,843
Total assets	<u>\$ 6,663,808</u>	<u>\$ 17,846</u>	<u>\$ 1,370,545</u>	<u>\$ 8,052,199</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 72,198	\$ -	\$ 25,195	\$ 97,393
Accrued liabilities	285,536	-	4,587	290,123
Due to other funds	-	194,046	10,292	204,338
Due to other governments	3,925	-	-	3,925
Deferred revenues	30,751	-	-	30,751
Unearned revenues	51,767	-	-	51,767
Total liabilities	<u>444,177</u>	<u>194,046</u>	<u>40,074</u>	<u>678,297</u>
Fund balances				
Reserved for				
Reserved for debt service	-	-	-	-
Reserved for inventories and prepaids	109,843	-	-	109,843
Reserved for long-term advances	135,288	-	-	135,288
Unreserved				
Designated for City Hall	200,000	-	-	200,000
Unreserved and undesignated reported in:				
General fund	5,774,500	-	-	5,774,500
Debt service fund	-	(176,200)	-	(176,200)
Special revenue funds	-	-	908,339	908,339
Capital projects funds	-	-	422,132	422,132
Total fund balances	<u>6,219,631</u>	<u>(176,200)</u>	<u>1,330,471</u>	<u>7,373,902</u>
Total liabilities and fund balances	<u>\$ 6,663,808</u>	<u>\$ 17,846</u>	<u>\$ 1,370,545</u>	<u>\$ 8,052,199</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, 2010

Total governmental funds fund balance \$ 7,373,902

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	\$ 23,009,719	
Buildings and improvements	24,041,999	
Infrastructure	55,651,736	
Furniture and equipment	4,334,190	
Construction in progress	523,484	
Accumulated Depreciation	<u>(57,181,619)</u>	
	<u>\$ 50,379,509</u>	50,379,509

Investment in joint venture is not a financial asset and therefore is not reported in the funds. 249,505

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. 100,164

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. 647,827

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. 30,751

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

Compensated absences	\$ 1,319,457	
OPEB	148,853	
Long-term debt	<u>2,908,496</u>	
	<u>\$ 4,376,806</u>	(4,376,806)

Accrued interest payable on bonds that is not recognized on the fund statements. (15,103)

Net assets of governmental activities: \$ 54,389,749

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, 2010

	General Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 5,053,264	\$ 30,352	\$ -	\$ 5,083,616
Utility and franchise taxes	3,076,195	-	-	3,076,195
Intergovernmental	2,245,504	-	190,934	2,436,438
Licenses and permits	237,714	-	-	237,714
Charges for services	1,130,685	-	25,594	1,156,279
Fines and forfeitures	151,889	-	13,008	164,897
Investment earnings	78,996	234	-	79,230
Impact fees	-	-	97,734	97,734
Miscellaneous revenue	64,279	-	38,511	102,790
	<u>12,038,526</u>	<u>30,586</u>	<u>365,781</u>	<u>12,434,893</u>
EXPENDITURES				
Current:				
Legislative	85,046	-	-	85,046
Executive	463,127	-	-	463,127
Legal counsel	211,232	-	-	211,232
Community development	567,519	-	-	567,519
Public works	325,752	-	-	325,752
Public safety:				
Law enforcement	3,194,554	-	3,349	3,197,903
Fire and emergency services	2,745,411	-	-	2,745,411
Code enforcement	212,418	-	-	212,418
Animal services	-	-	230,974	230,974
Culture and recreation	1,153,785	-	-	1,153,785
General administrative services	1,409,242	-	-	1,409,242
Debt Service				
Principal	591,019	1,312,443	-	1,903,462
Interest	70,388	84,899	-	155,287
Capital Outlay	458,781	-	269,722	728,503
	<u>11,488,274</u>	<u>1,397,342</u>	<u>504,045</u>	<u>13,389,661</u>
Excess (deficiency) of revenues over (under) expenditures	<u>550,252</u>	<u>(1,366,756)</u>	<u>(138,264)</u>	<u>(954,768)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	48,035	353,960	355,350	757,345
Transfers out	(656,442)	-	(100,903)	(757,345)
Proceeds from issuance of debt	210,000	-	-	210,000
Proceeds from sale of capital assets	7,308	-	-	7,308
Total other financing sources (uses)	<u>(391,099)</u>	<u>353,960</u>	<u>254,447</u>	<u>217,308</u>
Net change in fund balances	159,153	(1,012,796)	116,183	(737,460)
Beginning fund balances	<u>6,060,478</u>	<u>836,596</u>	<u>1,214,288</u>	<u>8,111,362</u>
Ending fund balances	<u>\$ 6,219,631</u>	<u>\$ (176,200)</u>	<u>\$ 1,330,471</u>	<u>\$ 7,373,902</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, 2010

Net change in fund balances - total governmental funds \$ (737,460)

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	\$	728,504	
Current year depreciation		<u>(3,589,950)</u>	
		<u>\$ (2,861,446)</u>	(2,861,446)

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

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. (24,599)

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 governmental funds.

Changes in compensated absences	\$	(49,877)	
Changes in OPEB obligation		(78,801)	
Changes in interest payable		30,400	
Changes in joint venture balance		<u>74,965</u>	
		<u>\$ (23,313)</u>	(23,313)

The net revenue of certain activities of internal service funds is reported with governmental activities. 49,259

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 20,933

The incurrence of long-term debt (i.e., bonds and leases) provide current financial resources to government 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	\$	1,950,504	
Debt issued		<u>(210,000)</u>	
		<u>\$ 1,740,504</u>	<u>1,740,504</u>

Change in net assets of governmental activities \$ (1,836,122)

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 5,016,598	\$ 5,016,598	\$ 5,053,264	\$ 36,666
Utility and franchise taxes	3,161,782	3,161,782	3,076,195	(85,587)
Intergovernmental	2,183,865	2,183,865	2,245,504	61,639
Licenses and permits	240,750	240,750	237,714	(3,036)
Charges for services	1,000,950	1,000,950	1,130,685	129,735
Fines and forfeitures	79,750	79,750	151,889	72,139
Investment earnings (losses)	40,000	40,000	78,996	38,996
Miscellaneous revenue	29,778	29,778	64,279	34,501
Total revenues	11,753,473	11,753,473	12,038,526	285,053
EXPENDITURES				
Current:				
Legislative	83,777	83,777	85,046	(1,269)
Executive	444,423	467,423	463,127	4,296
Legal counsel	200,000	210,000	211,232	(1,232)
Community development	671,031	605,031	567,519	37,512
Public works	392,468	362,468	325,752	36,716
Public safety:				
Law enforcement	3,398,321	3,275,921	3,194,554	81,367
Fire and emergency services	2,838,254	2,726,374	2,745,411	(19,037)
Code enforcement	214,240	214,240	212,418	1,822
Culture and recreation	1,191,438	1,191,438	1,153,785	37,653
General administrative services	1,390,172	1,343,030	1,409,242	(66,212)
Debt Service				
Principal	591,019	591,019	591,019	-
Interest	227,005	70,760	70,388	372
Capital outlay	156,490	406,490	458,781	(52,291)
Total expenditures	11,798,638	11,547,971	11,488,274	59,697
Excess (deficiency) of revenues over (under) expenditures	(45,165)	205,502	550,252	344,750
OTHER FINANCING SOURCES (USES)				
Transfers in	36,193	36,193	48,035	11,842
Transfers out	(575,890)	(661,887)	(656,442)	5,445
Proceeds from issuance of debt	-	210,000	210,000	-
Proceeds from sale of capital assets	5,000	5,000	7,308	2,308
Total other financing sources (uses)	(534,697)	(410,694)	(391,099)	19,595
Net change in fund balances	(579,862)	(205,192)	159,153	364,345
Beginning fund balances, as restated	6,060,478	6,060,478	6,060,478	-
Ending fund balances	\$ 5,480,616	\$ 5,855,286	\$ 6,219,631	\$ 364,345

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, 2010

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Major Funds			Total	
	Water/ Sewer Utility	Refuse Utility	Stormwater Utility		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,736,914	\$ 782,851	\$ -	\$ 3,519,765	\$ 261,722
Receivables, net	800,974	341,585	158,091	1,300,650	-
Due from other governments	604,033	-	446,853	1,050,886	-
Due from other funds	122,024	-	-	122,024	4,980
Inventories	-	-	-	-	14,025
Special assessments receivable	1,143,746	-	-	1,143,746	-
Total current assets	5,407,691	1,124,436	604,944	7,137,071	280,727
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	892,784	-	-	892,784	-
Capital assets:					
Land and land rights	966,228	-	269,239	1,235,467	-
Buildings and improvements	61,905,742	84,051	7,530,443	69,520,236	-
Machinery and equipment	8,373,231	1,732,214	834,202	10,939,647	58,112
Construction in progress	2,144,582	-	639,713	2,784,295	-
Less accumulated depreciation	(29,090,944)	(1,185,261)	(2,939,281)	(33,215,486)	(18,957)
Total capital assets (net of accumulated depreciation)	44,298,839	631,004	6,334,316	51,264,159	39,155
Special assessment receivable	2,028,155	-	-	2,028,155	-
Deferred charges	65,740	-	-	65,740	-
Total noncurrent assets	47,285,518	631,004	6,334,316	54,250,838	39,155
Total assets	\$ 52,693,209	\$ 1,755,440	\$ 6,939,260	\$ 61,387,909	\$ 319,882
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 351,548	\$ 148,907	\$ 125,248	\$ 625,703	\$ 164,823
Accrued liabilities	114,668	35,209	12,698	162,575	8,904
Due to other funds	-	-	122,024	122,024	4,980
Compensated absences	256,364	71,355	31,364	359,083	16,912
Customer deposits	849,559	-	-	849,559	-
Accrued interest payable	328,801	-	-	328,801	-
Capital leases payable - current	328,325	-	-	328,325	-
Notes payable - current	514,000	-	-	514,000	-
Revenue bonds payable - current	505,000	-	-	505,000	-
Total current liabilities	3,248,265	255,471	291,334	3,795,070	195,619
Noncurrent liabilities:					
Advances from other funds	-	-	135,288	135,288	-
Compensated absences	139,496	56,553	6,376	202,425	18,658
OPEB obligation	52,031	17,434	6,341	75,806	5,441
Long-term debt payable after one year	21,656,906	-	-	21,656,906	-
Total noncurrent liabilities	21,848,433	73,987	148,005	22,070,425	24,099
Total liabilities	25,096,698	329,458	439,339	25,865,495	219,718
NET ASSETS					
Invested in capital assets, net of related debt	21,360,348	631,004	6,334,316	28,325,668	39,155
Restricted:					
Capital projects	892,784	-	-	892,784	-
Unrestricted	5,343,379	794,978	165,605	6,303,962	61,009
Total net assets	\$ 27,596,511	\$ 1,425,982	\$ 6,499,921	\$ 35,522,414	\$ 100,164

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, 2010

	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	\$ 7,085,984	\$ 2,670,316	\$ 1,288,132	\$ 11,044,432	\$ 3,468,589
Operating expenses:					
Salaries and employee benefits	2,731,050	1,002,709	353,787	4,087,546	265,518
Supplies and materials	501,042	97,816	27,036	625,894	517,463
Contract services	204,768	823,757	8,844	1,037,369	2,214,818
Other services and charges	1,479,394	373,333	130,633	1,983,360	408,997
Depreciation and amortization	2,439,699	199,747	273,077	2,912,523	12,534
Total operating expenses	7,355,953	2,497,362	793,377	10,646,692	3,419,330
Operating income (loss)	(269,969)	172,954	494,755	397,740	49,259
Nonoperating revenues (expenses):					
Investment earnings (loss)	161,505	-	-	161,505	-
Miscellaneous revenues	76,719	24,271	6,950	107,940	-
Interest expense	(890,495)	-	(15,036)	(905,531)	-
Total nonoperating revenues (expenses)	(652,271)	24,271	(8,086)	(636,086)	-
Income before contributions and transfers	(922,240)	197,225	486,669	(238,346)	49,259
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Capital contributions and grants	1,757,601	7,345	457,166	2,222,112	-
Change in net assets	835,361	204,570	943,835	1,983,766	49,259
Total net assets - beginning	26,761,150	1,221,412	5,556,086	33,538,648	50,905
Total net assets - ending	\$ 27,596,511	\$ 1,425,982	\$ 6,499,921	\$ 35,522,414	\$ 100,164

