

City of Deltona, Florida

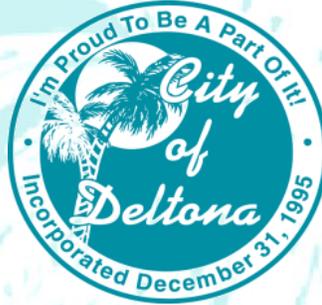
Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013



City of Deltona, Florida

Building Deltona's Future Through Continued Efficiencies and Effectiveness

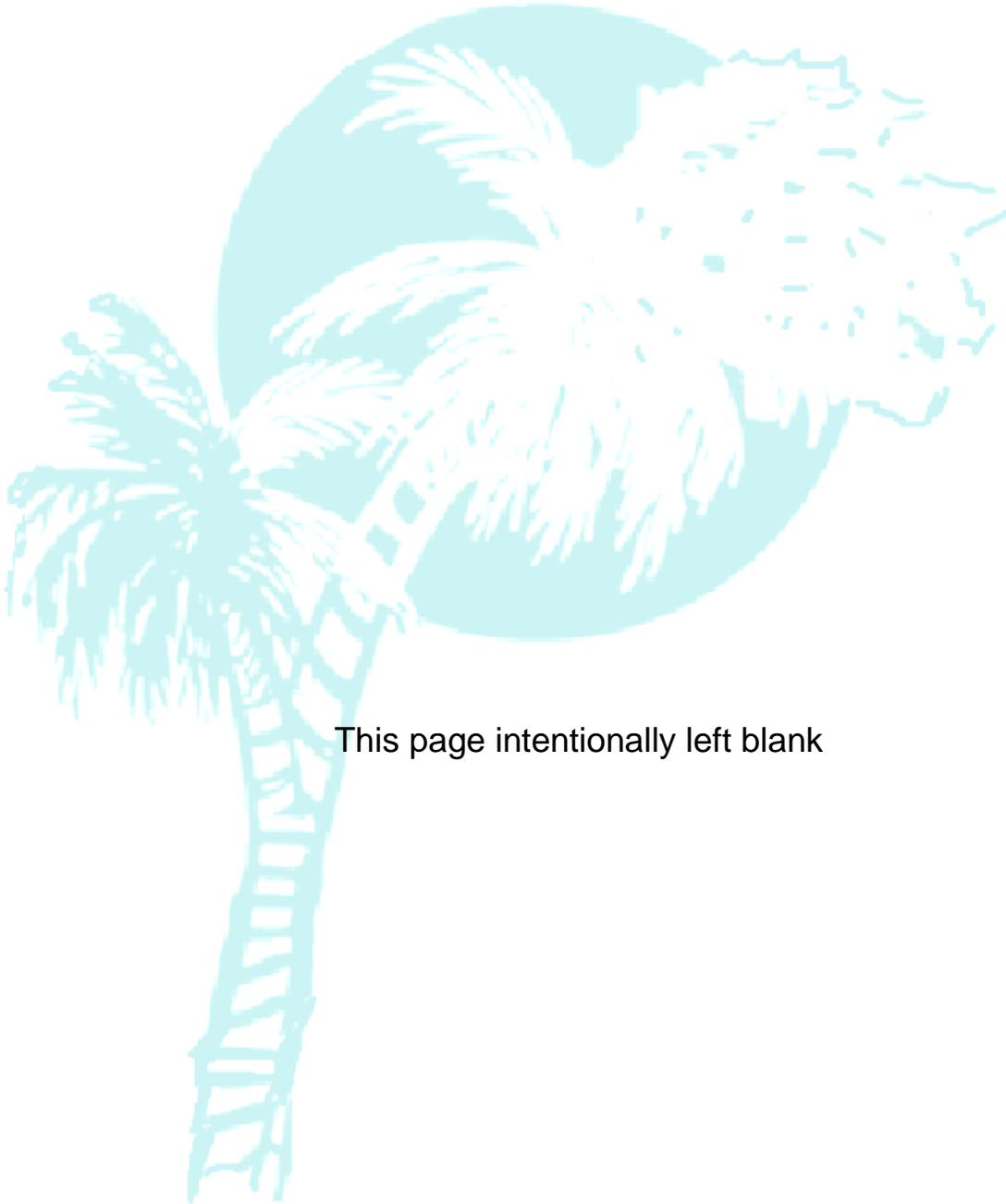


Comprehensive Annual Financial Report

For the year ended
September 30, 2013

Prepared By:
Finance Department

Submitted By:
William "Dave" Denny
City Manager



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CITY OF DELTONA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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CITY OF DELTONA, FLORIDA

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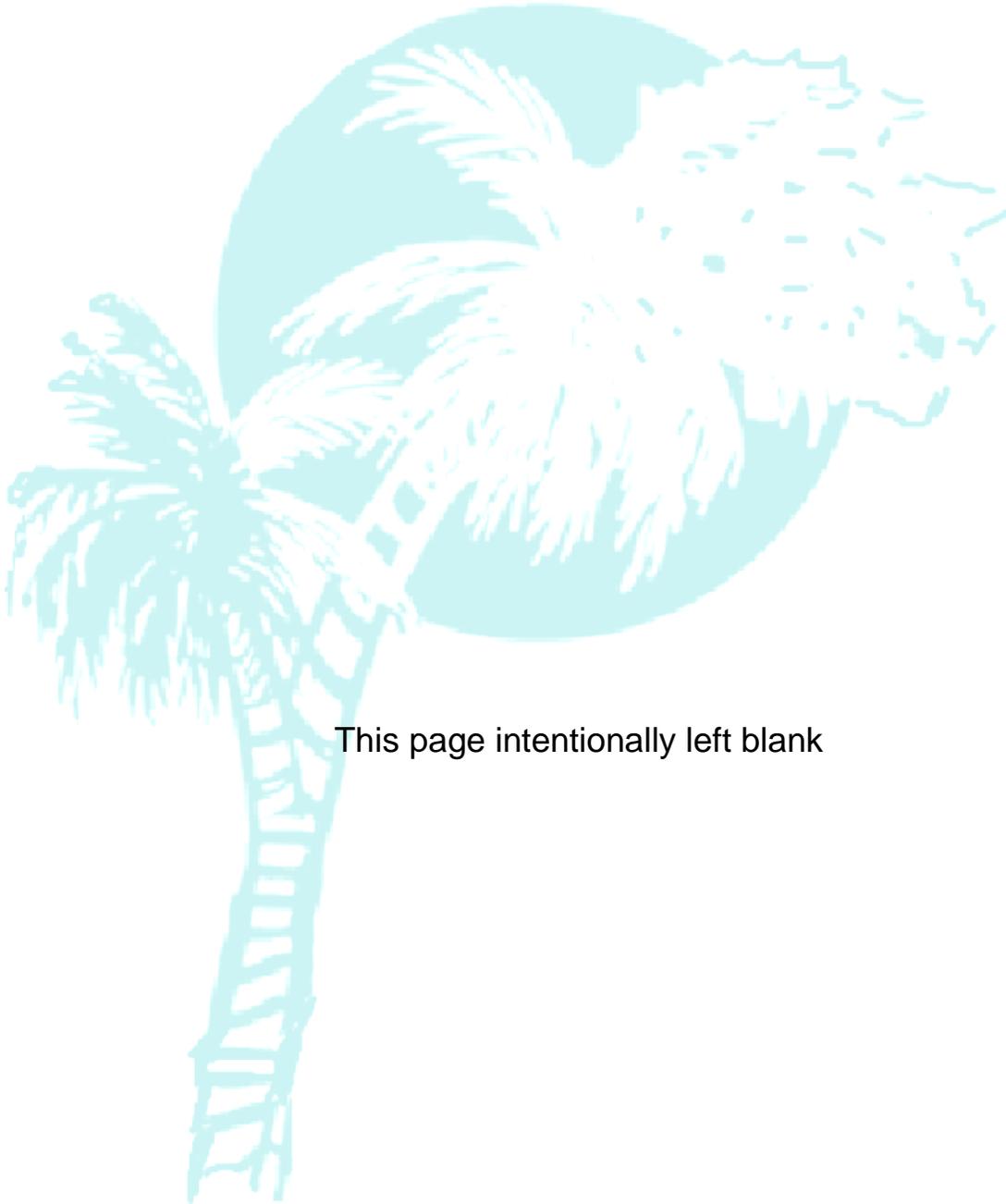
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City of Deltona

March 10, 2014

To the Honorable Mayor and
Members of the City Commission and
Citizens of the City of Deltona, Florida

Ladies and Gentlemen:

State law and local Charter require that every general-purpose local government publish a set of audited financial statements each year. This report is published to fulfill that requirement for the year ended September 30, 2013. The Comprehensive Annual Financial Report (CAFR) of the City of Deltona, for the fiscal year ended September 30, 2013, is hereby submitted pursuant to the City Charter, Florida Statutes, and Chapter 10.550, Rules of the Auditor General of the State of Florida.

Management assumes full responsibility for the reliability and completeness of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the City of Deltona, Florida (the "City").

Purvis, Gray & Company, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Deltona's financial statements for the year ended September 30, 2013. The independent auditors' 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 and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

DEPARTMENT OF FINANCE & INTERNAL SERVICES

2345 Providence Boulevard, Deltona, Florida 32725

(386) 878-8100 • Fax (386) 878-8551

Webpage: www.deltonafl.gov

Our History

The City of Deltona, Florida is located in the southwest corner of Volusia County, in the eastern central part of the Florida Peninsula. The City is situated along the Interstate 4 corridor approximately 25 miles northeast of Orlando and approximately 25 miles southwest of Daytona Beach. It currently occupies 46 square miles and serves a population of 85,442. The City started as a planned community by the Deltona Corporation in 1962 and was incorporated on December 31, 1995. The unhurried lifestyle, combined with its location, has made the City an ideal choice for living the affordable Florida lifestyle. In general, the population of the City is becoming younger and more diversified in ethnicity.

The first inhabitants of southwest Volusia County were Nomadic Timucuans who found fish and fresh water plentiful in the area. After Florida became a state in 1845, steamboats began to make regular trips up the St. Johns River to Lake Monroe.



St. Johns River tourists, about 1890

Visitors and residents poured into Florida and a community grew up on the shores of Lake Monroe at the steamboat landing. Named Enterprise, the little town soon boasted a schoolhouse, built in 1863, and two churches.

About the same time, Baron Frederick DeBary, a New York agent for Mumm's Champagne, arrived in the area. Baron DeBary bought several hundred acres near Enterprise to use as a hunting and fishing preserve. In 1871 Baron DeBary built a winter home where he entertained such notables as Presidents Grant and Cleveland as well as members of Europe's royalty. Baron DeBary died in 1898 at the age of 84.

Southwest Volusia remained quiet from the turn of the century until 1962 when the Mackle Brothers – Elliott, Robert and Frank, Jr. - bought 17,203 acres, filed a planned unit development plan for a community of 35,143 lots and named the area Deltona. The community was based on the idea of a retirement community for Northern workers. Construction started almost immediately and the first Deltonans took up residence in April of 1963. By the end of 1963, Deltona



The Mackle Brothers

had a population of 180 people comprising of 78 families. The initial concept of a retirement community quickly morphed into a bedroom community, housing the workforce of the Metro Orlando Area.

In 1970, the U.S. Census recorded 4,868 inhabitants. By 1980 Deltona's population was 15,710. The growth of the community continued at the amazing rate of about 130 new families per month to reach more than 52,000 people in 1991, cumulating in a population of 85,182 as of the U.S. Census in 2010.

After two failed attempts, one in 1987 and one in 1990, the residents of the unincorporated Deltona community voted to incorporate as the City of Deltona in 1995. A seven member Commission was elected. As part of the referendum for incorporation,

Letter of Transmittal

the Deltona Fire District was dissolved as the City provides fire protection services.

The City has grown to almost 300 employees and continues to contract with the Volusia County Sheriff's Department via an interlocal agreement for law enforcement services in the City.

On November 7, 2003, the City realized the long-term goal of owning its own utility. The City purchased the Deltona water and wastewater system from Florida Water Services after two years of negotiations. This purchase encompassed hiring many former Florida Water Services employees as well as acquiring all of the assets of Florida Water Services.

Profile of the Government

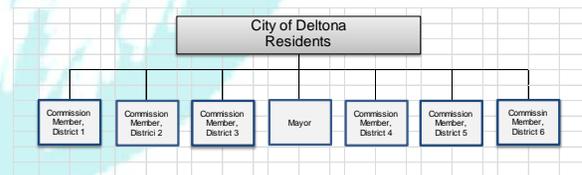
The City of Deltona operates under a Commission-Manager form of government consisting of a seven member Commission. Residents elect, through non-partisan elections, a Mayor who represents the City at large and six Commissioners who each represent a specific district of the City.



The term of office for each member of the City Commission, including the Mayor's position, is four (4) years.

Neither the Mayor nor any other Commission member may serve more than two consecutive four (4) year terms in the same position.

The City is governed by the City Charter as well as State and local laws and regulations. The Commission is responsible for the establishment and adoption of City policy and appointing a City Manager and City Attorney. The City Manager serves as the Chief Executive Officer of the City and is responsible for the execution of City policy and oversight of the day-to-day operations of the City.



The City of Deltona provides a full range of services including law enforcement and fire/rescue protection, solid waste management, storm water management, water and sewer service, construction and maintenance of road and street facilities, planning and development services, recreational and cultural activities as well as general administrative services.

The financial statements in this report include the funds of all the activities under the jurisdiction of the City Commission. The financial reporting entity includes all the funds of the primary government (i.e., the City of Deltona, Florida as legally defined), as well as all of its component units. The component units are legally separate entities for which the City is financially accountable. Currently, there are no entities outside the primary government that meet the definition of a component unit of the City.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit budget requests to the City Manager annually.



The City Manager uses these requests as the starting point for developing the proposed budget. The City Manager then presents the proposed budget to the City Commission for review during the month of July of each year. The City Commission is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30th of each year, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is at the departmental level. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Local economy

The City began to experience economic recovery in FY 2012/2013. Non-residential projects that were under construction were completed and will help to improve the local tax base. Several other projects were planned and approved for future development. Several master planned residential projects that were placed on hold during the economic downturn now include home construction. One of the best indicators of an economic recovery is the re-entitlement of land.



Projects that were planned for other uses or remained vacant land were rezoned for development and are positioned to go forward in FY 2013/2014.

Deltona has a large area (+/- 41 square miles) that allows for new and re-entitled property both along the east and west side. The east side will be facilitated by the construction of the Eastern Water Reclamation Facility to provide needed commercial sanitary sewer for businesses to open. Projects approved have been for office, medical and commercial retail. These are needed service sector and employment center uses. On the west side, the City approved a new medical office facility, an educational complex for a major regional university, and commercial retail is proposed for development.

The City continues to operate the Neighborhood Stabilization Program (NSP) which has resulted in the purchase of 83 homes to date: 64 sold homes, 11 homes for sale and 8 homes under construction / rehabilitation. The City has successfully operated the NSP 1 and 3 programs to-date, for a total grant amount of over \$8.5 million, not including funds generated from the sale of those homes. In addition to the NSP program, the City continues to receive allocations from the U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grant funds and operates them for stormwater management, recreation, housing repair and non-profit assistance projects.

The City continues to receive State Housing Initiatives Partnership (SHIP) funds from the Florida Housing Finance Corporation to provide needed housing repair relief for residents. The City focuses on the spending strategy of owner-occupied home repair to allow residents to improve life-safety issues that upgrade their homes for greater functionality.

Population in the City increased by 41% between the years 2000 and 2007 with 4.3% of that increase occurring between 2005 and 2007. The population of the City is increasing, having gained over 3,600 people in the 2010 U.S. Census count which leads to greater growth and an anticipated stronger local economy in FY 2013/2014. As projected by the U.S. Census, there are 85,442 residents in 2013 as a population projection, up from 85,182 residents in 2010 for the Census count. The increase in population has resulted in the need for more housing, repairs to existing homes, increased property values and the development of non-residential service oriented businesses.

The City's economic outlook is largely impacted by the State and regional economy with a great deal of reliance placed on surrounding communities for work, shopping and entertainment. Area employment consists predominately of service-related activities, retail trade, manufacturing, government and construction. Additionally, a large percentage of the workforce commutes to jobs outside the City. Unemployment figures for the area tend to trend higher than both State and national rates but have decreased dramatically in 2013. In the 3rd quarter of 2013, Deltona's unemployment rate dropped to 7.5%, quite a drop from the 12.9% unemployment rate in the 4th quarter of 2010, a reduction of 5.4% in less than three years.



In the past several years, the regional economy has suffered, and with it, the City experienced lower levels of building activity while population remained essentially unchanged over the previous year. The City's land use is almost entirely residential with over 3/4th of available land being built

out. New construction permits for single-family residential housing had slowed down for nine consecutive years beginning in FY 2002/2003 but actually experienced positive growth in FY 2012/2013 with 51 residential permits issued during the year.