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, 2010

	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	\$ 7,198,885	\$ 2,656,889	\$ 1,283,808	\$ 11,139,582	\$ 3,468,589
Payments-suppliers	(1,865,951)	(1,194,702)	(42,303)	(3,102,956)	(3,135,355)
Payments-employees	(2,663,078)	(966,804)	(354,049)	(3,983,931)	(256,029)
Net cash provided (used) by operating activities	<u>2,669,856</u>	<u>495,383</u>	<u>887,456</u>	<u>4,052,695</u>	<u>77,205</u>
Cash flows from noncapital financing activities:					
Cash paid to other funds	(122,024)	-	-	(122,024)	-
Cash received from other funds	-	-	122,024	122,024	-
Grant revenue	1,153,568	-	10,313	1,163,881	-
Other nonoperating receipts	74,387	661	2,955	78,003	-
Net cash provided (used) by noncapital financing activities	<u>1,105,931</u>	<u>661</u>	<u>135,292</u>	<u>1,241,884</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(2,226,002)	(376,989)	(560,578)	(3,163,569)	(14,951)
Proceeds from sale of capital assets	2,332	27,544	3,995	33,871	-
Interest payments on debt	(1,033,451)	-	(26,055)	(1,059,506)	-
Bond Issuance costs	(45,391)	-	-	(45,391)	-
Capital contributions and fees	941,534	7,345	-	948,879	-
Proceeds from issuance of debt	8,195,865	-	-	8,195,865	-
Principal paid on debt	(10,543,958)	-	(536,438)	(11,080,396)	-
Net cash (used) by capital and related financing activities	<u>(4,709,071)</u>	<u>(342,100)</u>	<u>(1,119,076)</u>	<u>(6,170,247)</u>	<u>(14,951)</u>
Cash flows from investing activities:					
Interest on investments	161,505	-	-	161,505	-
Sale or (purchase) of investment securities	1,295,767	-	-	1,295,767	-
Net cash provided (used) by investing activities	<u>1,457,272</u>	<u>-</u>	<u>-</u>	<u>1,457,272</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	523,988	153,944	(96,328)	581,604	62,254
Beginning cash and cash equivalents	3,105,710	628,907	96,328	3,830,945	199,468
Ending cash and cash equivalents	<u>\$ 3,629,698</u>	<u>\$ 782,851</u>	<u>\$ -</u>	<u>\$ 4,412,549</u>	<u>\$ 261,722</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (269,969)	\$ 172,954	\$ 494,755	\$ 397,740	\$ 49,259
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	2,439,699	199,747	273,077	2,912,523	12,534
(Increase) decrease in assets:					
Accounts receivable	95,627	(13,427)	(4,324)	77,876	-
Inventories	-	-	-	-	(4,972)
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	352,646	112,656	127,836	593,138	13,445
Compensated absences	8,118	14,823	(6,475)	16,466	-
OPEB Obligation	26,461	8,630	2,587	37,678	2,726
Customer deposits	17,274	-	-	17,274	4,213
Total adjustments	<u>2,939,825</u>	<u>322,429</u>	<u>392,701</u>	<u>3,654,955</u>	<u>27,946</u>
Net cash provided (used) by operating activities	<u>\$ 2,669,856</u>	<u>\$ 495,383</u>	<u>\$ 887,456</u>	<u>\$ 4,052,695</u>	<u>\$ 77,205</u>
Classified As:					
Cash and Cash equivalents	\$ 2,736,914	\$ 782,851	\$ -	\$ 3,519,765	\$ 261,722
Restricted cash and cash equivalents	892,784	-	-	892,784	-
Total	<u>\$ 3,629,698</u>	<u>\$ 782,851</u>	<u>\$ -</u>	<u>\$ 4,412,549</u>	<u>\$ 261,722</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, 2010

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 28,873
Investments, at fair value:	
Money market funds	301,168
Bonds	11,192,465
Equities	12,716,588
Real estate investment trust	<u>687,417</u>
Total assets	<u>24,926,511</u>
LIABILITIES	
Deferred contribution	<u>176,167</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 24,750,344</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, 2010

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 1,066,830
Employee	192,422
State of Florida	<u>245,320</u>
Total contributions	<u>1,504,572</u>
Investment earnings:	
Interest and dividends	117,854
Net increase in the fair value of investments	<u>2,312,771</u>
Total investment earnings	2,430,625
Less investment expenses	<u>(107,499)</u>
Net investment earnings	<u>2,323,126</u>
Total Additions	<u>3,827,698</u>
DEDUCTIONS	
Pension benefits	1,696,252
Administrative expenses	<u>103,696</u>
Total deductions	<u>1,799,948</u>
Change in net assets	2,027,750
Net assets - Beginning of year	<u>22,722,594</u>
Net assets - End of Year	<u>\$ 24,750,344</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 21,017 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

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

purchase, use, or directly benefit from goods, services, or privileges provided by a given function or 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 *Debt Service Fund* is to account for the accumulation of resources for, and the payment of principal and interest on certain long-term debt.

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, 2010

- 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.
- *Capital Projects Funds* account for financial resources segregated for the acquisition or construction of capital facilities.
- *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

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

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 a fund balance

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

reserve account 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	20-50 Years
Improvements other than buildings	10-65 Years
Machinery and equipment	3-20 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. 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 equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans for future financial resources that are subject to change.

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 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 2010, expenditures and transfers out, exceeded appropriations for one special revenue funds: Animal Services - \$4,934. These expenditures in excess of budget were funded by fund balance, if available.

C. Deficit Fund Equity:

At September 30, 2010, Animal Services special revenue fund reported a \$12,479 deficit in fund balance. The Debt Service fund reported a deficit of \$176,200. Additionally, the MIS internal service fund reported a deficit in net assets of \$16,813.

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

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

rate of up to ten (10) mills. The millage rate in effect for the fiscal year ended September 30, 2010 was \$6.3600 and the Edgewater I&S 2005 voted debt millage was \$.0382 for a total millage of \$6.3982.

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, 2010. Disposition of the overage will be incorporated into subsequent years budgets.

IV. Detailed Notes on All Funds

A. Deposits:

At September 30, 2010, the carrying amount of the City's bank deposits was \$10,780,246. The bank balance at September 30, 2010 was \$11,434,549, 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, 2010.

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.

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

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 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, 2010, 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	\$ 289,025	\$ 289,025	\$ -	\$ -	\$ -	AAAm
SBA Fund B	97,461	-	-	97,461	-	Unrated
	<u>386,486</u>	<u>289,025</u>	<u>-</u>	<u>97,461</u>	<u>-</u>	
Total Investments	<u>386,486</u>					
Fiduciary Funds						
Investments Subject to Rate Risk:						
Money market fund	\$ 301,168	\$ 301,168	\$ -	\$ -	\$ -	AAAm
Bonds:						
US treasury note	82,725	-	-	-	82,725	AAA
Bond mutual funds	10,096,271	-	4,046,970	4,313,450	1,735,851	*
Corporate bonds	1,013,469	150,093	602,068	222,058	39,250	**
	<u>\$11,493,633</u>	<u>\$451,261</u>	<u>\$4,649,038</u>	<u>\$ 4,535,508</u>	<u>\$1,857,826</u>	
Other Investments:						
Corporate equities	12,716,588					
Real estate investment trust	687,417					
Total Other Investments	<u>13,404,005</u>					
Total Investments	<u>24,897,638</u>					
Total City Investments	<u>\$25,284,124</u>					

* - The Morningstar credit ratings range from unrated 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 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.

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

Custodial Credit Risk

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, 2010, 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	Debt Service	Nonmajor Funds	Total
Receivables:				
Accounts	\$ 399,713	\$ 171	\$ 64	\$ 399,948
Special Assessments	-	16,439	-	16,439
Intergovernmental	509,420	-	164,723	674,143
Gross receivables	909,133	16,610	164,787	1,090,530
Less: allowance for uncollectible	(2,750)	-	-	(2,750)
Net total receivables	\$ 906,383	\$ 16,610	\$ 164,787	\$ 1,087,780

Business Type Activities

	Water/ Sewer Utility	Refuse Utility	Stormwater Utility	Total
Receivables:				
Accounts	\$ 1,078,780	\$ 430,873	\$ 188,789	\$ 1,698,442
Special Assessments	3,171,901	-	-	3,171,901
Intergovernmental	604,033	-	446,853	1,050,886
Gross receivables	4,854,714	430,873	635,642	5,921,229
Less: allowance for uncollectible	(277,806)	(89,288)	(30,698)	(397,792)
Net total receivables	\$ 4,576,908	\$ 341,585	\$ 604,944	\$ 5,523,437

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, but not yet earned. At the end of the fiscal year, unearned revenue, in the amount of \$51,767, 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.

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

D. Interfund receivables, payables, and transfers:

The composition of Interfund balances as of September 30, 2010 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>

Due to / from other funds:

Receivable Funds	Payable Funds	Amount
General Fund	Nonmajor Grants	\$2,867
General Fund	Nonmajor Animal Shelter	7,425
General Fund	Debt Service	<u>194,046</u>
Total General Fund		<u>\$204,338</u>
Water/ Sewer Utility	Stormwater Utility	<u>\$122,024</u>
Fully Insured	MIS	\$1,334
Fully Insured	Fleet	<u>3,646</u>
Total Internal Service Funds		<u>\$4,980</u>

The amounts transferred to the various funds are for capital outlay and capital improvements with no schedule for repayment.

	Transfers In				Total
	General Fund	Nonmajor Animal Services	Debt Service	Nonmajor General Construction	
Transfers Out:					
General Fund	\$ -	\$ 160,445	\$ 350,000	\$ 145,997	<u>\$ 656,442</u>
Nonmajor Funds					
Animal Services	-	-	3,960	-	3,960
Grants	48,035	-	-	48,908	<u>96,943</u>
Total Nonmajor Funds	48,035	-	3,960	48,908	100,903
Total	<u>\$ 48,035</u>	<u>\$ 160,445</u>	<u>\$ 353,960</u>	<u>\$ 194,905</u>	<u>\$ 757,345</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.

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

E. Capital Assets:

Capital asset activity for the year ended September 30, 2010, was as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 23,009,719	\$ -	\$ -	\$ 23,009,719
Construction in progress	572,840	269,723	(319,079)	523,484
Total assets not being depreciated	23,582,559	269,723	(319,079)	23,533,203
Capital assets being depreciated:				
Buildings	4,713,228	-	-	4,713,228
Improvement other than buildings	18,945,104	386,133	(2,466)	19,328,771
Machinery and equipment	4,079,527	406,678	(93,903)	4,392,302
Infrastructure	55,651,736	-	-	55,651,736
Total assets being depreciated	83,389,595	792,811	(96,369)	84,086,037
Less accumulated depreciation for:				
Buildings	(2,151,311)	(207,246)	-	(2,358,557)
Improvement other than buildings	(8,142,529)	(655,789)	2,466	(8,795,852)
Machinery and equipment	(2,818,134)	(354,371)	93,903	(3,078,602)
Infrastructure	(40,582,487)	(2,385,078)	-	(42,967,565)
Total accumulated depreciation	(53,694,461)	(3,602,484)	96,369	(57,200,576)
Total capital assets, being depreciated, net	29,695,134	(2,809,673)	-	26,885,461
Governmental activities capital assets, net	\$ 53,277,693	\$ (2,539,950)	\$ (319,079)	\$ 50,418,664

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,235,467	\$ -	\$ -	\$ 1,235,467
Construction in progress	355,019	2,606,020	(176,744)	2,784,295
Total assets not being depreciated	1,590,486	2,606,020	(176,744)	4,019,762
Capital assets being depreciated:				
Buildings	22,548,244	-	-	22,548,244
Improvement other than buildings	46,935,060	36,932	-	46,971,992
Machinery and equipment	10,381,224	697,926	(139,503)	10,939,647
Total assets being depreciated	79,864,528	734,858	(139,503)	80,459,883
Less accumulated depreciation for:				
Buildings	(11,755,752)	(847,485)	-	(12,603,237)
Improvement other than buildings	(14,031,565)	(1,228,898)	-	(15,260,463)
Machinery and equipment	(4,656,475)	(830,880)	135,569	(5,351,786)
Total accumulated depreciation	(30,443,792)	(2,907,263)	135,569	(33,215,486)
Total capital assets, being depreciated, net	49,420,736	(2,172,405)	(3,994)	47,244,397
Business-type activities capital assets, net	\$ 51,011,222	\$ 433,615	\$ (180,678)	\$ 51,264,159

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

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

Governmental activities:	
General government	\$ 99,321
Public safety	276,645
Transportation / public works	2,984,506
Leisure services	229,478
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	12,534
Total depreciation expense - governmental activities	<u>\$ 3,602,484</u>
Business-type activities:	
Water Sewer Utility	\$ 2,434,439
Refuse collection	199,747
Stormwater System	<u>273,077</u>
Total depreciation expense - business-type activities	<u>\$ 2,907,263</u>

F. Deferred Charges:

Deferred charges consist of the following:

	Cost	Accumulated Amortization	Unamortized Balance
Bond issues costs	<u>\$ 454,458</u>	<u>\$388,718</u>	<u>\$ 65,740</u>
Total deferred charges	<u>\$ 454,458</u>	<u>\$388,718</u>	<u>\$ 65,740</u>

G. Leases:

Capital Leases - The City has entered into lease agreements as lessee for financing the acquisition of several light and heavy vehicles such as a fire truck, police cars, refuse trucks, tractors and trailers, as well as computer equipment. 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:

	Governmental Activities	Business-Type Activities
Assets - Machinery and equipment	\$ 457,265	\$ 6,201,389
Less: accumulated depreciation	(83,174)	(2,096,595)
Total	<u>\$ 374,091</u>	<u>\$ 4,104,794</u>

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010 were as follows:

Year Ending <u>30-Sep</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>
2011	\$ 91,101	\$ 544,027
2012	91,101	570,962
2013	85,269	599,272
2014	67,772	629,027
2015	35,241	642,845
2016-2020	70,483	3,429,124
2021		127,409
Total minimum lease payments	440,967	6,542,665
Less: amount representing interest	<u>(52,543)</u>	<u>(1,284,235)</u>
	<u>\$ 388,424</u>	<u>\$ 5,258,430</u>

Operating Leases - The City has entered into an operating lease for an integrated mailing system that contains cancellation provision and is subject to annual appropriations. For fiscal year 2010, 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 amounts of revenue bond issued and outstanding is described below. Revenue bonds outstanding at year-end are as follows:

<u>Business-Type Activities</u>	<u>Interest Rates and Dates</u>	<u>Maturity</u>	<u>Original Amount</u>	<u>Balance September 30, 2010</u>
Water and Sewer Revenue Refunding Bonds - Series 2009	3.40% (4/1 & 10/1)	10/1/2016	<u>\$7,945,000</u>	<u>\$7,945,000</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;

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

- (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:
- (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, 2010 are as follows:

Year Ending	Business -Type Activities	
	Principal	Interest
30-Sep		
2011	\$ 505,000	\$ 230,361
2012	570,000	252,960
2013	585,000	233,580
2014	610,000	213,690
2015	635,000	192,950
2016-2017	5,040,000	320,450
Total	\$ 7,945,000	\$ 1,443,991

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 be repaid in six years with 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 Authority 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.

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

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 4 years of interest only payments. Since many taxpayers take advantage of prepayment discounts, actual interest rates paid may be less than the stated amounts.

The SRF loans consist of the following:

	<u>Treatment Loan</u>	<u>Collections Loan</u>
Interest rates:	3.16% to 3.78%	3.57% to 3.78%
Payment frequency:	25 annual payments	24 annual payments
Payment amount:	\$516,458	\$1,294,980
Maturity date:	September 30, 2018	October 31, 2017

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

Year Ending <u>30-Sep</u>	<u>Business -Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ -	\$ 299,203
2012	-	299,203
2013	429,776	299,203
2014	1,528,321	283,117
2015	1,584,522	226,916
2016-2018	4,595,344	322,512
Total	<u>\$ 8,137,963</u>	<u>\$ 1,730,154</u>

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. As of September 30, 2010 the amount expended on this loan was \$250,865. A repayment schedule will be determined once all draws are complete and the project is finalized.

Notes Payable

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

	<u>Water and Sewer Revenue Note, Series 2002</u>	<u>General Long-term Debt Revenue Note, Series 2002A</u>
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, 2010

Debt service requirements for these revenue notes using interest rate of 1.07% at September 30, 2010 are as follows:

Year Ending <u>30-Sep</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 254,000	\$ 8,117	\$ 514,000	\$ 16,426
2012	254,000	5,411	514,000	10,951
2013	254,000	2,706	514,000	5,475
Total	<u>\$ 762,000</u>	<u>\$ 16,234</u>	<u>\$ 1,542,000</u>	<u>\$ 32,852</u>

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 26, 2014.

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

Year Ending <u>30-Sep</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 337,019	\$ 3,101
2012	337,019	2,325
2013	337,019	1,550
2014	337,016	775
Total	<u>\$ 1,348,073</u>	<u>\$ 7,751</u>

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>
2011	\$ 15,000	\$ 15,765
2011	20,000	15,188
2013	20,000	14,419
2014	20,000	13,650
2015	20,000	12,881
2016-2020	120,000	51,715
2021-2025	160,000	25,762
2026	35,000	1,346
Total	<u>\$ 410,000</u>	<u>\$ 150,726</u>

The remainder of this page intentionally left blank.

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2010 was as follows:

	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Governmental Activities:					
Capital Lease	\$ 225,466	\$ 210,000	\$ (47,042)	\$ 388,424	\$ 75,404
Notes Payable -					
Revenue Note,					
Series 2002A	1,016,000	-	(254,000)	762,000	254,000
FIND Note	1,685,092	-	(337,019)	1,348,073	337,019
General Obligation note	425,000	-	(15,000)	410,000	15,000
Special assessment	1,297,442	-	(1,297,442)	-	-
Total notes payable	4,423,534	-	(1,903,461)	2,520,073	606,019
Other post employment benefits	72,767	81,527	-	154,294	-
Compensated absences	1,300,937	773,825	(719,736)	1,355,026	736,648
Governmental activity					
long-term liabilities	<u>\$ 6,022,704</u>	<u>\$ 1,065,352</u>	<u>\$ (2,670,239)</u>	<u>\$ 4,417,817</u>	<u>\$ 1,418,071</u>
Business-type Activities					
Capital Lease	\$ 5,548,388	\$ -	\$ (289,958)	\$ 5,258,430	\$ 328,325
Bonds payable -					
Revenue Bonds	9,740,000	7,945,000	(9,740,000)	7,945,000	505,000
Less deferred amount					
Issuance discount	(60,013)	-	60,013	-	-
Loss on refunding	-	(148,407)	18,380	(130,027)	-
Total bonds payable	9,679,987	7,796,593	(9,661,607)	7,814,973	505,000
State revolving loan	8,137,963	250,865	-	8,388,828	-
Notes payable					
Revenue note, Series 2002A	2,056,000	-	(514,000)	1,542,000	514,000
Stormwater note	536,437	-	(536,437)	-	-
Total notes payable	2,592,437	-	(1,050,437)	1,542,000	514,000
Other post employment benefits	38,128	37,678	-	75,806	-
Compensated absences	545,044	386,003	(369,539)	561,508	359,083
Business-type activity					
long-term liabilities	<u>\$ 26,541,947</u>	<u>\$ 8,471,139</u>	<u>\$ (11,371,541)</u>	<u>\$ 23,641,545</u>	<u>\$ 1,706,408</u>

I. Other Commitments and Contingencies:

The City has entered into several agreements that are outstanding at September 30, 2010, which will result in future financial obligation as follows:

<u>Description</u>	<u>Amount</u>
Eastern Shores Stormwater Improvements	\$ 101,626
Southeast Storage and Pump Station	37,795
Water Supply Wells	634,704
Amphitheater Roof	396,499
30 th Street Sidewalk Additions	32,598
	<u>\$ 1,203,222</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 2010, 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, 2008, the Plan had approximately 167 active participants, 23 spouses, and 32 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.

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.

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

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, 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 8% in 2010 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, 2010, based on the above assumptions and cost method, and applied to member data current at October 1, 2008. Liabilities were developed based on age adjusted costs for retirees currently receiving plan benefits as of October 1, 2008, with an AAL calculated to be \$3,009,113, which is unfunded (or 0% funded). The annual covered payroll is \$6.08 million, resulting in an unfunded AAL of 49.5%. 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, 2008.

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.

	2010 Fiscal Year Valuation as of 10/1/2008
Normal Cost (service cost for one year)	\$ 88,612
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	131,065
Interest on Normal Cost and Amortization	15,986
Annual Required Contribution (ARC)	235,663
Interest on Net OPEB Obligation	4,990
Adjustment to ARC	(4,524)
Annual OPEB Cost (Expense)	236,129
Less: Employer Contributions Made	(116,928)
Increase in Net OPEB Obligation	119,201
Net OPEB Obligation at beginning of year	110,899
Net OPEB Obligation at end of year	<u>\$ 230,101</u>

As of September 30, 2010, the City accrued \$154,294 in the Government-Wide Statement of Net Assets, and \$75,806 in the Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Assets.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 was as follows:

<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>
2010	\$ 236,129	\$ 116,928	49.5%	\$ 230,100

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 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.

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

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 Employees	Police Officers'	Fire Fighters'
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them (vested)	113	32	4
Actively employed participants	22	26	29
Totals	<u>135</u>	<u>58</u>	<u>33</u>

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 \$647,287, 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 \$246,320 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, 2010, 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, 2010

	General Employees' Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund
Annual Required Contribution (ARC)	\$ 358,255	\$ 475,560	\$ 287,113
Interest on Net Pension Obligation (NPO)	1	(41,497)	(9,730)
Adjustment to ARC	(2)	69,946	16,486
Annual Pension Cost	358,254	504,009	293,869
City and State Contributions Made	358,254	475,560	287,113
Increase/(Decrease) in NPO	-	28,449	6,756
NPO beginning of year	-	(553,293)	(129,739)
NPO end of year	\$ -	\$ (524,844)	\$ (122,983)

Three Year Trend Information:

General Employees' Pension			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of ARC Contributed	Net Pension Obligation
	September 30, 2010	358,254	100%
September 30, 2009	746,270	100%	-
September 30, 2008	746,270	100%	-

Police Officers' Pension			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
	September 30, 2010	504,009	94.40%
September 30, 2009	351,527	115.96%	(553,293)
September 30, 2008	354,645	133.88%	(497,173)

Firefighters' Pension			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of ARC Contributed	Net Pension Obligation
	September 30, 2010	293,869	97.70%
September 30, 2009	227,496	112.00%	(129,739)
September 30, 2008	258,149	99.40%	(102,377)

As of October 1, 2010, the most recent actuarial valuation date, the General Employees' plan was 77.89 percent funded. The actuarial accrued liability for benefits was \$17,088,869, and the actuarial value of assets was \$13,310,777, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,778,091. The covered payroll (annual payroll of active employees covered by the plan) was \$1,077,877, and the ratio of the UAAL to the covered payroll was 350.51 percent.