Property tax revenue for FY 2012/2013 was \$451,437, or 3.8%, less than in the prior fiscal year as the City Commission adopted a millage rate 4.42% below the "roll-back" rate. In addition, for the sixth year in a row, the City collected property tax revenues less than the City's peak year of property tax revenues. Property tax revenue for FY 2012/2013 was \$1,377,655 less than that collected in FY 2006/2007, the City's peak year for property tax revenues.

The City's economic environment continued to be somewhat flat this past year with total property values essentially unchanged. However, Property values, as determined by the Volusia County Property Appraiser, increased just over 5% for FY 2013/2014. While these were very encouraging figures, the City continues to take a very conservative approach toward economic recovery in an effort to guard against either a continued slow recovery or a new recession. The City remains hopeful that the housing market has, in fact, finally reached bottom so that future revenues will level off. Minimal growth in new construction is anticipated in FY 2013/2014.

While residents enjoy the quiet suburban lifestyle offered by this community, public sentiment is to maintain and preserve its residential character. Therefore, the City's tax base, because it is almost exclusively residential, is likely to continue to present a significant financial challenge to the City's government with respect to all aspects of service delivery in the coming years unless significant commercial development occurs in the very near future.

Letter of Transmittal

In an effort to promote nonresidential development activity, the City hired a Business Development Administrator in FY 2010/2011 to help advance sustainable economic growth for the purpose of achieving a more balanced residential-to-nonresidential tax base and to provide more job opportunities with higher wages.

The assistance of in-city job creation and the increase of ad valorem revenue are the City's primary economic development goals.

To reach these goals, in 2010, the City's Office of Economic Development (OED) created a strategy to encourage economic growth and to bring jobs to the City. This strategy focuses on four targeted industries: commercial / industrial, medical, educational and tourism.

Commercial / industrial:

The biggest obstacle the City is faced with commercial / industrial growth is that there is not a commercial / industrial park within the City. The OED is currently working with three owners of 260+/- acres zoned industrial and adjacent to I-4 to try to develop a commercial / industrial park. In 2013 a study was completed by Boyette Strategic Advisors stating "...Commerce park in Deltona is one of the last remaining large-scale distribution sites left at an interchange along I-4..." The City hopes to be able to fully utilize that site in the future.

Medical:

Concurrent with recruiting medical providers to the City into existing / empty retail space, the groundwork for new and larger medical facilities is being laid. Halifax Heath has announced plans to develop three sites within the City with multiple expanded applications. Medical expansion attracts additional medical facilities and, as a result, the City is projecting hundreds of new medical jobs in the future.

Educational:

Education is both important for the local economy and results in the creation of jobs. Recent educational advancements in the City have been the expansion of Daytona State College, the opening of the Academy for Career Training and the expansion of Bethune-Cookman University.

Tourism:

Deltona is located between two tourism behemoths – Orlando and Daytona Beach. Although the City does not have any theme parks, it does offer an abundance of parks, springs and trails which equates to *eco-tourism*. Currently, eco-tourism in Florida is a larger industry than either golf or citrus industries. The City is hoping to capitalize on its natural beauty and is working with the Audubon Society on the expansion of a series of birding, walking and bike trails, kayaking and trailhead areas.

Long-term financial planning

In September, 2011 the City Commission adopted a Resolution creating a minimum fund balance policy. This policy is comprised of two components: 1) a Natural Disaster reserve equal to \$6,000,000 for the purpose of providing the means to respond to public emergencies and/or natural disasters and; 2) an operating reserve equal to two (2) months of General Fund annual operating expenditures for the purpose of providing the City with the fiscal means to respond to unexpected operational shortfalls, legislative impacts, or other economic events affecting the City's operations that could not have easily been anticipated at the time the annual budget was prepared.



In September of 2012, the City adopted Resolution No. 2012-29 establishing two additional fund balance reserves. Resolution No. 2012-29 added an Economic Development reserve equal to \$1,000,000 as well as a City Infrastructure reserve equal to \$1,000,000. These are both one-time only reserves intended to assist with economic development within the City until such time these reserves are depleted.

As of September 30, 2013, the total fund balance of the General Fund was \$21,451,000. With the adoption of GASB 54, as of September 30, 2011 the City designed certain portions of fund balance as Restricted, Committed or Assigned with the remaining amount being Unassigned and able to be used for any legal purpose. Of the total \$21,451,000 fund balance, \$468,500 is non-spendable in the form of a pre-paid; no funds are designated as Restricted; \$40,500 is designated as Committed for wetland mitigation; and \$15,802,000 is designated as assigned - \$6,000,000 for natural disasters, \$4,980,000 for an operating reserve, \$1,000,000 for economic development, \$1,000,000 for City infrastructure and \$2,822,000 to be used for equipment in the Capital Equipment Fund. The remaining fund balance of \$5,140,000 is unassigned and may be used for any legal general purpose.

The City Commission and the City Manager continue to develop a vision for the City's future and have created goals and objectives toward that vision. The plan looks to respond to the needs of the community, while at the same time meeting those needs in a cost-effective and efficient manner.

The Vision

Deltona is a premier City that takes pride in its neighborhoods and embraces the diversity of its residents. The caring community provides a high quality of life

where people live, work and play in a safe and secure environment.

The City's location along the St. John's River, along with an appreciation for our history, insures a sustainable future through the careful stewardship of our resources.

The Mission

It is the mission of the City's Government to anticipate and provide for the needs of its residents with quality service, innovation and leadership for today and for the future.

The Goals and Objectives

Goal & Objective # 1 – Overall Development

- Assure a variety of housing options in the City
- Create an overall development plan for the City, including a strategic plan with citizen input
- Develop a financially feasible strategic capital projects list

Goal & Objective # 2 – Infrastructure

- Develop plans for City-wide phased expansion of the sewer system
- Build a sewer treatment plant
- Continue road program improvements and build new roads
- Continue to upgrade the water distribution system

Goal & Objective # 3 – Financial Sustainability

- Develop strategies to kick-start development of activity centers
- Review the budget process for possible improvements

Goal & Objective # 4 – Internal and External Communication

- Protect home rule powers
- Improve proactive efforts to get information to the public, media, etc.

Goal & Objective # 5 – Economic Development and Redevelopment

- Redevelopment plans for Deltona Blvd. and Saxon Blvd.
- Develop overall economic development plan
- Expansion of medical facilities on east side (SR 415)

Goal & Objective # 6 – Public Services

- Develop additional parks and recreational facilities
- Assess social service needs and appropriate role of the City in provision of them
- Build a public safety complex

Goal & Objective # 7 – Beautification

- Develop a comprehensive, City-wide beautification plan

Relevant financial policies

The City implemented GASB Statement No. 45 “Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions” during FY 2008/2009. The City engaged an actuary to provide estimates of the potential liability the City is required to disclose. The estimated total unfunded actuarial accrued liability as of September 30, 2013 was \$1,502,000 for all governmental and enterprise funds combined. Of that total approximately 62%, or \$923,000, is attributable to Fire & Rescue Services.

Major initiatives

The State legislation enacted new regulations relating to property tax reform, effective for FY 2008/2009. The passage of Amendment 1 added a second \$25,000 homestead exemption to homesteaded property as well as adding portability to the “Save Our Homes” benefit in certain circumstances. The City passed an ordinance for the FY 2010/2011 tax year granting low income seniors an additional \$25,000 homestead exemption. This

resulted in an approximately \$97,000 reduction in property tax revenue in the first year the exemption was implemented. In November of 2012 Amendment 11 was passed which allowed for an additional homestead exemption for low income seniors who have been in their homes for more than 25 years. The impact of this exemption to the City for the first year was less than \$1,000 of lost revenue.

Financial Challenges

We expect to face on-going financial challenges in the next few years as the economy continues to remain relatively flat and the slump in the real estate market slowly recovers. The City will continue to face these financial challenges even as the real estate market improves because of the “Save Our Homes” provision which limits the maximum annual increase in assessed value of a homesteaded home to 3.0%. For the fifth year in a row, the FY 2012/2013 budget experienced a slight decline in our tax base. The City did experience a slight increase (5%) in its tax base for the FY 2013/2014 budget year.



In the FY 2013/2014 budget, the City kept operating expenditures essentially flat, quite an accomplishment given that over the previous five years General Fund operating expenditures were significantly reduced. Essentially all of the savings came from General Government and not Public Safety in keeping with public and Commission priorities. A large part of the reduction in operating expenditures over the previous five years is attributable to a reduction in staff in various departments due to attrition and/or elimination of open positions.

General Fund transfers to other funds totaled \$3,000 all of which went to the Park

Projects Fund for roof repairs to the batting cages at Dewey Boster Sports Complex.

Long Range Planning

In 2010, the Florida Department of Economic Affairs (DEO) approved the City's Comprehensive Plan review to find the City in compliance with State Growth Management Law. This process, known as the EAR-Based Amendment cycle, is undertaken every seven years in Deltona to ensure that the goals, objectives, and policies that govern the long-range planning horizon (20-year plan) are being adhered to and followed systematically. The City also updates the Capital Improvements Element of the Comprehensive Plan on an annual basis and has been found in compliance by DEO each year for that document as well. Thus, the City of Deltona is current with the required updates to the Comprehensive Plan and is implementing that plan, as adopted.

A second component for land use regulations within the City is to ensure that the Land Development Code (LDC) is consistent and compatible with the Comprehensive Plan. The City's Planning and Development Services Department has worked diligently since 2012 to reorganize and update that document with a series of major amendments. Planning staff completed Phase I and Phase II-A of the series of document amendments. Phase II-B is being completed and Phase III will commence following adoption of Phase II-B. Finally, the applications associated with the Land Development Code for development review will be completed. The end result will be a consistent and functional system for development review and ultimate construction.

Recreation programs are important to both the City and the residents of the City. A Parks and Recreation Master Plan was completed in FY 2007/2008. This Plan

includes a 10 year growth plan relating to the Parks and Recreation function of the City. As part of this plan, the City



purchased the Thornby property and the all-inclusive playground on the property was completed in February, 2011.

The demand and resulting deterioration on the City's roadways continues to increase. In the FY 2012/2013 budget, the City appropriated \$4.93 million to continue road resurfacing and to complete various road widening projects.

Awards and acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial reporting to the City of Deltona, Florida, for its Comprehensive Annual Financial Report for the fiscal year ending September 30, 2012. This was the thirteenth consecutive year that the City received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe this CAFR continues to meet the Certificate of Achievement Program's requirements and we intend to submit it to the GFOA to determine eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended September 30, 2013. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged

Letter of Transmittal

proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express

our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Deltona's finances.

Respectfully submitted,

William D Denny
William "Dave" Denny
City Manager

Robert Clinger
Robert Clinger, CPA
Finance Director



Government Finance Officers Association

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

Presented to

**City of Deltona
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

A handwritten signature in black ink that reads "Jeffrey R. Emer". The signature is written in a cursive style.

Executive Director/CEO

ORGANIZATIONAL CHART



Citizens of Deltona

Elected Officials
 John C. Masiarczyk, Sr., Mayor
 Zenaida Denizac, District 1, Vice Mayor Webster Barnaby, District 2
 Heidi Herzberg, District 3 Nancy Schleicher, District 4
 Fred Lowry, Jr., District 5 Chris Nabicht, District 6

Various Appointed Boards & Committees

City Clerk's Office
 Joyce Kent, CMC, City Clerk

Public Works
 Gerald Chancellor, Director

- Utilities
- Engineering
- Field Operations
- Fleet Maintenance
- Stormwater
- Traffic Operations
- Water & Wastewater Operations

Fire / Rescue Department
 Robert "Bob" Staples, CMO
 Fire Chief

- Operations/Combat
- Emergency Management/Administration
- Fire Loss Management

City Manager
 William "Dave" Denny

Deputy City Manager
 Dale Baker

Information Technology
 Steve Narvaez, IT Manager

Parks & Recreation
 William "Steve" Moore, Director

- Facilities Maintenance
- LEC/Amphitheatre Scheduling
- Community/Special Events

Building & Enforcement Services Department
 Dale Baker, Director

- Enforcement Services Division
- Solid Waste Division
- Construction Services Division

City Attorney
 Gretchen "Becky" Vose

Finance
 Robert "Bob" Clinger, CPA
 Director

- Accounting/Payroll
- Budget & Operational Services
- Fiscal Services
- Purchasing

Law Enforcement
 Captain David "Dave" Brannon
 District Commander

Contracted services with Volusia County Sheriff's Office

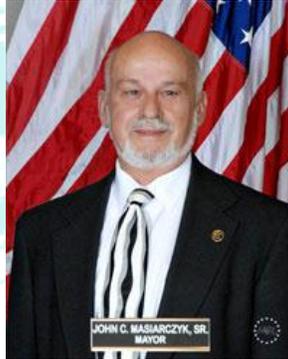
Planning & Development Services
 Chris Bowley, Director

- Economic Development
- Short Range Planning
- Long Range Planning
- Community Development

Human Resources
 Tom Acquaro, MPA,
 IPMA-CP, Director

- Human Resources
- Risk management

**Elected Officials
As of September 30, 2013**



John C. Masiarczyk
Mayor



Zenaida Denizac
Vice Mayor
District 1



Webster Barnaby
District 2



Heidi Herzberg
District 3



Nancy Schleicher
District 4



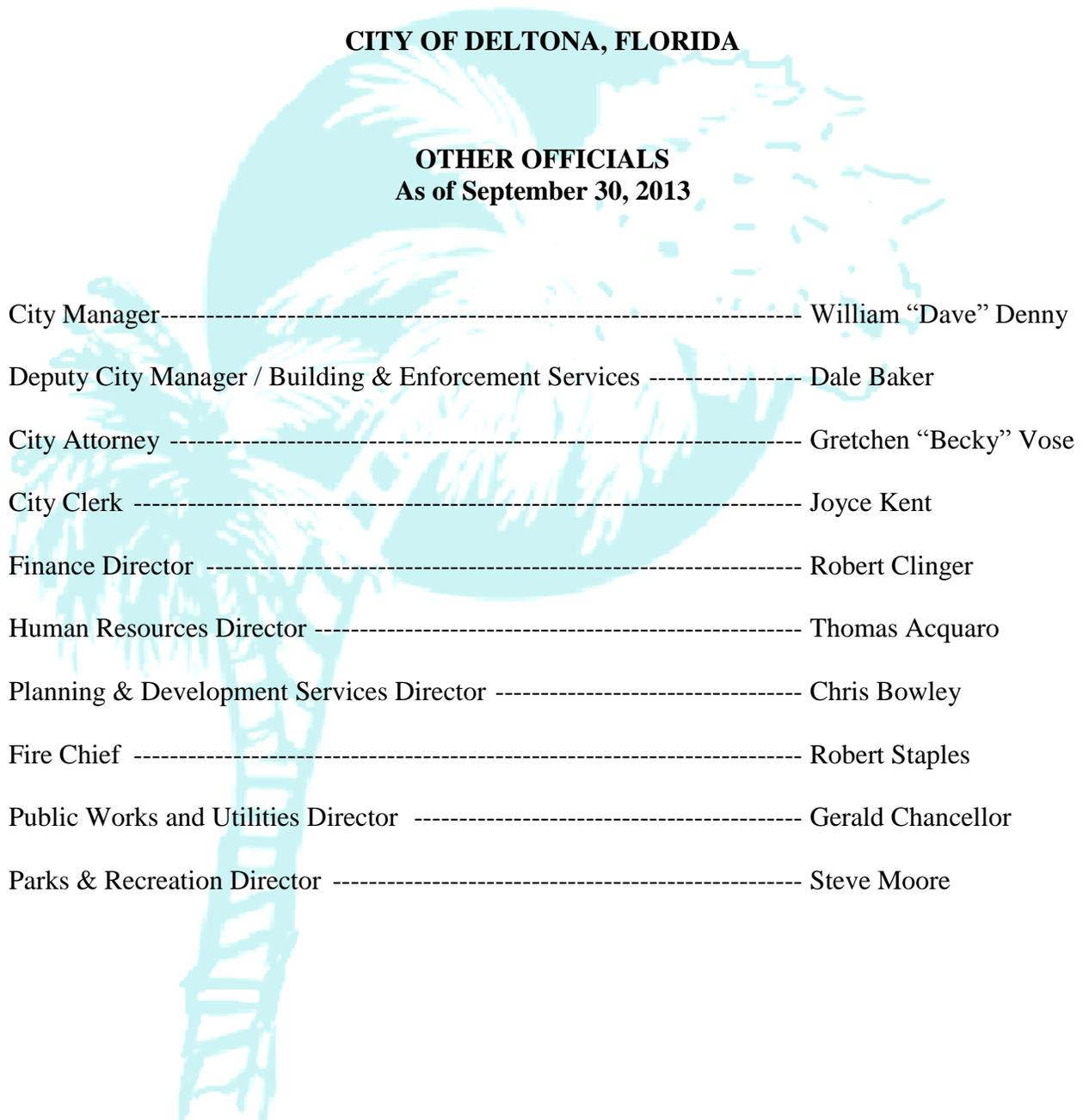
Fred Lowry, Jr.
District 5



Chris Nabicht
District 6

CITY OF DELTONA, FLORIDA

OTHER OFFICIALS
As of September 30, 2013



City Manager-----	William “Dave” Denny
Deputy City Manager / Building & Enforcement Services -----	Dale Baker
City Attorney -----	Gretchen “Becky” Vose
City Clerk -----	Joyce Kent
Finance Director -----	Robert Clinger
Human Resources Director -----	Thomas Acquaro
Planning & Development Services Director -----	Chris Bowley
Fire Chief -----	Robert Staples
Public Works and Utilities Director -----	Gerald Chancellor
Parks & Recreation Director -----	Steve Moore

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762

5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309

MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

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 of Deltona as of September 30, 2013, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major fund budgetary comparison information and schedule of funding progress, 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 Government 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 of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for the purpose of additional analysis, and are not a required part of the basic financial statements. The 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, budget and actual, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements.