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

As of October 1, 2010, the most recent actuarial valuation date, the Police Officers' plan was 87.23 percent funded. The actuarial accrued liability for benefits was \$8,944,282, and the actuarial value of assets was \$7,801,777, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,142,505. The covered payroll (annual payroll of active employees covered by the plan) was \$1,063,774, and the ratio of the UAAL to the covered payroll was 107.40 percent.

As of October 1, 2010, the most recent actuarial valuation date, the Firefighters' plan was 81.79 percent funded. The actuarial accrued liability for benefits was \$6,499,389, and the actuarial value of assets was \$5,315,976, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,183,416. The covered payroll (annual payroll of active employees covered by the plan) was \$1,475,291, and the ratio of the UAAL to the covered payroll was 80.22 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, 2010 to be reserved for the general, police and firefighter pension funds are \$12,024,717, \$7,396,839 and \$5,328,788, 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 (1.0%), 0.1%, and 0.9% return(loss) on investments for the years ended September 30, 2009 for the general, police and firefighters plan, respectively, that was less than the 7.5% assumption and lower than expected turnover.

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

	General Employees	Police Officers	Firefighters
Valuation date	10/1/2010	10/1/2010	10/1/2010
Actuarial cost method	Aggregate *	Frozen Entry age	Entry age
Amortization method	N/A	Level Percentage, Closed	Level Percentage, Closed
Remaining amortization method	N/A	23 years	25 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	7.5%	7.5%	7.5%
Includes inflation at	3%	3%	3%
Cost-of-living adjustments	None	None	None

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

* Because the aggregate actuarial cost method does not indentify 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.

At September 30, 2010 the Police Officers' plan has \$438,492 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, 2010 the City utilized \$117,184 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, 2010

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>
ASSETS			
Investments, at fair value:			
Cash and cash equivalents	\$ 1,148	\$ 2,579	\$ 25,146
Investments, at fair value			
Money market funds	-	-	301,168
Bonds	6,177,600	3,918,671	1,096,194
Equities	5,565,294	3,220,020	3,931,274
Real estate investment trust	431,848	255,569	-
Total assets	<u>12,175,890</u>	<u>7,396,839</u>	<u>5,353,782</u>
LIABILITIES			
Deferred Contributions	151,173	-	24,994
NET ASSETS			
Held in trust for pension benefits	<u>\$ 12,024,717</u>	<u>\$ 7,396,839</u>	<u>\$ 5,328,788</u>

The remainder of this page intentionally left blank.

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

CITY OF EDGEWATER, FLORIDA

Combining Statement of Changes in Fiduciary Net Assets

Pension Trust Funds

For the fiscal year ended September 30, 2010

	General		
	Employees	Police Officers	Firefighters
ADDITIONS			
Contributions:			
Employer	\$ 358,156	\$ 420,044	\$ 288,630
Employee	32,706	71,201	88,515
State of Florida	-	126,156	120,164
Total contributions	<u>390,862</u>	<u>616,401</u>	<u>497,309</u>
Investment earnings:			
Interest and dividends			117,854
Net increase/ (decrease) in the fair value of investments	<u>1,153,090</u>	<u>717,449</u>	<u>442,232</u>
Total investment earnings	1,153,090	717,449	560,086
Less investment expenses	<u>(50,527)</u>	<u>(52,472)</u>	<u>(4,500)</u>
Net investment earnings	<u>(1,102,563)</u>	<u>664,977</u>	<u>555,586</u>
Total Additions	<u>1,493,425</u>	<u>1,281,378</u>	<u>1,052,895</u>
DEDUCTIONS			
Pension benefits	1,010,299	564,197	121,756
Administrative expenses	<u>20,759</u>	<u>29,135</u>	<u>53,802</u>
Total deductions	<u>1,031,058</u>	<u>593,332</u>	<u>175,558</u>
Change in net assets	462,367	688,046	877,337
Net assets - Beginning of year	<u>11,562,350</u>	<u>6,708,793</u>	<u>4,451,451</u>
Net assets - End of Year	<u>\$ 12,024,717</u>	<u>\$ 7,396,839</u>	<u>\$ 5,328,788</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. Employees who elect to participate in this plan that were hired prior to October 1, 1996 will have the following contributions made:

Term of Employment Prior to October 1, 1996	% Contributed for Earnings Prior to October 1, 1996	% Contributed for Earnings After October 1, 1996
3 months - 2 years	10%	12%
2 years - 4 years	11%	12%
4 years - 5 years	12%	12%

Employees are 100% vested immediately upon participation. Employees direct the investment of funds contributed to the plan on their behalf. Employer contributions made during the year amounted to \$416,343. 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 Managers' 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 (CI), 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

The remainder of this page intentionally left blank

City of Edgewater, Florida
Notes to the Financial Statements
September 30, 2010

Summarized audited information of the Communications Interlocal Agency for the year ended September 30, 2010 is as follows:

Operating revenues	\$ 2,292,804
Operating expenses	(2,117,399)
Non-operating revenues	<u>6,021</u>
Net income	<u>\$ 181,426</u>
Total assets	<u>\$ 909,339</u>
Total liabilities	<u>\$ 212,733</u>
Total net assets	<u>\$ 696,606</u>

A summary of the changes in the City's investment in the Communications Interlocal Agency for the year ended September 30, 2010 is as follows:

September 30, 2009 balance	\$ 174,540
Fiscal year 2010 activity	74,965
Total investment at September 30, 2010	<u>\$ 249,505</u>

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.

H. Subsequent Events:

The City of Edgewater, Fire Rescue Department has been awarded a grant for \$1.14 million dollars from FEMA to rebuild Fire Station 55. Construction of the new fire station will meet the new, more stringent wind load and electrical requirements. By meeting these new requirements, firefighters will have the ability to remain at this station during most severe weather situations. The station will be equipped to meet new safety standards that were simply not available during the original construction such as venting of exhaust fumes from apparatus and drive through apparatus bays. In addition, the new station will meet the future demands of the community. The City issued in November 2010 Revenue Note, Series 2010 for \$750,000 to finance the entire construction cost of \$1,879,000.

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)
10/1/2008	\$ -	\$ 3,009,113	\$ 3,009,113	0.00%	\$ 6,080,589	49.49%

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

General Employees' 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)
10/1/2010	\$ 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%
10/1/2005	11,878,174	11,878,174	-	100.00%	2,571,885	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)
10/1/2010	\$ 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%
10/1/2005	6,409,862	7,858,479	1,448,617	81.57%	1,133,186	127.84%

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)
10/1/2010	\$ 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%
10/1/2005	2,627,395	3,251,236	623,841	80.81%	1,419,308	43.95%

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
2010	\$ 236,130	\$ 116,928	50%
2009	225,651	114,752	51%

General Employees' Retirement Trust

Year Ended Sept 30,	Annual Required City Contribution	City Contribution	Percentage Contribution
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%
2005	844,227	844,227	100%

Police Officers' Pension Trust

Year Ended Sept 30,	Annual Required City Contribution	City Contribution	State Contribution	Percentage Contribution
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%
2005	448,179	333,527	114,652	100.00%

** 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
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, 2010

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.

LLEBG Fund – This fund was established to account for LLEBG grant funds.

Grants Fund – This fund was established to account for restricted grant funds.

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.

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, 2010

	Special Revenue				
	Animal Services	LLEBG	Grants	SLETF	Transportation Impact
ASSETS					
Cash	\$ -	\$ 3,530	\$ -	\$ 66,056	\$ 336,243
Receivables--net	64	-	-	-	-
Due from other governments	-	-	2,867	-	-
Special assessment receivable	-	-	-	-	-
Total assets	<u>\$ 64</u>	<u>\$ 3,530</u>	<u>\$ 2,867</u>	<u>\$ 66,056</u>	<u>\$ 336,243</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 531	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	4,587	-	-	-	-
Due to other funds	7,425	-	2,867	-	-
Total liabilities	<u>12,543</u>	<u>-</u>	<u>2,867</u>	<u>-</u>	<u>-</u>
Fund Balances					
Reserved for debt service	-	-	-	-	-
Unreserved					
Undesignated	(12,479)	3,530	-	66,056	336,243
Total fund balances	<u>(12,479)</u>	<u>3,530</u>	<u>-</u>	<u>66,056</u>	<u>336,243</u>
Total liabilities and fund balance	<u>\$ 64</u>	<u>\$ 3,530</u>	<u>\$ 2,867</u>	<u>\$ 66,056</u>	<u>\$ 336,243</u>

Special Revenue			Capital Projects	
Police Impact	Fire Impact	Recreation Impact	General Construction	Total Nonmajor Governmental Funds
\$ 139,474	\$ 222,263	\$ 153,252	\$ 284,940	\$ 1,205,758
-	-	-	-	64
-	-	-	161,856	164,723
-	-	-	-	-
<u>\$ 139,474</u>	<u>\$ 222,263</u>	<u>\$ 153,252</u>	<u>\$ 446,796</u>	<u>\$ 1,370,545</u>
\$ -	\$ -	\$ -	\$ 24,664	\$ 25,195
-	-	-	-	4,587
-	-	-	-	10,292
-	-	-	24,664	40,074
-	-	-	-	-
139,474	222,263	153,252	422,132	1,330,471
139,474	222,263	153,252	422,132	1,330,471
<u>\$ 139,474</u>	<u>\$ 222,263</u>	<u>\$ 153,252</u>	<u>\$ 446,796</u>	<u>\$ 1,370,545</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, 2010

	Special Revenue			
	Animal Services	LLEBG	Grants	SLETF
REVENUES				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	7,188	21,890	-
Charges for services	25,594	-	-	-
Fines and forfeitures	-	-	-	13,008
Investment earnings	-	-	-	-
Impact fees	-	-	-	-
Miscellaneous revenue	38,511	-	-	-
Total revenues	<u>64,105</u>	<u>7,188</u>	<u>21,890</u>	<u>13,008</u>
EXPENDITURES				
Current:				
Public safety	230,974	3,198	-	151
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>230,974</u>	<u>3,198</u>	<u>-</u>	<u>151</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(166,869)</u>	<u>3,990</u>	<u>21,890</u>	<u>12,857</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	160,445	-	-	-
Transfers out	(3,960)	-	(96,943)	-
Total other financing sources (uses)	<u>156,485</u>	<u>-</u>	<u>(96,943)</u>	<u>-</u>
Net change in fund balances	<u>(10,384)</u>	<u>3,990</u>	<u>(75,053)</u>	<u>12,857</u>
Beginning fund balances	<u>(2,095)</u>	<u>(460)</u>	<u>75,053</u>	<u>53,199</u>
Ending fund balances (Deficit)	<u>\$ (12,479)</u>	<u>\$ 3,530</u>	<u>\$ -</u>	<u>\$ 66,056</u>

Transportation Impact	Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
	Police Impact	Fire Impact	Recreation Impact	General Construction	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	161,856	190,934
-	-	-	-	-	25,594
-	-	-	-	-	13,008
-	-	-	-	-	-
69,642	5,512	8,807	13,773	-	97,734
-	-	-	-	-	38,511
<u>69,642</u>	<u>5,512</u>	<u>8,807</u>	<u>13,773</u>	<u>161,856</u>	<u>365,781</u>
-	-	-	-	-	234,323
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	269,722	269,722
-	-	-	-	269,722	504,045
<u>69,642</u>	<u>5,512</u>	<u>8,807</u>	<u>13,773</u>	<u>(107,866)</u>	<u>(138,264)</u>
-	-	-	-	194,905	355,350
-	-	-	-	-	(100,903)
-	-	-	-	194,905	254,447
69,642	5,512	8,807	13,773	87,039	116,183
<u>266,601</u>	<u>133,962</u>	<u>213,456</u>	<u>139,479</u>	<u>335,093</u>	<u>1,214,288</u>
<u>\$ 336,243</u>	<u>\$ 139,474</u>	<u>\$ 222,263</u>	<u>\$ 153,252</u>	<u>\$ 422,132</u>	<u>\$ 1,330,471</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, 2010