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Matters (Concluded)

Other Information (Concluded)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

March 10, 2014
Ocala, Florida

Management's Discussion and Analysis

As management of the City of Deltona (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the letter of transmittal, which can be found on pages i-x.

Financial Highlights

- The net position of the City, the amount by which its assets exceeded its liabilities at the close of the most recent fiscal year, was \$159.7 million. Of this amount, \$26.8 million (*unrestricted net assets*) may be used to meet the government's on-going obligations to citizens and creditors.
- The City's total net position increased by \$1.7 million or about 1.1%. This increase in net position is primarily attributable to business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$32.3 million, a decrease of approximately \$456,000, or 1.4%, in comparison with the prior year. Approximately 17.4% is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5.1 million or 17.2% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic

financial statements. The City's basic financial statements are comprised of 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.

Government-wide financial statements

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

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events 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 result in cash flows, either positive or negative, in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of its costs through user fees and charges (*business-type activities*). The

governmental activities of the City include law enforcement and fire/rescue services, stormwater management, solid waste management, code enforcement, construction and maintenance of road and street facilities, planning and development services, recreational and cultural activities and general administrative services. The business-type activities of the City include services provided by the water and sewer utility.

The City's government-wide financial statements can be found on pages 19-20 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, objectives or legal reasons. The City, like other State and local governments, uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary (or enterprise) 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. This type of 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 governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. The Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances for the governmental funds both provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains fifteen individual governmental funds. Six of these funds are considered to be major funds. Information regarding the major funds is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances. Data from the non-major governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements are presented on pages 21-24 of this report.

Proprietary funds

The City maintains one proprietary, or enterprise, fund. Enterprise funds are used to report the same type of functions presented as business-type activities in the governmental-wide financial statements. The City uses an enterprise fund to account for its water and sewer distribution operation.

Enterprise fund financial statements provide the same type of information as the government-wide financial statements.

However, the enterprise fund financial statements provide more detail. The water / sewer utility fund is considered a major fund of the City of Deltona. The basic enterprise fund financial statements can be found on pages 25-29 of this report.

Fiduciary funds

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

The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

Notes to the financial statements

The Notes to the Financial Statements provide additional information that is needed in order to obtain a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 32-63 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. This required supplementary information presents combining and individual fund statements and schedules and also provides information regarding the City's funding progress in meeting its obligation to provide pension benefits to the City's firefighters. It also provides information

regarding the City's obligation to provide certain Other Post-Employment Benefits.

The Required Supplementary Information can be found on pages 65-74 of this report.

This report also includes Supplemental Information on the City's non-major funds. The combining statements referred to earlier in regards to non-major governmental funds are presented immediately following the Required Supplementary Information on pensions. Combining and individual fund statements and schedules can be found on pages 75-90 of this report. While this information is not required, it is helpful to the reader in order to gather a complete picture of the governmental unit in its entirety.

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the City, assets exceeded liabilities by \$159.7 million at the close of the fiscal year reported.

By far, the largest portion of the City's net position (81.3%) reflect its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment), less any related debt issued to acquire those capital assets that is still outstanding. The City uses these capital assets to provide services to its citizens and therefore, these capital assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided for by other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Management’s Discussion and Analysis

City of Deltona’s Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 37,558,910	\$ 38,326,961	\$ 25,049,429	\$ 41,562,116	\$ 62,608,339	\$ 79,889,077
Capital assets, net of depreciation	127,477,152	128,145,367	82,437,108	78,251,260	209,914,260	206,396,627
Total assets	165,036,062	166,472,328	107,486,537	119,813,376	272,522,599	286,285,704
Current and other liabilities	2,756,799	3,621,780	3,808,550	5,999,007	6,565,349	9,620,787
Long-term liabilities	23,298,547	24,005,359	82,951,735	94,656,424	106,250,282	118,661,783
Total liabilities	26,055,346	27,627,139	86,760,285	100,655,431	112,815,631	128,282,570
Net Assets:						
Investment in capital assets net of related debt	114,171,165	116,190,035	15,641,068	5,519,770	129,812,233	121,709,805
Restricted	2,216,898	2,064,877	849,581	8,487,663	3,066,479	10,552,540
Unrestricted	22,592,653	20,590,277	4,235,603	5,150,512	26,828,256	25,740,789
Total net assets	\$ 138,980,716	\$ 138,845,189	\$ 20,726,252	\$ 19,157,945	\$ 159,706,968	\$ 158,003,134

A portion of the City’s net position (1.9%) represents resources that are subject to external restrictions on how they may be used. Only \$26.9 million or 16.8%, of the City’s total net assets are considered unrestricted and may be used to meet the City’s on-going obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in net position for

both governmental activities and restricted and unrestricted assets for business-type activities.

Government-Wide Activities

Governmental activities increased the City’s net position by \$136,000 while business-type activities experienced an increase in net position of \$1,568,000. Key elements of these changes are as follows.

City of Deltona's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	\$ 10,374,603	\$ 8,741,561	\$ 16,789,419	\$ 18,720,844	\$ 27,164,022	\$ 27,462,405
Operating grants and contributions	3,887,399	2,736,446	-	-	3,887,399	2,736,446
Capital grants and contributions	1,334,533	1,482,553	125,704	43,178	1,460,237	1,525,731
General Revenues:						
Property taxes	11,405,246	11,856,683	-	-	11,405,246	11,856,683
Franchise fees	3,436,887	3,474,383	-	-	3,436,887	3,474,383
Other taxes	13,306,994	12,927,191	-	-	13,306,994	12,927,191
State Shared Revenues	2,141,004	1,668,923	-	-	2,141,004	1,668,923
Other	576,143	790,873	(639,882)	1,167,705	(63,739)	1,958,578
Total Revenues	46,462,809	43,678,613	16,275,241	19,931,727	62,738,050	63,610,340
Expenses:						
Governmental Activities:						
General government	8,246,984	8,618,729	-	-	8,246,984	8,618,729
Public safety	18,605,589	18,000,160	-	-	18,605,589	18,000,160
Physical environment	8,989,720	7,560,685	-	-	8,989,720	7,560,685
Highways and Streets	5,358,992	5,209,626	-	-	5,358,992	5,209,626
Culture & recreation	2,616,214	2,726,161	-	-	2,616,214	2,726,161
Economic environment	1,525,531	2,491,265	-	-	1,525,531	2,491,265
Interest on long-term debt	984,252	1,031,328	-	-	984,252	1,031,328
Business-type Activities:						
Water and sewer	-	-	14,706,934	14,326,294	14,706,934	14,326,294
Total Expenses	46,327,282	45,637,954	14,706,934	14,326,294	61,034,216	59,964,248
Change in Net Assets	135,527	(1,959,341)	1,568,307	5,605,433	1,703,834	3,646,092
Net Assets-beginning of year	138,845,189	140,804,530	19,157,945	13,552,512	158,003,134	154,357,042
Net Assets-end of year	\$ 138,980,716	\$ 138,845,189	\$ 20,726,252	\$ 19,157,945	\$ 159,706,968	\$ 158,003,134

- In FY 2012/2013 charges for services in governmental activities increased by \$1,633,000 or 18.7%. Of this increase \$1,379,000, or 84.5%, is attributable to the increase in solid waste rates charged to residents due to an increase received by the City from the waste hauler company. A significant portion of the remainder of the increase is attributable to local business tax receipts. This is attributable to modest growth in both commercial and home based businesses as well as a one-time accounting adjustment in the local business tax receipts due to a change in the billing system software.
- In FY 2012/2013 operating grants and contributions received by the City for governmental activities increased by \$1,151,000 or 42.1%, over the prior year. This increase is mostly attributable to the Neighborhood Stabilization Program (NSP) funds. Both of these funds continue to experience significant activity in the purchase and rehabilitation of homes as well as the sale of the homes once rehabilitation is complete.

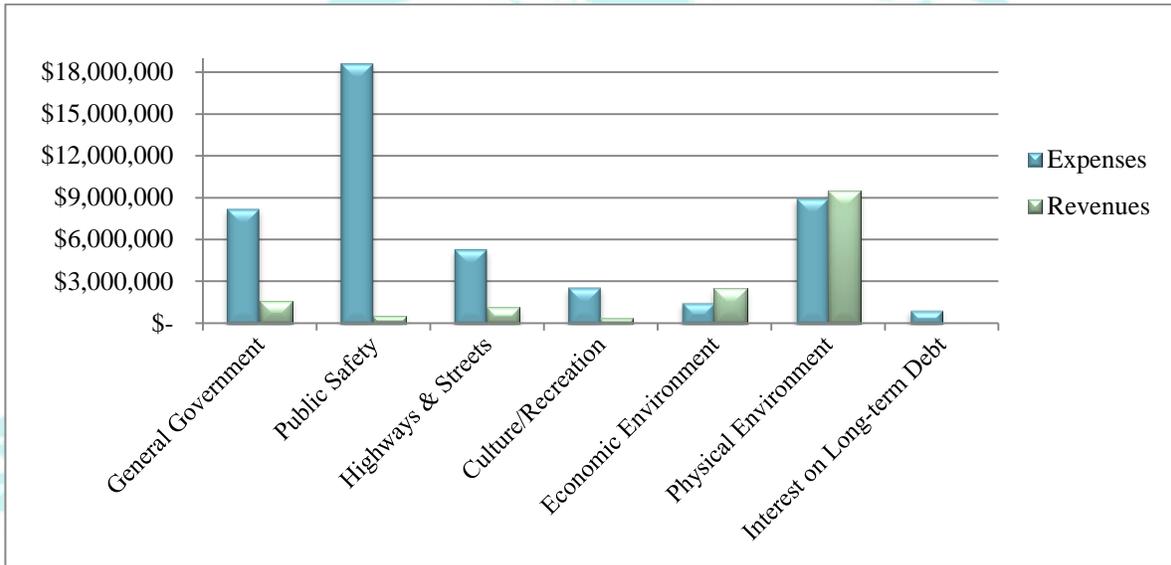
Management's Discussion and Analysis

- In FY 2012/13 capital grants and contributions received by the City decreased by \$148,000, or 10.0%, over the prior year. This decrease is almost solely attributable to the completion of two major grant funded projects - the Lake Windsor project and the Tivoli-Wheeling pump station project, both in the Stormwater Fund.
- In FY 2012/2013 general revenues increased by \$148,000, or 0.5%. This modest increase represents both increases and decreases in varying general revenue categories. As expected, property taxes decreased by \$451,000 as the Commission chose to adopt a millage rate less than the roll-back rate. Public service taxes, sales tax and State shared revenues all experienced increases of \$870,000 in total. This is believed to be a clear indication that the economy has finally bottomed out and is possibly entering the economic recovery phase.
- Overall, Governmental Activities expenses experienced an increase of \$690,000 or 1.5%. While there were some significant swings both up and down, the biggest change was an increase in physical environment expenditures due to the increase in the rate experienced by the City with the renewal of the solid waste hauler contract.
- General Government expenses decreased by \$372,000 or 4.3%. This is primarily attributable to three different items: 1) a decrease in depreciation as the City's assets reach their end of life but continue to be in service without replacing them, 2) a reduction of assets purchased that were not capitalized for accounting reasons, and 3) a significant reduction in the compensated absences liability as the City former manager received a payout of accrued sick and vacation leave.
- Public Safety expenditures in FY 2012/2013 increased by almost \$605,000, or 3.4%. The City's contract with the VCSO increased by \$219,000 over the prior year and the liability for compensated absences in the Fire Department increased by \$331,000 as staff members receive higher pay and accrue more sick and vacation time. Additionally, there was a write-off of an impairment loss of the engineering and design expenses of a proposed Public Safety Complex since Management does not expect this project to go forward.
- Highways and Streets expenditures increased by almost \$150,000. This was primarily attributable to increased expenditures on road resurfacing.
- Culture and Recreation expenditures decreased by \$110,000 largely attributable to a decrease in utility services as some parks with County water had wells installed. Many other line items experienced a reduction in expenses as the Parks and Recreation Department continues to reign in expenses.
- Economic Environment experienced a decrease in expenditures of \$966,000 over the prior year attributable to a change in inventory in NSP homes.
- Physical Environment experienced an increase of almost \$1,429,000. This is primarily attributable to the increase in the solid waste hauler fee per the terms of the contract.

Management’s Discussion and Analysis

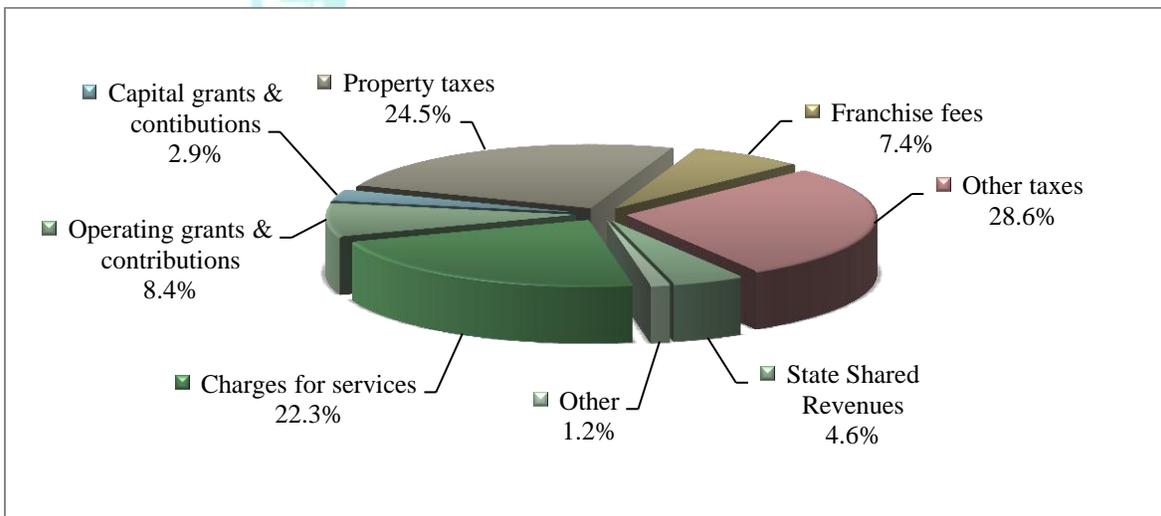
The following chart compares expenses with program revenues for the City’s governmental activities:

Expenses and Program Revenues – Governmental Activities



The following graph shows the composition of revenues for the City’s governmental activities.

Revenues by Source – Governmental Activities



Business-type Activities

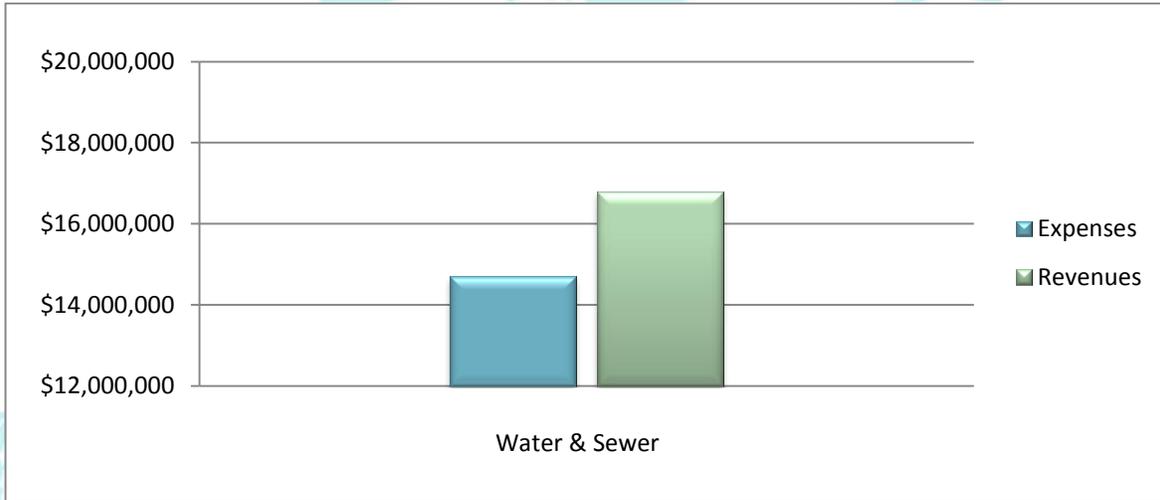
Business-type activities, which accounted for 92% of the total growth in the City's net position this year, increased the City's net position by \$1.6 million. However, this increase is \$4.0 million, or 72.4%, less than the prior year's increase. The key components of this decrease are explained below (comparing prior year to this year):

- Total operating revenues, including charges for services decreased by \$1.93 million, or 10.3%. This increase was anticipated as the Enterprise Fund experienced a year of uncertainty in regards to rates as the City Commission responded to citizen comments and restructured and reduced utility rates.
- Capital grants and contributions increased by \$96,800 solely attributable to an increase in assessment fees as the economy levels off and possibly begins to rebound.
- Interest income increased by a mere \$8,600 as interest rates continue to remain at historical lows.
- The special accounting treatment required by the implementation of GASB 53 for the utility's swaption agreement resulted in a decrease of \$778,000, a \$1.8 million dollar swing from the prior year.
- Operating costs increased by \$359,000, or 3.4% as the utility strives very hard to maintain expenses while responding to rising production costs.
- Gain on sale of capital assets decreased by \$33,000 as the utility sold off some obsolete equipment in the prior year. Interest expense decreased by almost \$22,000 as the annual interest expense decreases as the bonds mature.

Management’s Discussion and Analysis

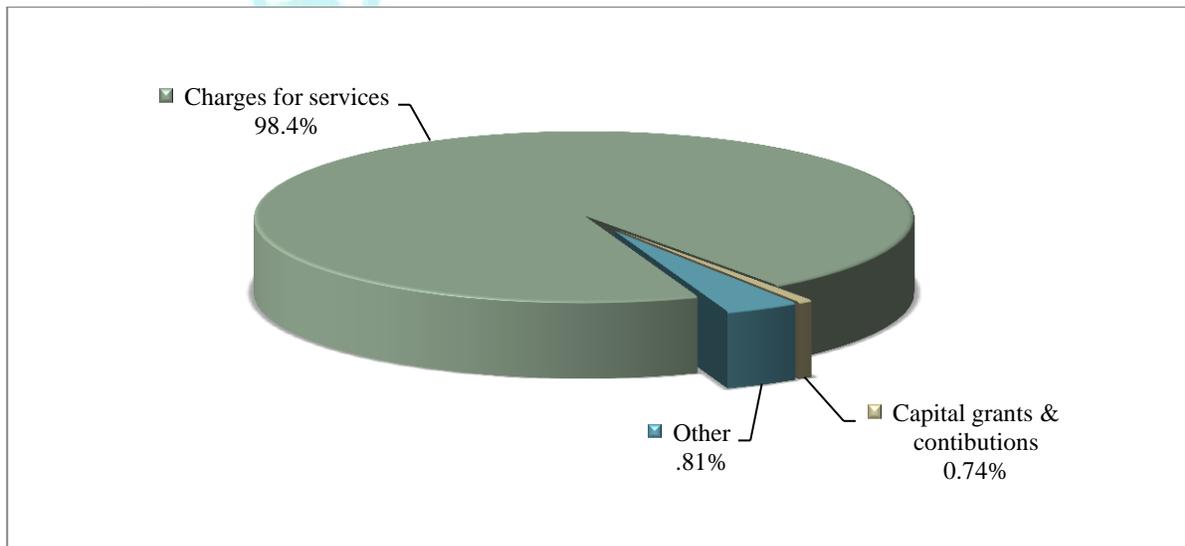
The following chart compares expenses with program revenues for the City’s business-type activities:

Expenses and Program Revenues – Business-type Activities



The following graph shows the composition of revenues for the City’s business-type activities:

Revenues by Source – Business-type Activities



Financial Analysis of the City's Funds

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

Governmental funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$32,263,000, a decrease of \$456,000, or 1.4% from the prior year. Approximately 15.9% of this amount, or \$5.1 million, constitutes *unassigned fund balance*, which is available for spending at the City's discretion for any legal purpose. This is \$1.4 million more than at the close of FY 2011/2012. While the City's General Fund total fund balance increased, the majority of this increase was in the unassigned portion of fund balance, attributable to both revenues coming in higher than anticipated as well as expenses coming in less than anticipated.

In September 2011, the City Commission adopted Resolution No. 2011-31 creating a minimum fund balance policy. This policy is comprised of two components: 1) a Natural Disaster reserve equal to \$6,000,000 for the purpose of providing the means to respond to public emergencies and/or natural disasters and; 2) an operating reserve equal to two (2) months of General Fund annual operating expenditures for the purpose of providing the City with the fiscal means to respond to unexpected operational changes, legislative impacts, or other economic events affecting the City's

operations that could not have easily been anticipated at the time the budget was prepared.

Additionally, in September of 2012, the City adopted Resolution No. 2012-29 establishing two additional fund balance reserves. Resolution No. 2012-29 adds an Economic Development reserve equal to \$1,000,000 as well as a City Infrastructure reserve equal to \$1,000,000. These are both one-time only reserves intended to assist with economic development within the City until such time as these reserves are depleted.

As to the components of fund balance for all Governmental funds (not just the General Fund) as reported in accordance with GASB Statement No. 54, \$469,000 non-spendable, \$8,516,000 is *restricted*, \$573,000 is *committed*, \$17,565,000 is *assigned*, and \$5,140,000 is unassigned. Only the unassigned category is available for general expenditures.

The General Fund is the chief operating fund for the City. At the end of the current fiscal year, the fund balance of the General Fund was \$21,451,000, with all but \$5,140,000 either non-spendable, restricted, committed or assigned. Unreserved funds are available for spending for any general purpose. 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. The General Fund's committed and assigned fund balances represent 53.0% of total General Fund expenditures. The General Funds unassigned fund balance represents 17.2% of total General Fund expenditures.

The total fund balance of the City's General Fund increased by \$1,944,000 or 10.0%, during the current fiscal year. This increase in fund balance is approximately \$404,000 more than the increase was last year. The key factors in this half million dollar swing (compared to prior year) are as follows:

- As discussed previously General Fund revenues increased by \$554,645. Operating expenditures were only \$70,900 more than the prior year (.25%). This reflects the fact that staff continues to be very conscientious of spending and strives to increase expenses only when absolutely necessary. This diligence in spending on the part of staff helps to off-set rising costs that are out of staff's control such as insurance, fuel, utilities, etc.
- Capital expenditures experienced an increase of \$460,000 as staff responds to the City's need to replace aging vehicles and equipment.
- The changes in capital and operating combined resulted in a net increase of \$531,000 in all expenditures.
- Transfers out of the General Fund were \$362,800 less than in the prior year because the City transferred only \$3,000 this year for parks projects, versus the \$365,800 transfer for road projects in the prior.

Solid Waste Fund

The City's Solid Waste fund experienced an increase in fund balance of \$99,000 which was \$8,800 more than the increase in fund balance in the prior year. The fund balance increase remains small and was anticipated as part of the current rate plan structure. Compared to the prior year, the fund experienced an increase in revenues of \$1,381,000. This revenue increase was offset by an increase in expenses of \$1,372,000 attributable to the City's new contract with the waste hauler.

Stormwater Utility Fund

The City's Stormwater fund experienced a decrease in fund balance of \$540,000 which was \$816,000 less than the decrease of the prior year. Revenues dropped by \$467,000 due to the closeout of the Lake Windsor

Hazard Mitigation Grant in the prior year thereby reducing fund revenue.

Capital expenditures in the Stormwater Fund decreased by \$1,246,000 as the City continued construction and completion of several planned projects that were funded by the Bank Note obtained in FY 2008/2009 including Dewberry drainage improvements, Holston drainage improvements, Tipton Drive improvements and Kraft/Bluefield pump station.

Transportation Fund

The City's Transportation fund experienced a decrease in fund balance of \$1.8 million which was a smaller decrease than the prior year by \$1.6 million. This was anticipated and is attributable to less capital outlay as construction activity winds down because bond proceeds from the Series 2006 bond are nearing depletion and road projects are being completed.

Municipal Complex Fund

The City's Municipal Complex Fund experienced a decrease in fund balance of \$183,000. In FY 2012/2013 the City constructed the modular sign shop for Public Works as well as the addition to FS64. There were no projects in the fund in the prior year.

Proprietary funds

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

Unrestricted net position of the Water and Sewer Utility Fund at the end of the year was \$4,236,000 which is \$915,000 lower than last year. This was anticipated as utility rates were restructured and lowered during the year.

Restricted assets of the utility at the end of the year were \$850,000, down from \$6.5

million in FY 2011/2012. This is directly attributable to the elimination of the \$5.6 million debt service reserve which was required by the old 2003 bonds but is not required by the new 2013 refunding bonds.

General Fund Budgetary Highlights

Budgeted revenues and expenditures were increased (amended), and the net shortfall was taken from fund balance to cover unanticipated expenditures, primarily in the areas of General Government and Public Safety. These unanticipated expenditures include the payout of accrued benefits to the former City Manager as well as the cost of a new fire truck for the Fire Department coming in higher than anticipated.

- General Fund revenues were over budget by \$1,382,000. The largest component was State Revenue Sharing which came in \$506,000 over budget and was completely unexpected as this is a figure that is provided by the State. Charges for services came in over budget by \$476,000, indicating a possible improvement in the economy. Public service tax came in over budget by \$344,000, also another possible indicator of an improving economy.
- General Fund operating expenditures were \$820,000 under budget and capital outlay was \$886,000 under budget for a total of \$1,706,000 under budget on all spending. Personal service costs were under budget by \$138,000, or 1%. Since the industry average variation is closer to +/- 3%, this indicates staff is very conscious of budget restraints when making hiring decisions.
- Development Services, which includes Planning and Construction Services, came in under budget by \$107,000. This is attributable, in part, to Network Services and Salaries coming in less than budgeted.

- General Services, which provides funding for general City services not associated with a specific department, came in under budget by a total of \$40,000. This is a result of both unemployment insurance costs and utility services coming in under budget.
- Total General Government and Administration (which includes General Services as well as Development Services) came in \$270,000 under budget on operating expenditures. Every department successfully kept in touch with spending and remained within their budget limits in order to finish the year under budget.
- Public Safety (Police and Fire) came in under budget by \$215,000. This was primarily attributable to Network Services, Utility Services and Medical Supplies all coming in significantly under budget. The remainder is from various line item operating costs coming in slightly under budget.
- Public Works (Highways & Streets) came in under budget by a total of \$254,000 for all divisions. The most significant lines items were: \$104,000 – Personal Services under budget, Road Materials & Supplies - \$38,000 under budget, Utility Services - \$17,000 under budget, and R&M Vehicles - \$17,000 under budget.
- Parks and Recreation came in under budget by \$82,000. This was mostly attributable to Salaries & Wages and Network Services coming in under budget.

Management’s Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2013 was \$210 million (net of accumulated depreciation). This investment in capital assets includes land, construction-in-progress, buildings and improvements, machinery and equipment, and infrastructure (roads, right-of-ways, stormwater and water and wastewater utility). The total increase (additions less retirements and depreciation) in the City’s investment in capital assets was \$3,518,000; an increase of 1.7%. This represents a .5% decrease for governmental activities and a 5.3% increase for business-type activities.

- 11th Avenue Roadway to new WWTP - \$2,306,000 (Deltona Water project)
- Ft. Smith (Sec2) Road Widening - Providence to Primrose - \$1,529,000 (Transportation project)
- Ft. Smith (Sec2) Utilities relocation - \$134,000 (Deltona Water project)
- Magdalena WTP 1 MG Storage Tank - \$811,000 (Deltona Water project)
- WWTP sludge hauling facility equipment - \$562,000 (Deltona Water project)
- Road resurfacing - \$638,000 (Transportation project)
- Tivoli Drive / Wheeling pump station - \$584,000 (Stormwater project)
- Elkcam liftstation upgrade - \$471,000 (Deltona Water project)
- Sidewalks - \$456,000 (General fund project)

Major capital asset expenditures during the current fiscal year included the following:

City of Deltona’s Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	13,810,289	13,642,445	3,150,692	3,150,692	16,960,981	16,793,137
Infrastructure Right of Way	4,372,500	4,372,500	-	-	4,372,500	4,372,500
Construction in Progress	4,478,222	7,834,068	7,355,506	5,662,447	11,833,728	13,496,515
Buildings & Improvements	68,917,181	66,826,515	3,242,913	2,847,616	72,160,094	69,674,131
Machinery & Equipment	20,305,201	20,210,866	14,878,865	14,324,445	35,184,066	34,535,311
Infrastructure	105,689,796	100,336,889	80,354,722	75,827,500	186,044,518	176,164,389
Total	217,573,189	213,223,283	108,982,698	101,812,700	326,555,887	315,035,983

Additional information on the City’s capital assets can be found in Note III C on pages 43-44 of this report.

Management’s Discussion and Analysis

Debt

At the end of the current fiscal year the par value of the City’s total bonded debt outstanding was \$93,520,000. This amount represents \$13,775,000 of Transportation revenue bonds and \$79,745,000 of Utility System revenue bonds, both secured by specified revenue sources.

In addition to the City’s bonded debt, the City entered into a loan agreement in the amount of \$6,569,345 with Branch, Banking and Trust Company (BB&T) during FY 2009/2010. The loan was obtained in order to finance certain of the City’s costs of the capital improvements contained in the City’s adopted Stormwater Master Plan. That Note is expected to be paid over a period of twenty years at a fixed interest rate of 5.01%. The Note is payable from, and secured solely by, revenues derived by the City from its stormwater utility assessments and the City’s covenant to budget and appropriate legally available non-ad valorem revenues as provided in the agreement. At the end of the fiscal year, the outstanding balance of the Note is \$5,723,772.

On March 29, 2011, the City entered into a Clean Water State Revolving Fund loan agreement with Florida Water Pollution Control Financing Corporation, a division of the Florida Department of Environmental Protection Agency. This financial assistance was for the planning, design and pre-construction activities of the City’s planned treatment and reuse facility. The original funding, which was amended to \$1,921,545, will be disbursed at 3 different milestone events. The first, second and third milestones were reached as of September 30, 2013, with \$942,133 having been disbursed as of September 30, 2013. The third disbursement was received in FY 2013 / 2014.

On April 5, 2013 the City executed and amended this agreement for additional financing for construction related costs of the treatment and reuse facility in the amount of \$27,935,641. Semiannual loan payments shall be in the amount of \$913,921 beginning on June 15, 2015.

City of Deltona’s Outstanding Debt
General Obligation and Revenue Bonds and Bank Notes

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligations Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Obligations Bonds	-	-	-	-	-	-
Revenue Bonds	13,775,000	14,535,000	79,745,000	73,825,000	93,520,000	88,360,000
Total Bonds	13,775,000	14,535,000	79,745,000	73,825,000	93,520,000	88,360,000
Loans Payable	5,723,772	5,951,310	-	-	5,723,772	5,951,310
Total Bonds and Loans	\$ 19,498,772	\$ 20,486,310	\$ 79,745,000	\$ 73,825,000	\$ 99,243,772	\$ 94,311,310

Additional information on the City’s long-term debt can be found in Note F on pages 46-48 of this report.

Economic Factors and Next Year’s Budget and Rates

The unemployment rate at the end of fiscal year 2013 for Volusia County was 8.8%. The following is a summary of the applicable unemployment rates for Volusia County, the State of Florida, and United States:

<u>Region Name</u>	<u>Current Year 9/2013</u>	<u>Previous Year 9/2012</u>
Volusia County	8.8%	10.8%
State of Florida	7.0%	8.7%
United States	7.4%	8.1%

The tax base for the City is comprised of real property, personal property and centrally assessed property.

For FY 2012-2013 the taxable value of such property decreased .36% over the previous year. For the following fiscal year, FY 2013/2014, there was a small increase in taxable value of 4.9%.

The City’s population increased 0.19% from 85,281 in 2012 to an estimated 85,442 in 2013.

During the FY 2012/2013 budget process, the Commission decided that it was in the best interest of the City to adopt a millage rate of 7.99 which is 4.4% less than the roll-back rate of 8.3591. In continuing to respond to these difficult economic times, staff was able to reduce expenditures significantly enough that the City was able to include two (2) additional Code Enforcement officers in the FY 2012 / 2013 budget as well as provide a small amount of funding toward the City’s on-going sidewalks program. Throughout the budget process, as well as all year long, staff continues to work diligently to overcome concerns regarding ever increasing costs, reduced property values and an overall reduction in City-wide revenues.