	Special Revenue							
	Animal Services				LLEBG			
	Original	Final	Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
				Original	Final			
REVENUES								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 7,188	\$ 7,188	\$ -
Charges for Services	33,800	33,800	25,594	(8,206)	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	-	-
Impact fees	-	-	-	-	-	-	-	-
Miscellaneous	20,000	30,310	38,511	8,201	-	-	-	-
Total revenues	<u>53,800</u>	<u>64,110</u>	<u>64,105</u>	<u>(5)</u>	<u>1,000</u>	<u>7,188</u>	<u>7,188</u>	<u>-</u>
EXPENDITURES								
Current:								
Public Safety	274,233	230,000	230,974	(974)	1,000	7,188	3,198	3,990
Public Works	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditure	<u>274,233</u>	<u>230,000</u>	<u>230,974</u>	<u>(974)</u>	<u>1,000</u>	<u>7,188</u>	<u>3,198</u>	<u>3,990</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(220,433)</u>	<u>(165,890)</u>	<u>(166,869)</u>	<u>(979)</u>	<u>-</u>	<u>-</u>	<u>3,990</u>	<u>3,990</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	225,890	165,890	160,445	(5,445)	-	-	-	-
Transfers out	-	-	(3,960)	(3,960)	-	-	-	-
Total other financing sources (uses)	<u>225,890</u>	<u>165,890</u>	<u>156,485</u>	<u>(9,405)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,457	-	(10,384)	(10,384)	-	-	3,990	3,990
Beginning fund balances	<u>(2,095)</u>	<u>(2,095)</u>	<u>(2,095)</u>	<u>-</u>	<u>(460)</u>	<u>(460)</u>	<u>(460)</u>	<u>-</u>
Ending fund balances (deficit)	<u>\$ 3,362</u>	<u>\$ (2,095)</u>	<u>\$ (12,479)</u>	<u>\$ (10,384)</u>	<u>\$ (460)</u>	<u>\$ (460)</u>	<u>\$ 3,530</u>	<u>\$ 3,990</u>

Special Revenue							
Grants				SLETF			
Budgeted Amounts			Variance with Final Budget-Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
Original	Final	Actual Amounts		Original	Final		
\$ 3,660,068	\$ 3,000,000	\$ 21,890	\$ (2,978,110)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	8,200	15,000	13,008	(1,992)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,660,068</u>	<u>3,000,000</u>	<u>21,890</u>	<u>(2,978,110)</u>	<u>8,200</u>	<u>15,000</u>	<u>13,008</u>	<u>(1,992)</u>
-	-	-	-	8,200	8,200	151	8,049
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,200</u>	<u>8,200</u>	<u>151</u>	<u>8,049</u>
3,660,068	3,000,000	21,890	(2,978,110)	-	6,800	12,857	6,057
-	-	-	-	-	-	-	-
<u>(3,660,068)</u>	<u>(3,000,000)</u>	<u>(96,943)</u>	<u>2,903,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(3,660,068)</u>	<u>(3,000,000)</u>	<u>(96,943)</u>	<u>2,903,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	(75,053)	(75,053)	-	6,800	12,857	6,057
75,053	75,053	75,053	-	53,199	53,199	53,199	-
<u>\$ 75,053</u>	<u>\$ 75,053</u>	<u>\$ -</u>	<u>\$ (75,053)</u>	<u>\$ 53,199</u>	<u>\$ 59,999</u>	<u>\$ 66,056</u>	<u>\$ 6,057</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, 2010

	Special Revenue							
	Transportation Impact				Police 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	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	-	-
Impact fees	-	71,000	69,642	(1,358)	-	5,600	5,512	(88)
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	-	71,000	69,642	(1,358)	-	5,600	5,512	(88)
EXPENDITURES								
Current:								
Public Works	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditure	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	71,000	69,642	(1,358)	-	5,600	5,512	(88)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	-	71,000	69,642	(1,358)	-	5,600	5,512	(88)
Beginning fund balances, as restated	266,601	266,601	266,601	-	133,962	133,962	133,962	-
Ending fund balances (deficit)	\$ 266,601	\$ 337,601	\$ 336,243	\$ (1,358)	\$ 133,962	\$ 139,562	\$ 139,474	\$ (88)

Special Revenue											
Fire Impact				Recreation Impact				Total			
Budgeted Amounts			Variance with Final Budget-Positive (Negative)	Budgeted Amounts			Variance with Final Budget-Positive (Negative)	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
Original	Final	Actual Amounts		Original	Final	Actual Amounts		Original	Final	Actual Amounts	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$3,661,068	\$ 3,007,188	\$ 29,078	\$ (2,978,110)
-	-	-	-	-	-	-	-	33,800	33,800	25,594	(8,206)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	8,200	15,000	13,008	(1,992)
-	-	-	-	-	-	-	-	-	-	-	-
-	9,000	8,807	(193)	-	14,000	13,773	(227)	-	99,600	97,734	(1,866)
-	-	-	-	-	-	-	-	20,000	30,310	38,511	8,201
-	9,000	8,807	(193)	-	14,000	13,773	(227)	3,723,068	3,185,898	203,925	(2,981,973)
-	-	-	-	-	-	-	-	283,433	245,388	234,323	11,065
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	283,433	245,388	234,323	11,065
-	9,000	8,807	(193)	-	14,000	13,773	(227)	3,439,635	2,940,510	(30,398)	(2,970,908)
-	-	-	-	-	-	-	-	225,890	165,890	160,445	(5,445)
-	-	-	-	-	-	-	-	(3,660,068)	(3,000,000)	(100,903)	2,899,097
-	-	-	-	-	-	-	-	(3,434,178)	(2,834,110)	59,542	2,893,652
-	9,000	8,807	(193)	-	14,000	13,773	(227)	5,457	106,400	29,144	(77,256)
213,456	213,456	213,456	-	139,479	139,479	139,479	-	879,195	879,195	879,195	-
\$213,456	\$ 222,456	\$ 222,263	\$ (193)	\$ 139,479	\$ 153,479	\$153,252	\$ (227)	\$ 884,652	\$ 985,595	\$ 908,339	\$ (77,256)

CITY OF EDGEWATER, FLORIDA

Statement of Revenues, Expenditures, and
 Changes in Fund Balances--Budget and Actual
 Annually - Budgeted Major Debt Service Funds
 For the Fiscal Year Ended September 30, 2010

	<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	\$ 31,414	\$ 31,414	\$ 30,352	\$ (1,062)
Investment earnings	1,000	1,000	234	(766)
Impact fees / special assessments	520,000	520,000	-	(520,000)
Total revenues	<u>552,414</u>	<u>552,414</u>	<u>30,586</u>	<u>(521,828)</u>
EXPENDITURES				
Debt Service:				
Principal	868,466	1,314,030	1,312,443	1,587
Interest	74,319	83,354	84,899	(1,545)
Total expenditures	<u>942,785</u>	<u>1,397,384</u>	<u>1,397,342</u>	<u>42</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(390,371)</u>	<u>(844,970)</u>	<u>(1,366,756)</u>	<u>(521,786)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	350,000	350,000	353,960	3,960
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>350,000</u>	<u>350,000</u>	<u>353,960</u>	<u>3,960</u>
Net change in fund balances	<u>(40,371)</u>	<u>(494,970)</u>	<u>(1,012,796)</u>	<u>(517,826)</u>
Beginning fund balances	836,596	836,596	836,596	-
Ending fund balances	<u>\$ 796,225</u>	<u>\$ 341,626</u>	<u>\$ (176,200)</u>	<u>\$ (517,826)</u>

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

CITY OF EDGEWATER, FLORIDA
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances--Budget and Actual
 Annually - Budgeted Nonmajor Capital Projects Funds
 For the Fiscal Year Ended September 30, 2010

	General Construction			Variance with Final Budget- Positive (Negative)
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Property tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	161,856	161,856
Total revenues	<u>-</u>	<u>-</u>	<u>161,856</u>	<u>161,856</u>
EXPENDITURES				
Capital Outlay	345,000	275,000	269,722	5,278
Total Expenditure	<u>345,000</u>	<u>275,000</u>	<u>269,722</u>	<u>5,278</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(345,000)</u>	<u>(275,000)</u>	<u>(107,866)</u>	<u>167,134</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	145,997	194,905	48,908
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>145,997</u>	<u>194,905</u>	<u>48,908</u>
Net change in fund balances	(345,000)	(129,003)	87,039	216,042
Beginning fund balances (deficit)	<u>335,093</u>	<u>335,093</u>	<u>335,093</u>	<u>-</u>
Ending fund balances (deficit)	<u>\$ (9,907)</u>	<u>\$ 206,090</u>	<u>\$ 422,132</u>	<u>\$ 216,042</u>

This page intentionally left blank

CITY OF EDGEWATER, FLORIDA

Internal Service Funds

September 30, 2010

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

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

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

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

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

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

CITY OF EDGEWATER, FLORIDA

Combining Statement of Net Assets

Internal Service Funds

September 30, 2010

	<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	\$ -	\$ -	\$ -	\$ 215,601	\$ 46,121	\$ 261,722
Due from other funds	-	-	-	4,980	-	4,980
Inventories	-	14,025	-	-	-	14,025
Total current assets	<u>-</u>	<u>14,025</u>	<u>-</u>	<u>220,581</u>	<u>46,121</u>	<u>280,727</u>
Noncurrent assets:						
Capital assets:						
Machinery and equipment	29,057	29,055	-	-	-	58,112
Less accumulated depreciation	<u>(8,254)</u>	<u>(10,703)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,957)</u>
Total capital assets (net accumulated depreciation)	<u>20,803</u>	<u>18,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,155</u>
Total noncurrent assets	<u>20,803</u>	<u>18,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,155</u>
Total assets	<u>20,803</u>	<u>32,377</u>	<u>-</u>	<u>220,581</u>	<u>46,121</u>	<u>319,882</u>
LIABILITIES						
Current liabilities:						
Accounts payable	1,691	175	-	162,957	-	164,823
Due to other funds	1,334	3,646	-	-	-	4,980
Accrued liabilities	5,063	3,841	-	-	-	8,904
Compensated absences	11,133	5,779	-	-	-	16,912
Total current liabilities	<u>19,221</u>	<u>13,441</u>	<u>-</u>	<u>162,957</u>	<u>-</u>	<u>195,619</u>
Noncurrent liabilities:						
Compensated absences	15,317	3,341	-	-	-	18,658
OPEB obligation	3,078	2,363	-	-	-	5,441
Total noncurrent liabilities	<u>18,395</u>	<u>5,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,099</u>
Total liabilities	<u>37,616</u>	<u>19,145</u>	<u>-</u>	<u>162,957</u>	<u>-</u>	<u>219,718</u>
NET ASSETS						
Invested in capital assets	20,803	18,352	-	-	-	39,155
Unrestricted	<u>(37,616)</u>	<u>(5,120)</u>	<u>-</u>	<u>57,624</u>	<u>46,121</u>	<u>61,009</u>
Total net assets	<u>\$ (16,813)</u>	<u>\$ 13,232</u>	<u>\$ -</u>	<u>\$ 57,624</u>	<u>\$ 46,121</u>	<u>\$ 100,164</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, 2010