The City does not expect to use any of the General Fund’s fund balance for operations, capital outlay, or inter-fund transfers during FY 2013 / 2014.

Requests for Information

This financial report is designed to provide a general overview of the City of Deltona, Florida’s finances to those with an interest in the City’s finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Finance Department, City of Deltona, 2345 Providence Boulevard, Deltona, Florida 32725. You can also access the City’s website at www.deltonafl.gov.

STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 30,243,056	\$ 7,044,053	\$ 37,287,109
Cash with fiscal agent	121,381	-	121,381
Receivables (net)	1,586,323	1,723,448	3,309,771
Due from other governments	2,480,774	-	2,480,774
Prepaid items	434,354	-	434,354
Inventory	1,465,702	434,587	1,900,289
Net pension asset	916,468	-	916,468
Other assets	310,852	15,847,341	16,158,193
Capital assets:			
Assets not being depreciated	22,661,011	10,506,198	33,167,209
Assets being depreciated	194,912,178	98,476,500	293,388,678
(Accumulated depreciation)	(90,096,037)	(26,545,590)	(116,641,627)
Total assets	165,036,062	107,486,537	272,522,599
Liabilities			
Accounts payable	1,538,860	1,834,605	3,373,465
Accrued liabilities	875,864	312,018	1,187,882
Contracts/retainage payable	41,919	-	41,919
Deposits	25,189	1,661,927	1,687,116
Unearned revenue	274,967	-	274,967
Long-term liabilities:			
Due within one year	2,101,795	77,880	2,179,675
Due in more than one year	21,196,752	82,873,855	104,070,607
Total liabilities	26,055,346	86,760,285	112,815,631
Net position			
Net investment in capital assets	114,171,165	15,641,068	129,812,233
Restricted for:			
Road and street expenses	7,059	-	7,059
Capital projects	-	849,581	849,581
Public Safety	26,942	-	26,942
Culture & Recreation	96,865	-	96,865
Physical environment	600,032	-	600,032
Debt service	1,486,000	-	1,486,000
Unrestricted	22,592,653	4,235,603	26,828,256
Total net position	\$ 138,980,716	\$ 20,726,252	\$ 159,706,968

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
General government	\$ 8,246,984	\$ 1,590,260	\$ -	\$ -	\$ (6,656,724)	\$ -	\$ (6,656,724)
Public Safety	18,605,589	59,113	457,236	9,709	(18,079,531)	-	(18,079,531)
Highways and streets	5,358,992	-	963,393	162,699	(4,232,900)	-	(4,232,900)
Culture and recreation	2,616,214	83,075	-	287,216	(2,245,923)	-	(2,245,923)
Economic environment	1,525,531	-	2,464,470	-	938,939	-	938,939
Physical environment	8,989,720	8,642,155	2,300	874,909	529,644	-	529,644
Interest on long-term debt	984,252	-	-	-	(984,252)	-	(984,252)
Total governmental activities	46,327,282	10,374,603	3,887,399	1,334,533	(30,730,747)	-	(30,730,747)
Business-type activities							
Water and Sewer Utility	14,706,934	16,789,419	-	125,704	-	2,208,189	2,208,189
Total business-type activities	\$ 14,706,934	\$ 16,789,419	\$ -	\$ 125,704	\$ -	\$ 2,208,189	\$ 2,208,189
General Revenues:							
Taxes:							
Property taxes					11,405,246	-	11,405,246
Franchise fees					3,436,887	-	3,436,887
Public service tax					7,315,776	-	7,315,776
Sales tax					3,921,434	-	3,921,434
Local option gas taxes					2,069,784	-	2,069,784
State shared revenues - non program specific					2,141,004	-	2,141,004
Investment income:							
Interest earnings					148,554	102,890	251,444
Changes in Fair Value of Derivative Instrument					-	(778,085)	(778,085)
Miscellaneous					427,589	35,313	462,902
Total general revenues, special items and transfers					30,866,274	(639,882)	30,226,392
Change in net position					135,527	1,568,307	1,703,834
Net position, beginning of year					138,845,189	19,157,945	158,003,134
Net position, end of year					\$ 138,980,716	\$ 20,726,252	\$ 159,706,968

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

**BALANCE SHEET
ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	General Fund	Solid Waste Fund	Stormwater Utility Fund	Neighborhood Stabilization Grants	Transportation Fund	Municipal Complex Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 19,112,933	\$ 1,047,853	\$ 3,690,579	\$ -	\$ 2,235,424	\$ 1,811,490	\$ 858,777	\$ 28,757,056
Debt service reserve fund	-	-	-	-	1,486,000	-	-	1,486,000
Cash with fiscal agent	-	-	-	-	121,381	-	-	121,381
Receivables (net of allowance for uncollectibles)	1,570,364	-	-	-	-	-	-	1,570,364
Due from other funds	468,993	-	-	-	-	-	-	468,993
Due from other governments	1,103,201	-	391,324	299,215	348,752	-	338,282	2,480,774
Prepaid items	468,556	-	-	-	-	-	-	468,556
Total assets	22,724,047	1,047,853	4,081,903	299,215	4,191,557	1,811,490	1,197,059	35,353,124
Liabilities and fund balances								
Liabilities								
Accounts payable	531,580	444,991	157,427	17,370	268,934	37,605	80,953	1,538,860
Accrued liabilities	716,134	2,830	33,516	-	3,966	-	-	756,446
Contracts payable	-	-	-	-	-	11,460	-	11,460
Retainage payable	-	-	-	-	24,052	-	6,407	30,459
Due to other funds	-	-	-	192,206	-	-	260,828	453,034
Deposits	25,189	-	-	-	-	-	-	25,189
Unearned revenues	-	-	-	89,639	-	-	185,328	274,967
Total liabilities	1,272,903	447,821	190,943	299,215	296,952	49,065	533,516	3,090,415
Fund balances								
Nonspendable:								
Prepaid items	468,556	-	-	-	-	-	-	468,556
Restricted:								
Public safety	-	-	-	-	-	-	26,942	26,942
Highways and streets	-	-	-	-	2,408,605	-	7,059	2,415,664
Culture and recreation	-	-	-	-	-	-	96,865	96,865
Physical environment	-	600,032	3,890,960	-	-	-	-	4,490,992
Debt service	-	-	-	-	1,486,000	-	-	1,486,000
Total restricted fund balances	-	600,032	3,890,960	-	3,894,605	-	130,866	8,516,463
Committed:								
Culture and recreation	-	-	-	-	-	-	64,200	64,200
Physical environment	40,518	-	-	-	-	-	468,477	508,995
Total committed fund balances	40,518	-	-	-	-	-	532,677	573,195
Assigned:								
Natural disasters	6,000,000	-	-	-	-	-	-	6,000,000
Operating reserve	4,980,000	-	-	-	-	-	-	4,980,000
Economic Development	2,000,000	-	-	-	-	-	-	2,000,000
Capital outlay/projects	2,822,496	-	-	-	-	1,762,425	-	4,584,921
Total assigned fund balances	15,802,496	-	-	-	-	1,762,425	-	17,564,921
Unassigned fund balances	5,139,574	-	-	-	-	-	-	5,139,574
Total fund balances	21,451,144	600,032	3,890,960	-	3,894,605	1,762,425	663,543	32,262,709
Total liabilities and fund balances	\$ 22,724,047	\$ 1,047,853	\$ 4,081,903	\$ 299,215	\$ 4,191,557	\$ 1,811,490	\$ 1,197,059	\$ 35,353,124

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

Reconciliation of the Balance Sheet of Governmental Funds

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2013**

Total fund balances of governmental funds \$ 32,262,709

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$217,573,189 and the accumulated depreciation is \$90,096,037. 127,477,152

Long-term assets, which are not available to pay for current period expenditures, are not recorded in the balance sheet of governmental funds. Since the availability criteria does not apply to the statement of net position these assets are included:

Net pension asset 916,468

Inventories, which are not available to pay for current period expenditures, are not recorded in the balance sheet of governmental funds. Since the availability criteria does not apply to the statement of net assets these assets are included:

Inventories - Investment in NSP housing 1,431,500

Long-term liabilities, including bonds payable, are not due and payable in the current period and, accordingly, are not reported in the governmental funds:

Compensated Absences (2,036,778)
 Other post employment benefits liability (1,345,365)
 Bonds and loans payable (19,498,772)
 Accrued interest - Stormwater loan (119,418)
 Premium on bonds payable (200,742)
 Bond and loan issue costs 310,852
 Deferred revenue - debt service deposit agreement (216,890)

Total net position of governmental activities \$ 138,980,716

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

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	General Fund	Solid Waste Fund	Stormwater Utility Fund	Neighborhood Stabilization Grants	Transportation Fund	Municipal Complex Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Property taxes	\$ 11,405,246	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,405,246
Franchise fees	3,436,887	-	-	-	-	-	-	3,436,887
Public service tax	7,315,776	-	-	-	-	-	-	7,315,776
State revenue sharing	2,929,631	-	-	-	-	-	-	2,929,631
Intergovernmental	4,435,181	-	569,556	768,061	2,069,784	-	659,835	8,502,417
Charges for services	1,732,448	5,673,107	2,925,730	-	-	-	130,304	10,461,589
Fines and forfeitures	225,204	-	-	-	-	-	-	225,204
Impact fees	-	-	-	-	-	-	219,094	219,094
Interest income	105,039	6,907	12,012	2,433	6,215	11,515	4,435	148,556
Miscellaneous	242,555	4,229	1,621	1,395,529	66,245	-	1,775	1,711,954
Total revenues	31,827,967	5,684,243	3,508,919	2,166,023	2,142,244	11,515	1,015,443	46,356,354
Expenditures								
Current:								
General government and administration	7,316,114	-	-	173,364	-	-	92,568	7,582,046
Public safety	17,353,913	-	-	-	-	-	-	17,353,913
Highways and streets	1,703,287	-	-	-	129,109	-	133,809	1,966,205
Culture and recreation	1,917,002	-	-	-	-	-	-	1,917,002
Economic environment	-	-	-	1,992,659	-	-	103,677	2,096,336
Physical environment	-	5,585,579	1,876,326	-	-	-	119,740	7,581,645
Debt service:								
Principal	-	-	227,538	-	760,000	-	-	987,538
Interest	-	-	298,161	-	699,575	-	-	997,736
Capital outlay:								
General government and administration	427,293	-	-	-	-	-	-	427,293
Public Safety	338,772	-	-	-	-	123,002	-	461,774
Highways and streets	455,681	-	-	-	2,523,563	-	-	2,979,244
Culture and recreation	150,023	-	-	-	-	-	71,000	221,023
Physical environment	219,382	-	1,646,519	-	-	71,210	303,955	2,241,066
(Total expenditures)	(29,881,467)	(5,585,579)	(4,048,544)	(2,166,023)	(4,112,247)	(194,212)	(824,749)	(46,812,821)
(Deficiency) excess of revenues (under) over expenditures	1,946,500	98,664	(539,625)	-	(1,970,003)	(182,697)	190,694	(456,467)
Other financing sources (uses)								
Transfers from other funds	-	-	-	-	162,699	-	3,000	165,699
Transfers to other funds	(3,000)	-	-	-	-	-	(162,699)	(165,699)
Total other financing (uses) sources	(3,000)	-	-	-	162,699	-	(159,699)	-
Net change in fund balances	1,943,500	98,664	(539,625)	-	(1,807,304)	(182,697)	30,995	(456,467)
Fund balances, beginning of year	19,507,644	501,368	4,430,585	-	5,701,909	1,945,122	632,548	32,719,176
Fund balances, end of year	\$ 21,451,144	\$ 600,032	\$ 3,890,960	\$ -	\$ 3,894,605	\$ 1,762,425	\$ 663,543	\$ 32,262,709

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

Reconciliation of the Statement of Revenues, Expenditures

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Net change in fund balances of governmental funds \$ (456,467)

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

Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This reconciling item is the amount by which depreciation expense of \$6,099,824 exceeded the total of capital purchases of \$5,776,386 less the book value of transfers and disposals of \$344,775. (668,213)

In the governmental funds, as payments are made for the purchase and rehabilitation of certain grant funded housing, they are reported as expenditures in the affected grant fund. However, in the entity-wide financial statements these costs are added to inventory and then expensed in the Statement of Activities in the year in which they are sold to qualified homeowners. This reconciling item represents the net difference between the total cost of houses sold in the current fiscal year and current year expenditures to purchase and/or rehabilitate houses that remained in inventory at year-end. 572,035

Revenue deferred last year in the statement of net assets is being amortized in the statement of activities. This adjustment is the current year's amortization:
 Amortization of debt service forward delivery agreement proceeds 16,682

The issuance of long-term debt (bonds or bank loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:
 Debt principal repayment 987,538
 Amortization of transportation bond premium 15,442
 Amortization of bond and bank loan issue costs (23,388)

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:
 Decrease in accrued interest - Stormwater loan 4,748
 Increase in compensated absences (124,641)
 Increase in other post employment benefits (188,209)

Change in net position of governmental activities \$ 135,527

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

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013**

	Business-Type Activities Water and Sewer Utility Fund
Assets	
Current assets	
Cash	\$ 4,305,090
Restricted assets available for current liabilities	1,889,382
Accounts receivable (net)	1,723,448
Inventory	434,587
Total current assets	8,352,507
Non current assets	
Restricted assets	
Sinking fund - Revenue bonds payable	227,455
Renewal and replacement account	849,581
Customer deposits	1,661,927
Less: portion classified as current	(1,889,382)
Total restricted assets	849,581
Capital assets	
Land	3,150,692
Improvements other than buildings	80,354,722
Buildings	3,242,913
Equipment	14,878,865
Construction in progress	7,355,506
(Accumulated depreciation)	(26,545,590)
Total capital assets - cost less depreciation	82,437,108
Other assets	
Bond issue costs (net)	933,107
Unamortized loss on refinancing of 2003 bonds	14,914,234
Total noncurrent assets	99,134,030
Total assets	\$ 107,486,537

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013
(Concluded)

	Business-Type Activities
	Water and Sewer Utility Fund
Liabilities and net position	
Current liabilities payable from current assets:	
Accounts and retainages payable	\$ 1,834,605
Accrued expenses	84,563
Compensated absences - current portion	77,880
Total current liabilities payable from current assets	1,997,048
Current liabilities payable from restricted assets	
Deposits	1,661,927
Accrued interest payable	227,455
Revenue bonds payable - current portion	-
Total current liabilities payable from restricted assets	1,889,382
Total current liabilities payable from current and restricted assets	3,886,430
Long-term liabilities	
Revenue bonds payable (net of related premium) - long-term portion	81,663,779
FDEP State Revolving Fund loan - long-term portion	979,602
Compensated absences	73,839
Other post employment benefits obligation	156,635
Total long-term liabilities	82,873,855
Total liabilities	86,760,285
Net position	
Net investment in capital assets	15,641,068
Restricted for debt service	-
Restricted for renewal and replacement	849,581
Unrestricted	4,235,603
Total net position	\$ 20,726,252

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	Water and Sewer Utility Fund
Operating revenues:	
Charges for services - Water	\$ 9,843,484
Charges for services - Waste Water	5,832,025
Connection fees	264,560
Other miscellaneous revenues	849,350
Total operating revenues	16,789,419
Operating expenses:	
Personal services	3,770,221
Operating expenses	3,951,231
Professional services	59,651
Depreciation	3,069,245
Insurance	112,871
Total operating expenses	(10,963,219)
Operating income	5,826,200
Nonoperating revenues (expenses):	
Investment Income:	
Interest earnings	102,890
Changes in Fair Value of Derivative Instruments	(778,085)
Gain (loss) on sale of capital assets	35,313
Interest expense and issue cost amortization	(3,743,715)
Total nonoperating revenue (expenses)	(4,383,597)
Income before contributions	1,442,603
Capital contributions - water and wastewater	125,704
Change in net position	1,568,307
Net position:	
Beginning of year	19,157,945
End of year	\$ 20,726,252

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	Business-Type Activities
	Water and Sewer System Fund
Cash flows from operating activities	
Cash received from customers	\$ 17,359,108
Cash payments to suppliers for goods and services	(4,869,401)
Cash payments for employee services	(3,736,249)
Net cash provided by operating activities	8,753,458
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(7,281,538)
Proceeds from sale of capital assets	66,312
Proceeds from 2013 bond issue	80,732,782
Defeasance of 2003 bond issue	(73,763,176)
Swaption termination payment	(16,390,000)
Revenue bond principal payment	(1,945,000)
Revenue bond interest payments	(3,629,662)
Proceeds from capital contributions	125,704
Net cash used in capital and related financing activities	(22,089,132)
Cash flows from investing activities	
Interest	102,890
Net cash provided by investing activities	102,890
Net increase (decrease) in cash and cash equivalents	(13,232,784)
Cash and cash equivalents, beginning of year	20,276,837
Cash and cash equivalents, end of year	\$ 7,044,053