	<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	\$ 350,000	\$ 595,450	\$ 336,809	\$ 1,959,747	\$ 226,583	\$ 3,468,589
Operating expenses:						
Salaries and employee benefits	151,708	113,810	-	-	-	265,518
Supplies and materials	48,896	468,567	-	-	-	517,463
Contract services	96,837	51	-	1,909,313	208,617	2,214,818
Other services and charges	48,764	22,206	338,027	-	-	408,997
Depreciation	6,563	5,971	-	-	-	12,534
Total operating expenses	<u>352,768</u>	<u>610,605</u>	<u>338,027</u>	<u>1,909,313</u>	<u>208,617</u>	<u>3,419,330</u>
Operating income (loss)	<u>(2,768)</u>	<u>(15,155)</u>	<u>(1,218)</u>	<u>50,434</u>	<u>17,966</u>	<u>49,259</u>
Income (loss) before contributions and transfers	<u>(2,768)</u>	<u>(15,155)</u>	<u>(1,218)</u>	<u>50,434</u>	<u>17,966</u>	<u>49,259</u>
Transfers out	-	-	-	-	-	-
Change in net assets	(2,768)	(15,155)	(1,218)	50,434	17,966	49,259
Total net assets - beginning	<u>(14,045)</u>	<u>28,387</u>	<u>1,218</u>	<u>7,190</u>	<u>28,155</u>	<u>50,905</u>
Total net assets - end	<u>\$ (16,813)</u>	<u>\$ 13,232</u>	<u>\$ -</u>	<u>\$ 57,624</u>	<u>\$ 46,121</u>	<u>\$ 100,164</u>

CITY OF EDGEWATER, FLORIDA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended September 30, 2010

	MIS	FLEET	Loss Fund	Fully Insured	Workers Comp	Total
Cash flows from operating activities:						
Receipts-customers and users	\$ 350,000	\$ 595,450	\$ 336,809	\$ 1,959,747	\$ 226,583	\$ 3,468,589
Payments-suppliers	(194,035)	(495,772)	(338,027)	(1,898,904)	(208,617)	(3,135,355)
Payments-employees	(146,616)	(109,413)	-	-	-	(256,029)
Net cash provided (used) by operating activities	9,349	(9,735)	(1,218)	60,843	17,966	77,205
Cash flows from noncapital financing activities:						
Cash received from (paid to) other funds	1,334	3,646	-	(4,980)	-	-
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(12,169)	(2,782)	-	-	-	(14,951)
Net increase (decrease) in cash and cash equivalents	(1,486)	(8,871)	(1,218)	55,863	17,966	62,254
Beginning cash and cash equivalents	1,486	8,871	1,218	159,738	28,155	199,468
Ending cash and cash equivalents	\$ -	\$ -	\$ -	\$ 215,601	\$ 46,121	\$ 261,722
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (2,768)	\$ (15,155)	\$ (1,218)	\$ 50,434	\$ 17,966	\$ 49,259
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	6,563	5,971	-	-	-	12,534
(Increase) decrease in assets:						
Inventories	-	(4,972)	-	-	-	(4,972)
Increase (decrease) in liabilities:						
Accounts payable	462	24	-	10,409	-	10,895
Accrued liabilities	1,380	1,170	-	-	-	2,550
OPEB Obligation	1,602	1,124	-	-	-	2,726
Compensated absences	2,110	2,103	-	-	-	4,213
Total adjustments	12,117	5,420	-	10,409	-	27,946
Net cash provided (used) by operating activities	\$ 9,349	\$ (9,735)	\$ (1,218)	\$ 60,843	\$ 17,966	\$ 77,205

CITY OF EDGEWATER, FLORIDA

Other Supplemental Schedules

September 30, 2010

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, 2010

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,148	\$ 2,579	\$ 25,146	\$ 28,873
Due from other funds	-	-	-	-
Investments, at fair value:				
Money market funds	-	-	301,168	301,168
Bonds	6,177,600	3,918,671	1,096,194	11,192,465
Equities	5,565,294	3,220,020	3,931,274	12,716,588
Real estate investment trust	431,848	255,569	-	687,417
Total assets	<u>12,175,890</u>	<u>7,396,839</u>	<u>5,353,782</u>	<u>24,926,511</u>
LIABILITIES				
Deferred contributions	<u>151,173</u>	<u>-</u>	<u>24,994</u>	<u>176,167</u>
NET ASSETS				
Held in trust for pension benefits	<u>\$ 12,024,717</u>	<u>\$ 7,396,839</u>	<u>\$ 5,328,788</u>	<u>\$ 24,750,344</u>

CITY OF EDGEWATER, FLORIDA

Combining Statement of Changes in Fiduciary Net Assets

Pension Trust Funds

For the Fiscal Year Ended September 30, 2010

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>	<u>Total</u>
ADDITIONS				
Contributions:				
Employer	\$ 358,156	\$ 420,044	\$ 288,630	\$ 1,066,830
Employee	32,706	71,201	88,515	192,422
State of Florida	-	125,156	120,164	245,320
Total contributions	<u>390,862</u>	<u>616,401</u>	<u>497,309</u>	<u>1,504,572</u>
Investment earnings:				
Interest and dividends	-	-	117,854	117,854
Net increase/ (decrease) in the fair value of investments	<u>1,153,090</u>	<u>717,449</u>	<u>442,232</u>	<u>2,312,771</u>
Total investment earnings	<u>1,153,090</u>	<u>717,449</u>	<u>560,086</u>	<u>2,430,625</u>
Less investment expenses	<u>(50,527)</u>	<u>(52,472)</u>	<u>(4,500)</u>	<u>(107,499)</u>
	<u>1,102,563</u>	<u>664,977</u>	<u>555,586</u>	<u>2,323,126</u>
Total Additions	<u>1,493,425</u>	<u>1,281,378</u>	<u>1,052,895</u>	<u>3,827,698</u>
DEDUCTIONS				
Pension benefits	1,010,299	564,197	121,756	1,696,252
Administrative expenses	<u>20,759</u>	<u>29,135</u>	<u>53,802</u>	<u>103,696</u>
Total deductions	<u>1,031,058</u>	<u>593,332</u>	<u>175,558</u>	<u>1,799,948</u>
Change in net assets	<u>462,367</u>	<u>688,046</u>	<u>877,337</u>	<u>2,027,750</u>
Net assets - Beginning of year	<u>11,562,350</u>	<u>6,708,793</u>	<u>4,451,451</u>	<u>22,722,594</u>
Net assets - End of Year	<u>\$ 12,024,717</u>	<u>\$ 7,396,839</u>	<u>\$ 5,328,788</u>	<u>\$ 24,750,344</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 Seven Fiscal Years

(accrual basis of accounting)

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

CITY OF EDGEWATER, FLORIDA

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

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

City of Edgewater, Florida
Changes in Net Assets (continued)
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year						
	2010	2009	2008	2007	2006	2005	2004
Net (Expense)/Revenue							
Governmental Activities	\$ (11,696,241)	\$ (11,763,879)	\$ (12,631,795)	\$ (12,990,060)	\$ (8,914,690)	\$ (9,148,783)	\$ (8,735,550)
Business-Type Activities	1,714,321	(1,019,842)	(890,998)	(1,098,745)	1,330,849	256,292	(609,777)
<i>Total Government Net Expense</i>	<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>
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Property taxes	\$ 5,083,616	\$ 5,638,194	\$ 6,053,965	\$ 5,983,622	\$ 5,045,677	\$ 4,125,604	\$ 3,884,932
Utility and franchise taxes	3,051,595	3,164,803	2,822,644	3,134,569	3,098,230	2,721,040	2,615,188
Intergovernmental shared revenue	1,574,091	1,673,522	1,842,215	1,956,463	1,952,077	1,901,135	1,746,746
Investment earnings	79,230	6,019	173,233	173,234	1,734,431	468,314	359,091
Gain on sale of assets	7,308	9,533	9,228	4,767,674	-	-	-
Miscellaneous revenue	64,279	55,163	53,686	116,255	-	-	-
Transfers	-	(215,517)	(1,316,682)	-	(679,119)	1,370,073	1,412,650
<i>Total Governmental Activities</i>	<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>
Business-Type Activities:							
Investment earnings	\$ 161,505	\$ (3,450)	\$ 108,935	\$ 501,098	\$ 714,244	\$ 537,757	\$ 637,063
Miscellaneous revenue	107,940	89,522	70,901	603	-	-	-
Transfers	-	215,517	1,316,682	-	679,119	(1,370,073)	(1,412,650)
<i>Total Business-Type Activities</i>	<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>
<i>Total Government</i>	<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>
Change in Net Assets							
Governmental Activities	\$ (1,836,122)	\$ (1,432,162)	\$ (2,993,506)	\$ 3,141,757	\$ 2,236,606	\$ 1,437,383	\$ 1,283,057
Business-Type Activities	1,983,766	(718,253)	605,520	(597,044)	2,724,212	(576,024)	(1,385,364)
<i>Total Government Change in Net Assets</i>	<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>

CITY OF EDGEWATER, FLORIDA

Fund Balances of Governmental Funds

Last Seven Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year						
	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
<i>Total General Fund</i>	<u>\$ 6,219,631</u>	<u>\$ 6,060,478</u>	<u>\$ 3,358,456</u>	<u>\$ 3,378,412</u>	<u>\$ 2,299,519</u>	<u>\$ 1,231,938</u>	<u>\$ 531,089</u>
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
<i>Total All Other Governmental Funds</i>	<u>\$ 1,154,271</u>	<u>\$ 2,050,884</u>	<u>\$ 2,498,179</u>	<u>\$ 4,875,551</u>	<u>\$ 2,618,385</u>	<u>\$ 2,504,669</u>	<u>\$ 1,886,594</u>
<i>Total Governmental Funds</i>	<u>\$ 7,373,902</u>	<u>\$ 8,111,362</u>	<u>\$ 5,856,635</u>	<u>\$ 8,253,963</u>	<u>\$ 4,917,904</u>	<u>\$ 3,736,607</u>	<u>\$ 2,417,683</u>

CITY OF EDGEWATER, FLORIDA

Changes in Fund Balances of Governmental Funds

Last Seven Fiscal Years

(modified accrual basis of accounting)

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

CITY OF EDGEWATER, FLORIDA

Tax Revenues by Source of Governmental Funds

Last Seven Fiscal Years

(modified accrual basis of accounting)

Fiscal Year Ended September 30	Property Taxes	Utility and franchise taxes	Total
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

CITY OF EDGEWATER, FLORIDAAssessed Value and Actual Value of Taxable Property
Last Nine 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

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
2001	5.9500	0.0000	9.1330	9.1580	0.6030	24.8440
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

(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	2010			2001		
	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Florida Power & Light	\$ 14,051,610	1	1.71%	\$ 8,157,304	1	1.38%
Carder James C & Rosemary TR	5,834,226	2	0.71%	1,508,860	9	0.26%
Edgewater Harbor LLC	4,787,273	3	0.58%			
RJ Dougherty Associates Inc	4,643,003	4	0.56%	1,313,489	10	0.22%
308 Realty LLC	4,364,345	5	0.53%			
Revenue Properties Florida	4,311,005	6	0.52%			
3050 Holdings LLC	4,234,427	7	0.51%			
AT&T	4,048,782	8	0.49%	3,833,522	3	0.65%
Bright House Networks LLC	3,577,499	9	0.44%	2,639,338	6	0.45%
Holly Investments	3,535,254	10	0.43%			
Coronado Paint Company, Inc	-	-	-	5,678,205	2	0.96%
Edgewater Commons	-	-	-	3,207,529	4	0.54%
Laramie Florida Shores, LP	-	-	-	2,789,334	5	0.47%
Bel Aire Investments, Inc	-	-	-	1,903,500	7	0.32%
First Federal Savings and Loan Association	-	-	-	1,736,977	8	0.29%
	<u>\$ 53,387,424</u>		<u>6.49%</u>	<u>\$ 32,768,058</u>		<u>4.24%</u>
Total Assessed Valuation	<u>\$ 822,343,254</u>			<u>\$ 589,101,000</u>		