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

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
 (Concluded)**

	Business-Type Activities Water and Sewer System Fund
<u>Reconciliation of cash and cash equivalents to balance sheet</u>	
Total unrestricted cash and investments per the balance sheet	\$ 4,305,090
Total restricted cash and investments per the balance sheet :	
Sinking fund - Revenue bonds payable	227,455
Renewal and replacement account	849,581
Customer deposits	1,661,927
Total cash and investments	7,044,053
Less investments not meeting the definition of cash equivalents	-
Cash and cash equivalents, end of year	\$ 7,044,053
<u>Reconciliation of operating income to net cash provided by operating activities</u>	
Operating income	\$ 5,826,200
Adjustments to reconcile operating Income to cash provided by operating activities:	
Depreciation	3,069,245
Provision for uncollectible accounts	152,195
(Increase) decrease in assets:	
Accounts receivable	288,613
Inventories	(25,398)
Increase (decrease) in liabilities:	
Accounts payable	(615,005)
Utility deposits	128,881
Accrued expenses	(97,507)
Compensated absences	443
Other post employment benefits obligation	25,791
Net cash provided by operating activities	\$ 8,753,458

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

**STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2013**

	Employee Retirement Funds
Assets	
Cash and Investments	
Equities	\$ 952,894
Bond & Mortgage Funds	3,489,288
Money Market	451,279
U.S. Government or Agency Obligations	973,546
Mutual Funds	5,754,217
Balanced/Asset Allocation Fund	2,128,024
U.S. Stock Funds	425,240
International Stock Funds	6,515,985
Specialty Funds	7,864
Unit Investment Trusts	53,033
Sub-Total Cash and Investments	20,751,370
Pre-paid Items	3,160
Total Assets	20,754,530
Liabilities	
Accounts payable	28,291
Due to other funds	15,959
Total liabilities	44,250
Net position	
Reserved for employees' pension benefits	20,707,120
Total net position	\$ 20,710,280

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	Employee Retirement Funds
Additions	
Contributions:	
Employer	\$ 947,280
Transfer from General Fund - insurance premium surcharges received from the State of Florida	429,488
Employee	325,958
Employee Roll-ins	5,164
Total Contributions	1,707,890
Investment income	1,893,136
Net investment income	1,893,136
Total additions	3,601,026
Deductions	
Benefit payments	603,419
Refunds to employees	14,197
Administration	132,745
Forfeitures	9,249
Total deductions	(759,610)
Change in net assets	2,841,416
Net position - beginning	17,868,864
Net position - ending	\$ 20,710,280

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

**Notes to the Financial Statements
September 30, 2013**

I. Summary of significant accounting policies

A. Reporting entity

The City of Deltona (City) is a municipal corporation, incorporated December 31, 1995, governed by an elected mayor and six-member council. The City provides a full range of services including law enforcement and fire/rescue protection, solid waste management, storm water management, construction and maintenance of road and street facilities, planning and development services, recreational and cultural activities and general administrative services. Additionally, the City has a business-type operation that offers water and sewer utilities services. The financial reporting entity consists of the primary government and component units, entities for which the government would be considered financially accountable. The determination of financial accountability includes consideration of a number of criteria including: (1) the appointment of a voting majority of an entity's governing authority and the ability of the primary government to impose its will on the entity; (2) the potential for the entity to provide specific financial benefits to, or impose specific financial burdens on, the primary government; and (3) the entity's fiscal dependency on the primary government. As of September 30, 2013, the City had no component units that meet the criteria for inclusion within the financial reporting entity of the City.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Fund Balances) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely almost exclusively on user fees and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or 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 included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, enterprise funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the City's enterprise fund 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 *accrual basis of accounting*, as are the enterprise fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when the 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 grantor have been met.

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 in 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 only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

- **General Fund** - this is the City's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in other funds.
- **Solid Waste Fund** - accounts for the fiscal activities relating to fees charged and expenditures incurred for garbage and recycled waste pick-up.
- **Stormwater Fund** - accounts for the fiscal activity relating to fees charged and expenditures incurred for the stormwater utility operation and maintenance activities, i.e., the collection, storage, treatment and dispersal of rainwater.
- **Neighborhood Stabilization Program Funds (NSP1 & NSP3)** – account for the fiscal activities of funds received by the City from the Housing and Recovery Act (HERA) of 2008 to address the problems of abandoned and foreclosed homes.
- **Transportation Fund** - accounts for the fiscal activity relating to the City's share of the County's six-cent and five-cent local option tax on fuel. Under State law, the six-cent portion can only be used for general road improvements and maintenance. The five-cent portion can only be utilized to fund capital improvement projects that are necessary to meet the requirements of the City's Comprehensive Plan. Authorized expenditures of bond proceeds are defined by the bond covenants.
- **Municipal Complex Fund** - accounts for the fiscal activities related to the funding and construction of capital facilities for City operations.

The City reports the following non-major fund types:

- **Special Revenue Funds** - account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).
- **Capital Projects Funds** - account for the acquisition of fixed assets or construction of major capital projects not being financed by enterprise or nonexpendable trust funds.

The City reports the following major enterprise fund:

- **Water and Sewer Utility Fund** - accounts for the acquisition and operation of the City owned water and sewer utility operations.

The City reports the following fiduciary fund types:

- **Pension Trust Funds** - account for the assets of the City employees' pension plans. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, charges incurred for water and sewer used by other City functions, and other charges between the City's transportation, solid waste and stormwater functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. General revenues include all taxes.

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal on-going operations. The principal operating revenues of the Water and Sewer Utility Fund, the City's enterprise fund, are charges to customers for utility sales and services. Operating expenses for the enterprise fund include the cost of the utility providing 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.

D. Assets, liabilities, and net position or equity

1. Deposits and investments

City Investments

The City's cash and cash equivalents are comprised of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City's investment policy is established by resolution and is governed by Florida Statute 218.415. Authorized investments include the Local Government Surplus Funds Trust Fund Investment Pool or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, savings accounts in State certified qualified public depositories, certificates of deposit in State certified qualified public depositories and direct obligations of the U.S. Treasury and Federal agencies and instruments.

Investments for the City are reported at fair value. The State Treasurer's Investment Pool operates in accordance with the appropriate State laws and regulations. The reported value of the Pool is the same as the fair value of the Pool shares.

Firefighters' Pension Plan Investments

The investments of the Firefighters' Pension Plan are directed by the Firefighters' Pension Board of Trustees. The Trustees have adopted an Investment Policy Statement for the Firefighters' Pension Plan to provide parameters for investments. The general investment objective is to obtain a reasonable total rate of return commensurate with the Prudent Investor Rule and Florida Statute 218.415.

Authorized investments for the Firefighter's Pension Plan include: 1) time, savings, and money market deposit accounts of an institution insured by the Federal Deposit Insurance Corporation (FDIC) provided the amount deposited does not exceed the insured amount; 2) obligations issued by the United States Governmental guaranteed as to principal and interest by the United States Government or by an agency of the United States Government; 3) stocks, commingled funds administered by national or state banks, mutual funds or bonds or other evidences of indebtedness, issued or guaranteed by a corporation organized under the laws of the U.S., any state or organized territory of the United States or the District of Columbia, bonds issued by U.S. corporations, structured mortgage products issued by the United States Government, and mortgage related or asset backed securities not issued by the United States Government, and bonds issued by municipal issuers provided that certain criteria are met; 4) commingled stock, bond, timber, real estate or money market funds as may be approved by the Board; 5) foreign equities traded on a national exchange; and 6) real estate up to 10% of the assets of the fund.

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/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/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All real and tangible personal property taxes are due and payable on November 1st (the levy date) of each year or as soon thereafter as the assessment roll is certified by the Volusia County Property Appraiser. The County mails each property owner on the assessment roll a notice of the taxes due and the County collects the taxes for the City. Taxes may be paid upon receipt of such notice. The following discounts are applied: four percent (4%) if paid in the month of November; three percent (3%) if paid in the month of December; two percent (2%) if paid in the month of January; and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount. All unpaid taxes on real and tangible property become delinquent on April 1st (the lien date) of the year following the year in which taxes were assessed. Procedures for collecting delinquent taxes, including applicable tax certificate sales, are provided for by State law.

3. *Inventories and prepaid items*

All inventories are valued at cost using the first-in/first-out (FIFO) method. For the water and sewer utility fund, inventory is comprised of material and supplies on hand. Government-wide inventory is \$1,465,702. Of this, \$1,431,500 is attributable to homes purchased and rehabilitated, or in the process of being rehabilitated, but not yet sold, through the Neighborhood Stabilization Program (NSP I & III) funds through September

30, 2013. The remaining \$34,202 is attributable to fuel on hand as the City now has fuel storage tanks at both FS65 and the Public Works Depot.

The City utilizes the purchase method of inventory to account for governmental fund inventory. Home purchases and rehabilitation costs are first recorded as expenditures; those expenditures are transferred to inventory for any homes not sold at the end of the fiscal year.

Certain payments to vendors may reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted assets*

Certain proceeds of the water and sewer utility fund are classified as restricted assets on the balance sheet because their use is limited by bond covenants or some other legal restriction and certain of these proceeds may be used only for debt service, renewal and replacement and/or expansion related capital projects. Certain proceeds of other funds are also classified as restricted assets on the balance sheet. Examples of restricted assets include loan proceeds for certain Stormwater capital improvement projects and related debt service payments and gas tax and transportation impact fee proceeds for capital road projects and related debt service.

5. *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost that equals or exceeds \$5,000 and have an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amount spent for the construction or acquisition of infrastructure assets is capitalized and reported in the government-wide financial statements when the initial costs equal or exceed \$25,000 and they possess estimated useful lives in excess of more than one year.

For the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost of the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure being capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets, including infrastructure assets, they are capitalized and reported at historical cost; as assets are upgraded or replaced a corresponding reduction in an existing asset is taken, if applicable. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these assets at the estimated fair value of the item at the date of its donation.

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. The total interest expense incurred by Governmental Funds and the Enterprise Fund during the current fiscal year was \$997,736 and \$3,743,715 respectively. The capitalized interest expense associated with the cost of capital assets under construction in connection with the water

and sewer utility fund assets was \$36,372 attributable to the loan obtained through the State Revolving Loan Program for the engineering and design of the eastern wastewater treatment plant.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

	Useful Lives
Buildings	10 - 40 Years
Improvements Other Than Buildings	15 - 50 Years
Equipment	3 - 40 Years
Infrastructure	15 - 50 Years

6. *Compensated Absences*

All vested or accumulated vacation, scheduled holiday leave and vested accumulated sick leave is accrued when incurred in the government-wide and enterprise financial statements. Compensated absences, government-wide and enterprise funds combined, for the years ended September 30, 2013 and 2012 are \$2,188,497 and \$2,063,413 respectively.

7. *Long-term obligations*

In the government-wide financial statements and enterprise fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net position. 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. *On-Behalf Payments for Fringe Benefits*

The City receives on-behalf payments from the State of Florida to be used for Firefighters' Pension Plan enhancements. On-behalf payments to the City totaled \$429,488 for the fiscal year ended September 30, 2013. Such payments are recorded as inter-governmental revenue and public safety expenditures in the GAAP basis government-wide and General Fund financial statements. Funds received are recorded as revenue in the General Fund and immediately transferred to the Firefighters' Pension Plan as an expense to the General Fund.

9. *Fund Equity / Net Position*

The City classifies net position in the government-wide and proprietary fund financial statements as follows:

- Net Investment in Capital Assets includes the City's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The City typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.
- Unrestricted Net Position typically includes unrestricted liquid assets. The City Commission has the authority to revisit or alter this designation.

Net position flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

As per GASB Statement No. 54, the City classifies fund balance in the governmental fund financial statements as follows:

- Non-spendable fund balance is defined as resources that are inherently non-spendable and include such things as inventories, pre-pays and non-financial assets held for resale.
- Restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Commission as established through ordinances or resolutions. Commitments may be changed or lifted only by the City Commission taking the same formal action (ordinance or resolution) that originally imposed the constraint.
- Assigned fund balance is defined as amounts that are constrained by the City with the intent to be used for specific purposes, but are neither Restricted nor Committed. Assignment of fund balance may be a) made for a specific purpose that is narrower than the general purpose of the City itself; and/or b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected excess of expected expenditures over expected revenues. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned. Assigned fund balance is established by the City Commission, typically through adoption or amendment of the budget, as intended for a specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).
- Unassigned fund balance represents the City's fund balance of funds that are neither Restricted, Committed or Assigned and may be used for any legal general purpose.

Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The City Commission has adopted a Resolution creating a minimum fund balance policy. This policy is comprised of two components: 1) a Natural Disaster reserve equal to \$6,000,000 for the purpose of providing the means to respond to public emergencies and/or natural disasters and ; 2) an operating reserve equal to two (2) months of General Fund annual operating expenditures for the purpose of providing the City with the fiscal means to respond to unexpected operational changes, legislative impacts, or other economic events affecting the City's operations that could not have easily been anticipated at the time the budget was prepared. These reserves are not intended to function as a contingency fund to address unfunded expenditures or over-expenditures related to the normal provision of City reserves.

The City has also adopted a resolution establishing an additional fund balance commitment for Economic Development commitment equal to \$1,000,000 as well as a City Infrastructure commitment equal to \$1,000,000. These are both one-time only commitments intended to assist with economic development within the City until such time these reserves are depleted.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Commission has provided direction to the contrary.

II. Stewardship, compliance, and accountability**A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

On an annual basis the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1st. Public hearings are held to obtain taxpayer comments. Prior to October 1st, the budget is legally adopted through City Commission resolution.

The budget is prepared and adopted by fund, function and department. The City Manager may make transfers of appropriations within a department throughout the year. Transfers of appropriations between departments require the approval of the City Commission. Budget amendments that actually change the total revenue and/or expenses as legally adopted as part of the budget are also brought forth to the City Commission for approval. In the current fiscal year the Solid Waste Fund was over budget on spending by \$22,579 (.4%) because of higher than expected hauling costs. However, the Solid Waste Fund was over budget on revenue by \$54,243 (1%) so overall the Fund was better than budget by \$31,664.

Notes to the Financial Statements

Encumbrance accounting is employed in governmental funds. Encumbrances lapse at year end and are re-appropriated in the subsequent year's budget.

III. Detailed notes on all funds

A. Deposits and investments

As of September 30, 2013, the City had the following investments:

Investment	Maturities	Ratings	Fair Value
State Board of Administration Local Government Surplus Funds Trust Fund	1 Day	AAAm	\$ 28,597
Florida Surplus Asset Trust Fund	1 Day	AAAm	6,992,902
Certificates of Deposit	192 – 1,320 Day Range	N/A	8,892,206
Fidelity Prime Money Market	1 Day	Aaa-mf	100,000
Wells Fargo Money Market Funds	1 Day Average	AAAm	1,021,593
Wells Fargo Government Obligations (Federal Agency Coupon Securities and Corporate Coupon Securities)	99 - 1,061 Day Range	A-1 to AA+	6,155,940
Wells Fargo Commercial Paper	Less than 1 year	A-1	2,999,270
Wells Fargo Municipals	883-1036 days	Aa1/AA+ - Aaa/AAA	1,978,119
Firefighters' Pension Investments			
Cash & Short Term Investments	N/A	N/A	952,894
U.S. Treasury Obligations	1 – 30 Years	Aaa	973,546
Mortgage/Asset Backed Securities	15 - 30 Years	N/A	695,490
Corporate Bonds	1 – 30 Years	A1 – Baa2	2,704,790
Common & Foreign Stock	N/A	N/A	6,422,387
Equity Mutual Funds	N/A	N/A	4,300,193
Fixed Income Mutual Funds	1 Day or Less	N/A	1,454,024
Unit Investment Trusts			53,033
General Employees' Pension Investments			
Stable Value/Money Market Funds	N/A	N/A	451,279
Bond Funds	1 – 40 Years	BBB or better	89,009
Balanced /Asset Allocation Funds	N/A	N/A	2,128,024
U.S. Stock Funds	N/A	N/A	425,240
International Stock Funds	N/A	N/A	93,597
Specialty – Real Estate Secs	N/A	N/A	7,864
Total Investments			48,919,997
Cash Deposits			9,118,482
Total Deposits and Investments			<u>58,038,479</u>
Shown in the accompanying combined balance sheet as follows:			
Entity wide – Deposits and Investments			37,287,109
Fiduciary Funds–Deposits and Investments			20,751,370
Total			<u>\$58,038,479</u>

The City's General Employees' Pension Plan was established with the adoption of Resolution No. 97-64. The City is the Trustee for the plan, however assets are held in employees' names and therefore the City is not exposed to any investment risk within the General Employees' Pension Plan.

Interest rate risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The weighted average maturity of the City's investments is displayed in the preceding schedule. The City's Investment Policy states that the City will limit interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements of on-going operations and by investing operating funds primarily in shorter-term securities, money market mutual funds or similar investing pools.

Credit risk

Credit risk is the risk of loss due to the failure of the security issuer. The City's investment policy limits the investments to obligations with the highest credit ratings. Ratings for debt securities are displayed in the preceding schedule. The City's Firefighters' Pension Fund investments are limited, in the case of directly held securities, to securities in one of the three highest classification ratings. For indirect or comingled investments such as mutual funds, the weighted average of all such investments combined must be A/Aa or higher. Investment ratings are from Moody's Investors Service, Inc. and Standard & Poor's Ratings Group.

Concentration of credit risk

The City's investment policy states that securities will be diversified by maturity, issuer and class of security to avoid over-concentration of assets in any one area. The City's Firefighters' Pension Fund investment policy limits the investment in common stock, capital stock or convertible securities to 5% for any issuing company. Common stock, capital stock or convertible securities shall not exceed 65% of Plan assets.

Custodial credit risk - deposits

For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. As of fiscal year end, the City's cash deposits were entirely covered by Federal depository insurance or by the banking network provided by Chapter 280 of the Florida Statutes. Florida Statutes provide for collateral pooling by banks and savings and loans and limit local government deposits to "authorized depositories."

Custodial credit risk – investments

For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Investments in the City's defined contribution general employee's pension plan are held by a counterparty not in the name of the City which creates custodial risk for all investments of this pension plan. The City has no formal policy relating to custodial credit risk for pension investments.

Investments in the City's Firefighter's Pension Plan have no custodial credit risk.

Foreign currency risk – investments

The City does not invest in foreign markets. However, there are foreign market options available to employees through the General Employees' Pension to which the City has no exposure. All of these pension investments are denominated in U.S. dollars.

B. Receivables

Receivables as of year-end shown on the Statement of Net Position for the City's Governmental Activities and Business-Type Activities, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Customers:			
Billed	\$ -	\$ 1,497,986	\$ 1,497,986
Unbilled	-	929,896	929,896
Services tax	906,507	-	906,507
Franchise fees	527,317	-	527,317
Business Tax	92,229	-	92,229
Miscellaneous	60,270	7,566	67,836
Gross receivables	1,586,323	2,435,448	4,021,771
Less: allowance for uncollectibles	-	(712,000)	(712,000)
Net total receivables	\$ 1,586,323	\$ 1,723,448	\$ 3,309,771

Revenues of the Water and Sewer Utility Fund are reported net of estimated uncollectible amounts. Total estimated uncollectible amounts related to revenues of the current period are as follows:

	As of 9/30/13
Uncollectible related to water sales	\$ 284,800
Uncollectible related to sewer sales	427,200
Total uncollectible in the current fiscal year	\$ 712,000

Governmental funds report *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds were as follows:

	Unearned
SHIP Grant funds advanced by grant authority	
Prior to meeting all eligibility requirements	\$ 185,328
NSP Program Income received but not expended	89,639
Total	\$ 274,967

C. Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 13,642,445	\$ 167,844	\$ -	\$ 13,810,289
Infrastructure right of way	4,372,500	-	-	4,372,500
Construction in progress	7,834,068	4,458,910	(7,814,756)	4,478,222
Total capital assets, not being depreciated	<u>25,849,013</u>	<u>4,626,754</u>	<u>(7,814,756)</u>	<u>22,661,011</u>
Capital assets, being depreciated:				
Buildings and improvements	66,826,515	2,111,659	(20,993)	68,917,181
Machinery and equipment	20,210,866	1,210,683	(1,116,348)	20,305,201
Infrastructure (roads and streets)	100,336,889	5,352,907	-	105,689,796
Total capital assets, being depreciated	<u>187,374,270</u>	<u>8,675,249</u>	<u>(1,137,341)</u>	<u>194,912,178</u>
Less accumulated depreciation for:				
Buildings and improvements	(30,697,457)	(2,790,665)	17,290	(33,470,832)
Machinery and equipment	(16,041,581)	(1,102,183)	1,064,413	(16,079,351)
Infrastructure (roads and streets)	(38,338,878)	(2,206,976)	-	(40,545,854)
Total accumulated depreciation	<u>(85,077,916)</u>	<u>(6,099,824)</u>	<u>1,081,703</u>	<u>(90,096,037)</u>
Total capital assets, being depreciated, net	<u>102,296,354</u>	<u>2,575,425</u>	<u>(55,638)</u>	<u>104,816,141</u>
Governmental activities capital asset, net	<u>\$ 128,145,367</u>	<u>\$ 7,202,179</u>	<u>\$ (7,870,394)</u>	<u>\$ 127,477,152</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 3,150,692	\$ -	\$ -	\$ 3,150,692
Construction in progress	5,662,447	7,098,547	(5,405,488)	7,355,506
Total capital assets, not being depreciated	<u>8,813,139</u>	<u>7,098,547</u>	<u>(5,405,488)</u>	<u>10,506,198</u>
Capital assets, being depreciated:				
Buildings and improvements	2,847,616	395,297	-	3,242,913
Improvements other than buildings	75,827,500	4,527,222	-	80,354,722
Machinery and equipment	14,324,445	750,133	(195,713)	14,878,865
Total capital assets, being depreciated	<u>92,999,561</u>	<u>5,672,652</u>	<u>(195,713)</u>	<u>98,476,500</u>
Less accumulated depreciation for:				
Buildings and improvements	(703,680)	(108,389)	-	(812,069)
Improvements other than buildings	(13,610,958)	(1,913,941)	-	(15,524,899)
Machinery and equipment	(9,246,834)	(1,046,915)	85,127	(10,208,622)
Total accumulated depreciation	<u>(23,561,472)</u>	<u>(3,069,245)</u>	<u>85,127</u>	<u>(26,545,590)</u>
Total capital assets, being depreciated, net	<u>69,438,089</u>	<u>2,603,407</u>	<u>(110,586)</u>	<u>71,930,910</u>
Business-type activities capital assets, net	<u>\$ 78,251,228</u>	<u>\$ 9,701,954</u>	<u>\$ (5,516,074)</u>	<u>\$ 82,437,108</u>

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

Governmental Activities:	
General government and administration	\$ 733,321
Public safety	552,467
Highways and streets	2,730,334
Culture and recreation	687,821
Physical environment	1,395,881
Total depreciation expense - governmental activities	\$ 6,099,824
Business-type activities:	
Water and sewer utility - total depreciation expense	\$ 3,069,245
Total additions to accumulated depreciation - business-type activities	\$ 3,069,245

Construction commitments

The City has active construction projects as of September 30, 2013. The projects include street construction, public safety facilities, housing rehabilitations and water and wastewater facilities. At year end, the City’s commitments with contractors are as follows:

Projects	Spent-to-Date	Remaining Commitment
Stormwater	\$ 118,563	\$ 86,993
CDBG (Stormwater)	95,695	91,232
Transportation – Local Option Gas Tax	269,717	1,202,528
NSP Housing Grants	23,443	58,855
Water and waste water	1,432,600	687,239
Total	\$ 1,940,018	\$ 2,126,847

The special revenue fund portion of the commitment for street construction is being financed by special revenue bonds that will be repaid by restricted revenue, as well as through pledged gas taxes. The commitment for water and sewer facilities is being financed by impact fees to the extent those funds are available for those projects that are expansion related and through -a pay-as-you-go program as funds received by the utility become available. The commitment for stormwater projects is being financed by proceeds received by the 2009 Stormwater Bank Note.

Impairment Loss

Public safety expenditures in the Statement of Activities includes an impairment loss of \$314,255 for the write off of design expenditures incurred for a project that will not be completed.

D. Interfund receivable, payables and transfers

The composition of inter-fund balances as of September 30, 2013, is as follows:

Due from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	General Employees' Pension Plan	\$ 15,959
General Fund	CDBG Fund	260,828
General Fund	NSP III Fund	192,206
Total		<u>\$ 468,993</u>

The pension fund amount due to the General Fund represents forfeited funds that will be used to fund future pension liabilities.

The CDBG fund amount due to the General Fund represents the amount not yet reimbursed to the CDBG fund from the U.S. Department of Housing and Urban Development under the terms of the CDBG grant.

The Neighborhood Stabilization Program (NSP III) Fund amount due to the General Fund represents the amount not yet reimbursed to the NSP III Fund from the U.S. Department of Housing and Urban Development under the terms of the NSP III grant.

The composition of interfund transfers for the year ended September 30, 2013 is:

Interfund transfers:	Transfers in:		
	Transportation Fund	Non-major Governmental Funds	Total
Transfer out:			
General Fund	\$ -	\$ 3,000	\$ 3,000
Non-major governmental funds	162,699	-	162,699
Total	<u>\$ 162,699</u>	<u>\$ 3,000</u>	<u>\$ 165,699</u>

Transfers are used to: (1) move restricted amounts to finance various programs that the City must account for in other funds in accordance with budgetary authorizations; and (2) move unrestricted General Fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. While some parks, fire and law enforcement impact fees were collected during the year, they were not transferred and will continue to accumulate until such time a qualified expansion project is budgeted.

E. Leases

Operating Leases

The City leases office equipment when it is more beneficial to lease than to purchase certain equipment. Most lease payments are payable on a month-to-month basis. The total cost for such leases was \$257,074 for the year ended September 30, 2013. This figure includes the \$250,000 paid annually to Volusia County for the maintenance and use of the Lyonia Amphitheater. The future minimum lease payments for existing leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2014	\$ 257,032
2015	255,868
2016	252,060
2017	250,840
2018	250,840
<u>Total</u>	<u>\$ 1,266,640</u>

F. Long-term debt

Revenue bonds

Transportation Capital Improvement Revenue Bonds

On July 12, 2006, the City issued \$18,240,000 of Transportation Capital Improvement Revenue Bonds, Series 2006, the proceeds of which will be used to provide funding for road improvement projects and to pay the cost of issuance. The bonds are collateralized by a pledge of gas tax revenues, which were \$2,069,784 for the fiscal year ending September 30, 2013, and transportation impact fees which were \$162,699 for the fiscal year ending September 30, 2013. The bonds bear interest ranging from 4.00% to 5.00% and mature in increasing annual amounts ranging from \$400,000 to \$1,385,000 from fiscal year 2007 through fiscal year 2026, respectively. Interest is payable semiannually on April 1, and October 1, with annual principal payments due on October 1. Principal and interest payments for the year were \$760,000 and \$699,575 respectively.

Transportation - Debt Service to Maturity Schedule			
<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 795,000	\$ 661,575	\$ 1,456,575
2014	830,000	627,425	1,457,425
2015	870,000	585,925	1,455,925
2016	915,000	544,575	1,459,575
2017	955,000	504,544	1,459,544
2018 – 2022	5,450,000	1,838,495	7,288,495
2023 – 2026	3,960,000	412,562	4,372,562
<u>Total</u>	<u>\$ 13,775,000</u>	<u>\$ 5,175,101</u>	<u>\$ 18,950,101</u>

Debt service forward delivery agreement

The City entered into a Debt Service Forward Delivery Agreement to administer debt service payments and to generate additional cash from the Transportation Capital Improvement Revenue Bonds, Series 2006 transaction. Under this agreement, the City will make level monthly payments of approximately \$121,400 to a trustee. The trustee will, in turn, make all debt service payments (principal and interest) as due. The City received a cash payment of \$333,670 for entering into this agreement. The entire amount was recognized as income in the fiscal year ended September 30, 2006 in the governmental funds but was deferred in the entity-wide statements and will be recognized in the statement of activities on a straight line basis over the life of the bond issue.

Bank notes

Stormwater Bank Note

On April 8, 2009 the City entered into a loan agreement in the amount of \$6,569,345 with Branch Banking and Trust Company (BB&T). The loan was obtained in order to finance certain of the City's costs of the capital improvements contained in the City's adopted Stormwater Master Plan. The Note is expected to be paid over a period of twenty years at a fixed interest rate of 5.01%. The Note is payable from, and secured solely by, revenues derived by the City from its stormwater utility assessments and the City's covenant to budget and appropriate legally available non-ad valorem revenues as provided in the agreement. The City collected \$2,925,730 in stormwater utility assessments in the fiscal year ended September 30, 2013. Principal and interest payments for the year were \$298,161 and \$227,538 respectively.

Stormwater - Debt Service to Maturity Schedule			
<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 239,231	\$ 286,761	\$ 525,992
2015	251,524	274,775	526,299
2016	264,449	262,174	526,623
2017	278,038	248,925	526,963
2018	292,326	234,996	527,322
2019 – 2023	1,703,004	939,651	2,642,655
2024 – 2028	2,187,909	466,893	2,654,802
2029	507,291	25,415	532,706
Total	\$ 5,723,772	\$ 2,739,590	\$ 8,463,362

Business-type Activity Liabilities

The following is a summary of long-term liabilities of the proprietary fund at September 30, 2013:

Utility System Revenue Bonds

On November 6, 2003, the City issued \$81,725,000 of Utility System Revenue Bonds, Series 2003, the proceeds of which were used to provide funding for the acquisition of water and wastewater facilities, to fund future capital improvements to the acquired system and to pay the cost of issuance. The bonds were collateralized by a pledge of the net revenues of the system but the bonds were defeased on September 10, 2013 by placing into escrow sufficient funds to retire the principal and interest on the bonds. The defeased amount of the bonds was \$73,763,176 as of September 30, 2013.

Derivative Instruments – Termination of interest rate swap (swaption)

On November 6, 2003, the City issued its Utility System Revenue Bonds, Series 2003 in the principal amount of \$81,725,000. The City approved and entered into a contract with a swap provider to grant an option to have the City issue variable rate bonds on or about October 1, 2013 to refund the 2003 Utility Bonds in exchange for an upfront payment of \$3,206,837 estimated to be equal to the estimated present value savings the City would achieve as a result of such a refunding.

In 2012 the City hired FirstSouthwest to provide Financial Advisory Services to assist with the swaption termination process. With the assistance of FirstSouthwest, a team of experts was assembled to include Bond Counsel and Disclosure Counsel to assist and guide the City through the swaption termination process. Starting in July, 2013 several meetings were conducted by this team in order to educate the Commission on the swaption process as well as all options available to the City.

On August 27, 2013 the City entered into a Termination Agreement with Citibank, N.A. to terminate the swaption contract. Under the terms of the agreement, the City agreed to pay Citibank the amount of \$16,390,000 on September 10, 2013 in return for complete satisfaction of all obligations of both parties in respect to the swaption transaction. The \$3,206,837 upfront payment was used to partially fund the payment to Citibank and it also reduced the unamortized loss on the retirement of the 2003 bonds and the termination of the swaption contract. The unamortized loss on refunding at September 30, 2013 was \$14,914,234 and will be amortized as a component of interest expense over the remaining life of the Series 2003 bonds, or 20 years. The new issue will increase debt service payments for the City by \$28,903,586 cumulative over the next 25 years, with an economic loss of \$11,620,444 or - 16.16%.

On September 10, 2013 the City issued Utility System Refunding Revenue Bonds, Series 2013 in the principal amount of \$79,745,000. The bonds bear interest at fixed rates from 2.00% to 5.25% and mature from October 1, 2014 to October 1, 2039. The bonds are collateralized by a pledge of the net revenues of the system. Interest is payable semi-annually at April 1, and October 1, with annual principal payments due on October 1. The purpose of the Series 2013 bonds was to refund in whole the Series 2003 bonds and to partially finance the swaption termination payment while keeping annual debt service payments at essentially the same level they were with the 2003 bonds. As a result it is expected that the refinancing will have minimal if any impact on water and wastewater rates over the next 20 years.

Utility System - Debt Service to Maturity Schedule – Series 2013			
Fiscal Years	Principal	Interest	Total
2014	\$ -	\$ 2,177,071	\$ 2,177,071
2015	1,290,000	3,886,331	5,176,331
2016	1,540,000	3,842,631	5,382,631
2017	1,605,000	3,771,706	5,376,706
2018	1,885,000	3,693,881	5,578,881
2019 – 2023	10,700,000	17,106,819	27,806,819
2024 – 2028	13,500,000	14,249,122	27,749,122
2029 – 2033	17,125,000	10,495,803	27,620,803
2034 - 2038	21,775,000	5,539,050	27,314,050
2039 - 2040	10,325,000	535,691	10,860,691
Total	\$ 79,745,000	\$ 65,298,105	\$ 145,043,105

State Revolving Loan

On March 29, 2011, the City entered into a Clean Water State Revolving Fund loan agreement with Florida Water Pollution Control Financing Corporation, a division of the Florida Department of Environmental Protection Agency. This financial assistance was for the planning, design, and pre-construction activities of the City’s planned treatment and reuse facility. The original funding, which was amended to \$1,921,545, will be disbursed at 3 different milestone events. The first, second and third milestones were reached as of September 30, 2013, with \$942,133 having been disbursed as of September 30, 2013. The third disbursement was received in FY 2013 / 2014.