Source: Volusia County Property Appraiser's Office & 2001 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
2001	2,647,837	2,599,328	98.17 %	11,357	2,610,685	98.60 %
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 %

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	
2001	70,420	-	-	6,449,101	-	-	9,098
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

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

(1) Net of un-amortized discount and deferred amount unrefunding

(2) See Demographic & Economic Statistics for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Business-Type Activities						
Capital Leases	State Revolving Loan	Revenue Bonds	Line of Credit	Total	Percentage of Personal Income (2)	Per Capita
-	16,991,868	14,611,025	-	38,131,512	8.11%	1,967
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

CITY OF EDGEWATER, FLORIDA
Ratios of General Bonded Debt Outstanding
Last Nine 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

CITY OF EDGEWATER, FLORIDA

Direct and Overlapping Debt

<u>Governmental Unit</u>	<u>Net General Obligation Debt Outstanding</u>	<u>Percentage Applicable to the City of Edgewater</u>	<u>City of Edgewater Share of Debt</u>
Volusia County	\$ 29,985,000	2.62%	\$ 785,607
Volusia County School District	-	0%	-
Subtotal Overlapping Debt	29,985,000	2.62%	785,607
City Direct Debt	410,000	100%	410,000
Total Direct and Overlapping Debt	<u>\$ 30,395,000</u>		<u>\$ 1,195,607</u>

Source: Volusia County

CITY OF EDGEWATER, FLORIDA

Legal Debt Margin Information
Last Seven Fiscal Years

		Legal Debt Margin Calculation for Fiscal Years						
		2010	2009	2008	2007	2006	2005	2004
Assessed Valuation								
Assessed taxable real property value	\$	771,615,565	\$ 931,079,265	\$ 1,149,237,664	\$ 1,044,891,852	\$ 770,546,385	\$ 624,157,884	\$ 539,132,542
Add back: exempt real property		467,797,506	636,648,753	667,246,620	670,906,020	448,458,761	350,007,187	272,478,247
Total assessed value of real property	\$	<u>1,239,413,071</u>	<u>\$ 1,567,728,018</u>	<u>\$ 1,816,484,284</u>	<u>\$ 1,715,797,872</u>	<u>\$ 1,219,005,146</u>	<u>\$ 974,165,071</u>	<u>\$ 811,610,789</u>
Legal debt margin:								
Debt limit	\$	9,295,598	\$ 11,757,960	\$ 13,623,632	\$ 12,868,484	\$ 9,142,539	\$ 7,306,238	\$ 6,087,081
Total net debt applicable to limit		2,910,507	4,649,000	6,070,152	7,618,910	8,883,985	9,857,233	11,412,236
Legal debt margin	\$	<u>6,385,091</u>	<u>\$ 7,108,960</u>	<u>\$ 7,553,480</u>	<u>\$ 5,249,574</u>	<u>\$ 258,554</u>	<u>\$ (2,550,995)</u>	<u>\$ (5,325,155)</u>
		Fiscal Years						
		2010	2009	2008	2007	2006	2005	2004
Debt Limit	\$	9,295,598	\$ 11,757,960	\$ 13,623,632	\$ 12,868,484	\$ 9,142,539	\$ 7,306,238	\$ 6,087,081
Revenues		2,910,507	4,649,000	6,070,152	7,618,910	8,883,985	9,857,233	11,412,236
Legal debt margin	\$	<u>6,385,091</u>	<u>\$ 7,108,960</u>	<u>\$ 7,553,480</u>	<u>\$ 5,249,574</u>	<u>\$ 258,554</u>	<u>\$ (2,550,995)</u>	<u>\$ (5,325,155)</u>
Total net debt applicable to the limit as a percentage of debt limit		31.31%	39.54%	44.56%	59.21%	97.17%	134.92%	187.48%

Note: Per *City of Edgewater City Charter*, the City's outstanding legal debt should not exceed .75 % of total assessed property value.

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:	Impact Fees	Net	Debt Service			Coverage
		Operating Expenses ⁽²⁾		Available Revenue	Principal	Interest	Total	
2010	7,085,984	4,863,198	226,897	2,449,683	-	95,296	95,296	25.71

Water & Sewer Revenue Bonds Series 1991 and 1993 ⁽⁴⁾								
Fiscal Year	Gross Revenues (Available)	Less:	Impact Fees	Net	Debt Service			Coverage
		Operating Expenses ⁽²⁾		Available Revenue	Principal	Interest	Total	
2001	4,949,424	2,901,684	502,881	2,550,621	365,000	701,812	1,066,812	2.39
2002	4,898,298	3,047,196	502,468	2,353,570	385,000	683,263	1,068,263	2.20
2003	5,108,991	3,300,405	503,182	2,311,768	385,000	683,262	1,068,262	2.16
2004	5,657,904	3,747,041	503,182	2,414,045	405,000	663,327	1,068,327	2.26
2005	6,013,236	3,159,111	502,542	3,356,667	425,000	641,967	1,066,967	3.15
2006	7,218,019	3,118,621	503,566	4,602,964	450,000	619,142	1,069,142	4.31
2007	6,743,708	4,322,699	300,107	2,721,116	445,000	552,305	997,305	2.73
2008	7,091,221	4,445,818	434,583	3,079,986	475,000	528,275	1,003,275	3.07
2009	6,993,334	4,428,224	221,108	2,786,218	475,000	536,300	1,011,300	2.76
2010	2,354,387	-	-	2,354,387	500,000	272,163	772,163	3.05

State Revolving Fund Debt							
Fiscal Year	Available Net	Special Assessments	Net	Debt Service			Coverage
	Revenue & Impact Fees		Available Revenue	Principal	Interest	Total	
2001	1,483,809	762,235	2,246,044	1,104,326	707,112	1,811,438	1.24
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

Water & Sewer Revenue Note, Series 2002					
Fiscal Year	Available Net	Debt Service			Coverage
	Revenue & Impact Fees	Principal	Interest	Total	
2001	-	-	-	-	-
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

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 1998 Bonds.
- (3) Series 2002 was incurred in FY2002
- (4) Refunded by the Water and Wastewater Refunding Revenue Bond, Series 2009

CITY OF EDGEWATER, FLORIDA

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Calendar Year</u>	<u>Population</u>	<u>Total Personal Income (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (1)</u>	<u>County Unemployment Rate (2)</u>	<u>School Enrollment (3)</u>
2001	19,390	462,102,480	23,832	42.4	4.0%	2,087
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

Sources:

(1) Volusia County Demographic Statistics

(2) Florida Agency for Workforce Innovation

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

CITY OF EDGEWATER, FLORIDA

Principal Employers

Current Year and Ten Years Ago

Employer (1) (2)	2010		2001	
	Number of Employees	Percentage of Total County Employment	Number of Employees	Percentage of Total County Employment
Boston Whaler	275	0.12 %	-	-
City of Edgewater	187	0.08	-	-
Publix Supermarkets	138	0.06	-	-
Winn Dixie Supermarkets	115	0.05	-	-
Edgewater Elementary	110	0.05	-	-
Indian River Elementary	90	0.04	-	-
Edgewater Power Boats	60	0.03	-	-
Everglade Boats	65	0.03	-	-
Dustins	35	0.02	-	-
Total	<u>1,075</u>	<u>0.48 %</u>	<u>-</u>	<u>-</u>
Total County Employment (3)		<u>224,428</u>		<u>-</u>

Source: (1) Information provided by each company

(2) Information not available for 2001

(3) Labor Market Statistics, Florida Research and Economic Database

CITY OF EDGEWATER, FLORIDA

Full-Time Equivalent City Government Employees by Function/Program

Last Seven Fiscal Years

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

CITY OF EDGEWATER, FLORIDA

Operating Indicators by Function/Program
Last Seven Fiscal Years

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

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

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

Function/program	Fiscal Year						
	2010	2009	2008	2007	2006	2005	2004
Police							
Police Stations	1	1	1	1	1	1	1
Police Vehicles	30	30	24	26	30	24	24
Patrol Zones	2	2	2	2	2	2	2
Fire							
Fire Stations	2	2	2	2	2	2	2
Fire Vehicles	15	15	13	13	15	11	11
Public Works							
Streets (miles)	124	124	124	124	124	123	123
Number of street lights	1,068	1,068	1,068	1,068	1,068	1,068	1,068
Number of traffic signals	3	3	3	3	3	3	3
Vehicles	5	5	5	5	5	4	4
Leisure Services							
Vehicles	12	12	9	9	10	10	9
Parks Acreage	151	151	151	151	143	150	151
Parks	28	28	28	28	28	28	28
Baseball Fields	7	7	7	7	7	7	7
Tennis Courts	4	4	4	4	4	4	5
Basketball Courts	2	2	2	2	2	2	2
Racquetball Courts	4	4	4	4	4	4	6
Community Center	1	1	1	1	1	1	1
Gymnasiums**	1	1	1	1	1	1	1
Water Resources							
Water mains (miles)	274	274	274	274	194	186	186
Fire hydrants	700	695	694	694	691	686	670
Vehicles	23	23	23	23	14	13	13
Sewer mains (miles)	189	189	189	189	189	180	180
Reclaim Water (miles)	71	71	71	71	71	71	69
Stormwater Utility							
Storm Sewers (miles)	35	35	35	35	35	35	35
Vehicles	7	10	10	10	10	7	7
Solid Waste							
Garbage Trucks	7	8	7	10	10	7	5
Other Vehicles	12	14	14	15	15	12	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, 2010

<u>Federal Agency / Pass-Through Entity / Federal Program</u>	<u>CFDA Number</u>	<u>Contract/Grant Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed-through County of Volusia, Florida:			
ARRA - Community Development Block Grant FY 09/10	14.253	B-09-UY-12-008	\$ 109,134
Total U.S. Department of Housing and Urban Development / Total CDBG – Entitlement Grants Cluster			109,134
<u>U.S. Department of Justice</u>			
Passed-through Florida Office of Attorney General			
Victim of Crime Act Grant FY 09/10	16.575	V0911	34,693
Passed-through Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2010-JAGD-VOLU-7-4Y-107	7,188
Total U.S. Department of Justice			41,881
<u>U.S. Department of Transportation</u>			
Passed-through Florida Department of Transportation:			
Highway Planning and Construction - Local Agency Program	20.205	APX32	27,177
<u>Environmental Protection Agency</u>			
Passed through Florida Department of Environmental Protection:			
Nonpoint Source Implementation Grants - Eastern Shores Stormwater	66.460	G0215	457,158
Passed through Florida Department of Environmental Protection:			
ARRA - Capitalization Grants for Clean Water State Revolving Funds - New Water Supply Wells	66.468	DW640500	593,109
ARRA - Capitalization Grants for Clean Water State Revolving Funds - SE Storage / Pump Station	66.468	DW640510	1,080,216
			1,673,325
Total U.S. Department of Environmental Protection			2,130,483
<u>U.S. Department of Homeland Security</u>			
ARRA - Assistance to Firefighters Grant - Station 55	97.115	EMW-2009-FC-04842R	134,679
Total Expenditures of Federal Awards			\$ 2,443,354

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 two 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 \$88,914 and \$161,115, respectively.

CITY OF EDGEWATER, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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 three are considered material weaknesses.
- The audit did not disclose any noncompliance, which was material to the basic financial statements.

Federal Awards:

Internal control over major Federal programs:

- One significant deficiency related to internal control over major Federal programs was disclosed by the audit, which is not considered a material weakness.
- 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
 - CFDA No. 66.460 – U.S. Environmental Protection Agency, Nonpoint Source Implementation Grants
- 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:

2010-01 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. These reconciliations should be reviewed by the Finance Director to ensure accuracy and provide meaningful and accurate financial statements and data throughout the year, which can then be used to aid in the management decision making process throughout the year.

Accounts which were not reconciled at year end included: cash, investments, accounts receivable, special assessments receivables and related deferred revenues, due from other governments, capital assets and related capital outlay, accrued payroll and related liabilities, and compensated absences.

2010-02 Journal Entry Approval and Support

The City does not have a standard and consistent approval process for journal entries. Consequently, an inappropriate or errant journal entry could be entered into the accounting system with no proper approval. A lack of control over approvals reduces the City's ability to identify fraudulent or inappropriate transactions on a timely basis. We recommend all journal entries be approved before posting to ensure validity and appropriateness.

In addition, we noted there is no required tracking of approval for journal entries. Consequently, several journal entries examined for testing during the audit lacked proper approval. Because the information system does not require approvals for posting journal entries, we recommend a tracking and reconciliation procedure be implemented to ensure all journal entries are properly approved.

Finally, we noted during testing of journal entries not all journal entries were accompanied by documentation to support the nature of the journal entry, other than the journal entry itself. Documentation supporting journal entries should be reviewed for accuracy and maintained with the approved copy of the journal entry to evidence the purpose and validity of the entry.

2010-03 Reconciliation of Special Assessments

During our testing of special assessment receivable balances, we noted several special assessment receivable balances, which were unchanged from the previous year. When the cash was collected, a deferred revenue account or revenue account was credited versus reducing the receivable resulting in overstated revenues and/ or liabilities. A review of the trial balance or fund statements throughout the year and at year end would have alerted City staff to the errors in recording throughout the year. We recommend a thorough review and reconciliation of such accounts be performed throughout the year and at year end to ensure related special assessment balances are properly stated.

2010-04 Reconciliation of Grant Revenues and Receivables

This is the first year the City has been subject to single audit in many years. To plan for the additional requirements of a single audit, the City appointed a staff person to gather information on the related grant expenditures made throughout the year. However, the expenditures were not reconciled to the reported revenues and amounts due from other governments and as a result it was noted that one grant had incurred expenditures, but reimbursement was never requested. In other instances, reimbursement was requested by the department in charge of the grant, but no related revenues or receivable were recorded on the general ledger. Lastly, the schedule of expenditures of

federal awards did not take into account any expenses submitted for reimbursement subsequent to year end for which the expense was incurred prior to year end. This resulted in numerous accounts not being properly reported or reconciled.

Additionally, amounts recorded as due from other governments as of September 30, 2009 were not addressed during the year ended September 30, 2010. When cash was received from a reimbursement, revenues were credited, versus removing the receivable resulting in overstated revenues. Additionally, several items from the previous year still included in due from other governments at year end were for items where the revenues were accrued, but the expense was never submitted to the grantor for reimbursement. Had the trial balance been reviewed throughout the year, it would have been apparent there was a misclassification of revenues since the balances were the same. 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.

C. Federal Award Findings and Questioned Costs:

2010-05 U.S. Environmental Protection Agency, Nonpoint Source Implementation Grants, CFDA 66.460

During our testing, we determined Reporting as a material compliance requirement. In reading through the grant agreement, we noted a requirement to submit an annual report to the grantor no later than 4 months after year end, which would be January 31, 2011. This report was not completed until we requested it for testing. 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 each grant revenues and expenditures as well as the related compliance requirements.

D. Prior Audit Findings:

2009-01 Reconciliation of Balance Sheet Accounts: Corrective action not taken. See current year comment 2010-01.

2009-02 Prior and Current Period Adjustments to Revenue: Corrective action taken with regard to prior period revenue adjustments. See current year comments 2010-03 and 2010-04 for comments pertaining to current year adjustments to revenues.

2009-03 Journal Entry Process: Corrective action not taken. See current year comment 2010-02.

2009-04 Tracking of Restricted Resources: Corrective action taken.

2009-05 Cash Disbursement Controls: Corrective action taken.

2009-06 Recording of Unusual/ Infrequent Transactions: Corrective action taken.

2009-07 Centralization of Grants: Some corrective action taken. See current year comment 2010-04 and 2010-05 pertaining to grants and reconciliation of revenues and receivables as well as controls over compliance.

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, 2010. 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, 2010. 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 2010-05.

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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. 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 2010-04 and 2010-05. 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.

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 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.

James Moore & Co.

Daytona Beach, Florida
March 25, 2011

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, 2010, and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 would not necessarily 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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. [2010-01, 2010-02, and 2010-04]

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. [2010-03]

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 25, 2011.

The City of Edgewater, Florida's response to the finding 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.

Janus Moore & Co.

Daytona Beach, Florida
March 25, 2011

**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, 2010, and have issued our report thereon dated March 25, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 25, 2011, 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. Recommendations made in the preceding annual financial audit and their status is summarized below:

2009-08 Excess Expenditures over Appropriations – The Police Impact Fee, Recreation Impact Fee, and General Construction funds total expenditures and transfers out did not exceed appropriations for the year ended September 30, 2010.

However, for the year ended September 30, 2010, the Animal Service fund's total expenditures and transfers out exceeded appropriations by \$4,934. We recommend the City amend the budget allowed by Florida Statutes within 60 days of year end so that expenditures do not exceed appropriations.

2009-09 Deficit Fund Equity – The LLEBG fund no longer has a deficit fund balance as of September 30, 2010.

However, the MIS internal service fund has a deficit unrestricted net asset balance of \$37,616 and total deficit net assets balance of \$16,813 at September 30, 2010. Additionally, the Fleet internal service fund has a negative unrestricted net asset balance of \$5,120 at September 30, 2010. Also,

at September 30, 2010, Animal Services fund has a negative fund balance of \$12,479. We recommend the City develop a plan to eliminate these deficit fund balances and net assets.

2009-10 Check Number Differences – Corrective action taken.

2009-11 Accounting Policies and Procedures - Corrective action taken.

2009-12 Cash Receipts - Corrective action taken.

2009-13 Permitting Process and Payments - We noted some instances where permits are given to customers without first collecting payment and permits issued are not periodically reconciled in the information system to ensure collection of payment was received. As such, there is a risk of never collecting fees on permits that do not require follow-up inspections. Also, permits paid for in cash at the cashier's office can be stamped as paid, but the payment never entered into the system. We recommend a new procedure be implemented to ensure permits are not issued until payment is received and a reconciliation be performed of permits issued and cash collected to ensure all cash collected on permits issued is properly recorded and accounted for.

2009-14 Information Technology - 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 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. 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.

2009-15 Interest Earnings Allocation - We noted interest earnings are not allocated out to the various funds which maintain a balance in pooled cash. We recommend that such balances be allocated out to the proper funds earning such interest, in order to ensure compliance with any restrictions such interest earnings.

2009-16 Errors in Documentation Supporting Special Assessments – Corrective action not taken. See schedule of findings and questioned costs, comment 2010-03 for current year comment pertaining to special assessments receivable.

2009-17 Calculation of Charges for Services – We noted certain enterprise fund revenue streams were miscalculated. These errors occurred due to improper input into the City's utility billing system. We recommend all changes to the City's information system calculating charges for services be reviewed by the City's Finance Director in order to detect and correct mistakes timely.

2009-18 Review of Personnel Changes – Corrective action taken.

2009-19 Employee Reimbursements – Corrective action taken.

2009-20 Access to Information System – Certain employees have access to the accounting information system modules that is not appropriate, given the employee’s assigned duties and position. We recommend the City perform a thorough review of access to the accounting information system modules to ensure levels of access are appropriate. Ensuring proper levels of access is a control to prevent improper use of the accounting information system, as well as prevent fraud.

2009-21 New Accounting Pronouncement (GASB No. 54 - Balance Reporting and Governmental Fund Type Definitions) – In March 2009, the GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* effective for the City’s fiscal year beginning October 1, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Because of the significance of the change, we recommend that management develop a plan to properly transition the City’s current reporting of fund balances to the new fund balance definitions. Governmental fund balances will be summarized into the following classifications:

- Nonspendable
- Restricted fund balance
- Committed fund balance
- Assigned fund balance
- Unassigned fund balance

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, the City of Edgewater, Florida has 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) control deficiencies that are not significant deficiencies. In connection with our audit, we have some findings, as discussed below.

2010-06 Disposition of Evidence and Found Property – We noted the disposition for evidence and found property after release from the court (or after state statute expires) is typically performed by one person (disposal of weapons or drugs have more than one person involved). This results in a risk that items could be misappropriated by City personnel for personal use or gain, but documented in the tracking system as disposed of or sold. We also noted numerous items in property inventory which were past the state statute of limitations requiring the City to keep the items, and should be disposed of. We recommend the City design and implement procedures to allow for timely disposition of property as well as provide for proper controls over tracking of evidence and found property, and segregation of duties over tracking and disposition.

2010-07 Additional Pay Items - During the course of the audit, we noted overtime calculations for some employees may not properly include all additional pay items. We recommend management review and modify the payroll system as needed to correct this issue and ensure all pay items are being properly included as wages

2010-08 Positive Pay – Currently, the City does not utilize positive pay, which is a service that could be provided by the bank to increase controls over cash disbursements, by only allowing approved payments to clear the cash accounts. We recommend the City consider implementing positive pay to ensure only check approved and authorized to clear the bank go through.

2010-09 Utility Adjustments – We noted one part-time finance staff that assists with cashiering also has the ability to post adjustments to utility accounts. Further, we noted the process for utility adjustments does not have a review by a second person for accuracy or reasonableness. Without review of adjustments posted to utility billing accounts, there is increased risk of inappropriate adjustments being made. This risk is increased when the person making adjustments also performs cashiering. We recommend that a review process for all utility billing adjustment be implemented in order to reduce this risk.

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, 2010, 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, 2010. 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.

James Moore & Co.

Daytona Beach, Florida
March 25, 2011



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 31, 2011

SUBJECT: Reply to the Independent Auditor's Report on Internal Control and Management
Letter Comments for Fiscal Year Ended September 30, 2010

INTERNAL CONTROL

Reconciliation of Balance Sheet Accounts

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

Journal Entry Approval and Support

Management concurs with this comment and recommendation to standardize the approval process and necessary support for journal entries.

Reconciliation of Special Assessments

Management concurs with this comment and recommendation to review and reconcile assessment accounts.

Reconciliation of Grant Revenues and Receivables

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

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

Disposition of Evidence and Found Property

Management concurs with this comment and recommendation to provide for proper controls over tracking of evidence and found property and the segregation of duties.

Additional Pay Items

Management concurs with this comment and recommendation to review and modify the payroll system.

Postive Pay

Management concurs with this comment and recommendation to consider implantation of positive pay.

Utility Adjustments

Management concurs with this comment and recommendation that procedures be put in place to review all adjustments to customers accounts.

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

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 2010 – 2011 budgets.

Permitting Process

Management concurs with this comment and recommendation to draft a procedure on this process.

Information Technology

Management concurs with this comment and recommendation to draft a procedure on this process.

Interest Earnings Allocation

Management concurs with this comment and recommendation to allocate interest earnings amongst all funds.

Errors in Documentation Supporting Special Assessments

Management concurs with this comment and recommendation to verify all documentation used as support for adjustments.

Calculation of Charges for Services

Management concurs with this comment and recommendation to review all changes placed into the financial system of the City.

Access to Information System

Management concurs with this comment and recommendation to review the appropriate access of individuals into the financial system of the City.

New Accounting Pronouncement (GASB No. 54)

Management concurs with this comment and recommendation to implement the new standard.



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.

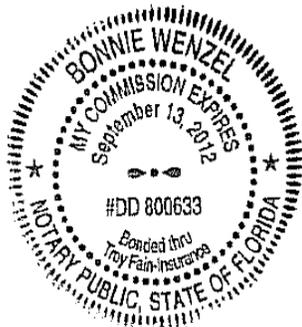
Tracey T. Barlow
City Manager

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 31st day of March 2011.



(Seal/Stamp)
(Commission Expiration Date)

Notary Public
State of Florida at Large