The loan balance as of September 30, 2013 was \$979,602. No principal payment was made in 2013; capitalized interest through the year ended September 30, 2013 was \$37,469.

On April 5, 2013 the City executed and amended this agreement for additional financing for construction related costs of the treatment and reuse facility in the amount of \$27,935,641. Semiannual loan payments shall be in the amount of \$913,921 beginning on June 15, 2015.

Pledged Revenue

Governmental Activities - Transportation Fund

The City has pledged future gas tax and Transportation Impact Fee revenues to repay the Transportation Capital Improvement Revenue Bonds, Series 2006. If, in any given year, the gas tax and Transportation Impact Fee revenues collected are not sufficient to cover the principal and interest debt obligation of the Transportation Bond, the Bond Covenants require the City to appropriate any short fall from non-Ad Valorem revenue collected in the General Fund. The bonds are payable through 2026. The principal and interest payments for the current year totaled \$1,459,575 and gas tax revenue and impact fees totaled \$2,232,483 so the principal and interest payments on the bonds consumed approximately 65% of pledged revenues. At year end, pledged future revenues totaled \$18,950,101, which was the amount of the remaining principal and interest on the bonds as of September 30, 2013.

The current Local Option Gas Tax agreement with Volusia County expired October 1, 2013. This is an agreement negotiated between all the cities within Volusia County as well as the County itself. Discussions between the cities and the County began in February, 2013. On

June 3, 2013 the Commission approved a five year renewal of the existing contract from September 1, 2013 – August 31, 2018.

Governmental Activities - Stormwater Utility

The City has pledged future stormwater utility assessments revenue to repay the Stormwater Bank Note secured in 2009. The annual principal and interest on the Note is expected to require approximately 18% of such stormwater utility assessments revenue. The Note is payable through 2029. Principal and interest for the current year was \$525,699. Stormwater utility assessments for the current year totaled \$2,925,730. At year end, pledged future revenues totaled \$8,463,362 which was the amount of the remaining principal and interest on the Note as of September 30, 2013.

Business-type Activities – Water/Wastewater Utility

The City has pledged future water and sewer customer Net Revenues to repay the Utility System Revenue Bonds, Series 2013. Net Revenues are Gross Revenues less Operating Expenses as defined in the Bond Covenants. Annual principal and interest on the Series 2013 bonds required approximately 61% of such revenue for the year ended September 30, 2013. The Series 2013 bonds are payable through 2039. There was no principal and interest paid on the Series 2013 bonds in the current year but debt service on the 2013 bonds is substantially equivalent to the 2003 bonds so it is expected that the percentage of net revenues consumed by debt service will remain substantially equivalent to what it would have been with the 2003 bonds. Net water and sewer revenues totaled \$8,372,445 for the year including \$264,560 of connection fees. At year end, pledged future revenues totaled \$145,043,105, which was the total amount of principal and interest on the Series 2013 bonds as of September 30, 2013.

Debt Service Reserve Funds

In June of 2008, MBIA, the surety (bond insurer) for the Transportation Capital Improvement Revenue Bonds and the 2003 Utility System Revenue Bonds lost its AAA rating from S&P and its Aaa rating from Moody's and was not rated by Fitch at the time. Under the terms of the bond covenants, the City was to establish the required debt service reserve fund in FY 2008/2009 in an amount that closely approximates the highest year of debt service for each respective bond. The total reserve funding requirement for the Transportation bond is \$1,486,000. The reserve funding requirement for the 2003 Utility bonds was \$5,600,000. The debt service reserve is fully funded for the Transportation bond but the debt service reserve requirement for the Utility System Revenue Bonds was eliminated with the defeasance of the Series 2003 bonds and the issuance of the Series 2013 bonds. There is no such requirement on the Stormwater Bank Note.

Funding the debt service reserve does not require the City to actually expend the funds, however, it does move available fund balance funds from unreserved to restricted so that those funds may not be used for any purpose other than to meet debt service requirements. This is a very important distinction as it reduces the City's ability to fund infrastructure on a "pay as you go" basis resulting in either delaying or cancelling projects or evaluating other financing alternatives.

Notes to the Financial Statements

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Transportation Capital Imp.					
Revenue Bonds Series 2006	\$ 14,535,000	\$ -	\$ 760,000	\$ 13,775,000	\$ 795,000
Add: Unamortized Premium	216,184	-	15,442	200,742	-
Deferred Revenue, Debt Service	233,572	-	16,682	216,890	-
Stormwater Bank Note	5,951,310	-	227,538	5,723,772	239,231
OPEB Obligation	1,157,156	188,209	-	1,345,365	-
Compensated Absences	1,912,137	1,630,215	1,505,574	2,036,778	1,067,564
Total Governmental Activities	\$ 24,005,359	\$ 1,818,424	\$ 2,525,236	\$ 23,298,547	\$ 2,101,795
Business-type Activities					
Utility System Revenue Bonds					
Series 2003	\$ 73,825,000	\$ -	\$ 73,825,000	\$ -	\$ -
Series 2013	-	79,745,000	-	79,745,000	-
Add: Unamortized Premium	950,398	1,922,887	954,506	1,918,779	-
Fair Value - Swaption	15,448,839	-	15,448,839	-	-
Swaption	3,206,837	-	3,206,837	-	-
Subtotal	93,431,074	81,667,887	93,435,182	81,663,779	-
FDEP State Revolving Fund Loan	943,230	36,372	-	979,602	-
OPEB Obligation	130,844	25,791	-	156,635	-
Compensated Absences	151,276	217,889	217,446	151,719	77,880
Total Business-type Activities	\$ 94,656,424	\$ 81,947,939	\$ 93,652,628	\$ 82,951,735	\$ 77,880

Governmental activities, claims and judgments, net OPEB obligation, net pension obligation and compensated absences are liquidated by the appropriate fund.

IV. Other Information

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; injuries to employees; and natural disasters. To cover itself against these exposures, the City became a member of Preferred Government Insurance Trust (PGIT), a local government liability risk pool. The Pool has in excess of 150 local government agency members. The Pool administers insurance activities relating to property loss (including boilers/machinery) and general, professional, automobile and public officials' liability. Additionally, Workers' Compensation coverage and petroleum storage tank coverage are provided. The Pool absorbs losses up to a specified amount each pool year and, in addition, purchases excess and other specific coverage from third-party carriers. The Pool assesses each member its' pro rata share of the estimated amount required to meet current year projected losses and operating expenses. If total member assessments do not produce sufficient funds to meet its obligations, the Pool can make additional limited assessments. Losses, if any, in excess of the Pool's ability to assess its members, revert back to the member that incurred the loss. The City's cost of the insurance is allocated among the appropriate City departments and funds.

It should be noted that the City's Workers Comp experience modifier value has been lowered from the previous year due to improvements in the City's loss ratio. Even with the lowering of the experience modifier, Worker's Comp rate increases and a hardening of the insurance market resulted in a higher premium rate but the Pool was able to maintain a minimal premium cost increase for this coming year.

Although the City's total insured property value decreased by 1%, the City's property insurance premium has increased \$45,000 due to a hardened property insurance market driven by multiple natural disasters. To further reduce premium costs, the City opted to not insure all buildings at 100% but rather at 80% coverage which, in the event of a total loss, would leave the City with a retention of 20%. There has, however, not been a total loss experienced by the City since its inception.

The purchase of NSP homes accounts for a significant portion of the property coverage increase. NSP insurance costs are typically recovered from HUD, therefore direct City costs will be reduced accordingly. Moreover, there has been an increase in insurance coverage value from the prior year with the reduction in retained exposure by decreasing the City's deductible for property loss, which did not significantly increase premium costs.

There have been no settlements in excess of insurance coverage in any of the prior three years and as such, no additional assessments were levied against the City for the fiscal year ended September 30, 2013.

B. Commitments

The City has Interlocal Agreements with the County of Volusia, Florida for the provision of various municipal services. These services include road and bridge services and mosquito control. The agreements are renewable annually based on the mutual agreement of both parties. Either party can terminate the agreement without cause or further liability with 180 days written notice. The annual contractual commitment is approximately \$14,000 with the applicable portion payable from both the City's General Fund and Stormwater Utility Fund.

The City also has an Interlocal Agreement with the County of Volusia, Florida for the provision of law enforcement services within the City. The agreement term is renewable annually each year on October 1. Either party can terminate the agreement without cause or further liability with 180 days written notice. The annual contractual commitment is approximately 9.3 million dollars payable from the City's General Fund. The contract was expanded effective January 1, 2013 with the addition of an additional K-9 unit. Total staffing includes 76 sworn officers and three administrative personnel.

The City provides weekly residential garbage pick-up and curbside recycling to its residents through a contract with a private company. The agreement was for a term of seven years commencing on January 1, 2005, with the option to renew for one additional seven year term. The Commission chose the renewal option of the contract with a rate increase. Under the new contract, the company is compensated \$10.22 per household per month. Tipping fees charged by the County are additional fees incurred for waste disposal. Solid waste fees are considered pass-through fees and therefore, the City charges an annual assessment of \$173.96 for once a week garbage, yard waste and recycling services on all residential properties. The annual contractual commitment to both the waste hauler and the County is approximately \$5.4 million payable from the City's Solid Waste Management Fund.

C. Contingent liabilities

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

The City is often listed as a co-defendant in foreclosure cases when the City has a second mortgage or code enforcement lien recorded against the property being foreclosed. These types of cases require the City Attorney to file documents with the Court, but are not overly time-consuming. These cases rarely result in costs to the City. Some of the liens either have priority over the mortgage in question or survive the foreclosure action and are eventually paid once the property is sold to a new owner.

There is a pending appeal of a suit by a citizen against the City for alleged violation of the Sunshine Law due to the City not permitting a citizen to comment about a matter prior to a vote by the City Commission. The City won the case at the circuit court level and at the 5th DCA level. The case has now been appealed to the Florida Supreme Court. The City is vigorously defending that appeal.

There is a pending appeal of a suit by a citizen against the City for the alleged failure to build a roadway in a manner described in an easement. The City won the case at the circuit court level and the case is now on appeal to the 5th DCA. The City is vigorously defending that appeal.

D. Other postemployment benefits (OPEB) Plans**Plan Description**

The Other Postemployment Benefit (OPEB) Plan is a single-employer benefit plan administered by the City. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the City are eligible to participate in the City's health plan for medical and prescription drug coverage. The City subsidizes the premium rates paid by retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan, on average, than those of active employees. The OPEB Plan does not issue a stand-alone report and is not included in the report of another entity.

As of October 1, 2012, the City had 285 OPEB members, 281 active and 4 inactive, with a total unfunded liability of \$1,707,000. Of the 281 total active members, 73 members are in the City's Firefighters retirement plan with a total liability of \$970,000. There were 51 members in the City's General Employees' retirement plan with a total liability of \$138,000. The remaining 157 members were in the Florida Retirement System (FRS) retirement plan with a total liability of \$520,000. All active members are active employees. There are four inactive members who are retired employees. All four of these inactive members were in the City's Firefighters retirement plan and have a total OPEB liability of \$79,000.

Funding Policy

For the OPEB Plan, contribution requirements of the City are established and may be amended through action from the City Commission. Currently, the City’s OPEB benefits are unfunded. The required contributions are based on pay-as-you-go financing requirements. The City has not established a Trust Account Fund for this liability, nor is there an equivalent arrangement into which the City makes contributions to advance-fund the obligation as it does for its pension plans. Therefore, subsidies which are provided over time are financed directly by the general assets of the City, which are invested in short-term fixed income instruments according to the City’s current investment policy. The interest rate used to calculate the present values and costs of OPEB must be the long-range expected return on such short-term fixed income instruments. The City selected an interest discount rate of 4% for this purpose. There are no post-retirement benefit increases assumed.

Annual OPEB Cost and Net OPEB Obligation

The City’s annual OPEB cost (expense) is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Unfunded Actuarial Accrued Liability represents an actuarial measurement of the obligation that has accrued so far based on the promise that has been made to current retirees and to current employees. Since the City’s OPEB liability is currently unfunded, the offset to that expense comes from actual subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called Employer Contribution and equals the total age-adjusted costs paid by the City for coverage for the retirees and their dependents for the year (net of the retiree’s own payments for the year). The following table shows the components of the City’s net OPEB obligation to the OPEB Plan:

Entity-wide OPEB Obligation	FY Ending 09/30/13
Annual Required Contribution	\$ 250,000
Interest on Net OPEB Obligation	52,000
Prior Net OPEB Obligation Adjustment	(54,000)
Annual OPEB Cost (Expense)	248,000
Employer Contributions Made	(34,000)
Increase (Decrease) in Net OPEB Obligation	214,000
Net OPEB Obligation at Beginning of Year	1,288,000
Net OPEB Obligation at End of Year	<u>1,502,000</u>

This amount is allocated as follows:

Governmental Activities	\$ 1,345,365
Business-type Activities	<u>156,635</u>
Total OPEB Obligation	<u>\$ 1,502,000</u>

The City's annual OPEB cost, the percentage of annual expected employer contribution toward OPEB cost, and the net OPEB obligation for 2013, with the two most recent preceding years, was as follows:

Annual OPEB Cost Summary

Year Ended	Annual OPEB Cost	Employer Contributions Toward OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/11	\$ 380,000	\$ 51,000	13.4%	\$ 970,000
09/30/12	\$ 402,000	\$ 84,000	20.9%	\$ 1,288,000
09/30/13	\$ 248,000	\$ 34,000	13.7%	\$ 1,502,000

Funding Status and Funding Progress

As of September 30, 2013, using the most recent actuarial valuation dated October 1, 2012, the Plan was unfunded. The actuarial accrued liability for benefits was \$1,707,000 and the actuarial value of assets was \$0.00, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,707,000. The covered payroll (annual payroll of active employees covered by the Plan) was \$12,317,000 and the ratio of the UALL to the covered payroll was 13.85%.

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

Actuarial Methods and Assumptions

In any long-term Actuarial Valuation, certain demographic, economic and behavioral assumptions are made concerning the population, the investment discount rates, inflation rates, and the benefits provided. These Actuarial Assumptions form the basis for the actuarial model which is used to project the future population, the future benefits provided and the contributions collected. Then the investment discount rate assumption is used to discount those projected net OPEB benefits to a present value. This and other related present values are used to calculate the annual OPEB cost. The actuarial assumptions also include an interest rate of 4.0%, an inflation rate (payroll growth rate) of 2.5%, an annual healthcare cost trend rate of 9%, reduced annually to an ultimate rate of 5%. The amortization period used is 30 years.

The results presented as of the Actuarial Valuation date have been derived using the Entry Age Normal Cost Method with an amortization of the Unfunded Actuarial Accrued Liability as a level percent of projected payroll over a closed period of thirty years from 2008. This is the most common method used for government Pension Valuations (and likely so for OPEB valuations) and spreads the cost evenly as a percent of pay throughout the collective careers of those in the covered workforce. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employees and the Plan

members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

E. Employee retirement systems and pension plans

Firefighters' Pension Plan

Plan Description

The City maintains a single-employer, defined benefit pension plan for firefighters known as the *City of Deltona Firefighters' Pension Plan* (the Plan). The Plan was adopted through local ordinance on December 14, 1998, with an effective date of October 1, 1997. The establishment of the Plan and any amendments thereto, are at the sole discretion of the City Commission. The Plan is maintained as a Pension Trust Fund and included as part of the City's reporting entity, hence separate financial statements are not issued.

The Plan provides retirement, disability and survivor benefits to all full-time certified firefighters. The Plan was established and operates within the parameters of Florida Statute Chapter 175, which governs fire pension plans in the State of Florida. The plan's amortization periods are closed. Administration of the Plan is by a five-member Board of Trustees (the Board). Two members of the Board must be members of the plan elected by a majority of all members of the Plan. Two members are citizens of the City appointed by the City Commission. The fifth member is elected by a majority of the other four Board members.

Members are vested after 10 years of creditable service. Benefits established by the City Commission are determined by length of service and average final compensation. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. Average final compensation is the average of the employee's highest 5 years of the previous 10 years of compensation. Normal retirement is reached at age 55 and 10 years or 25 years of creditable service. Employees earn benefits at the rate of 3% for each year of creditable service since October 1, 1997. The Plan includes a one-time past service credit option that allowed members who chose to exercise the option to obtain service credit for years of employment prior to October 1, 1997. The past service credit is at a 2% benefit rate for each year of creditable service. Members with 25 or more years of service will receive an upgrade of their past service credit from 2% to 3% provided that the total benefit percent does not exceed 100%.

Membership

As of the actuarial valuation dated October 1, 2012, there are 73 active members in the Plan and 9 retirees, 3 disabled retirees, 3 vested terminated members, 1 beneficiary and no DROP participants.

For the fiscal year ended September 30, 2013, the City's total covered payroll for employees eligible to participate in the Plan was \$4,088,420 compared with a total covered payroll for the City of \$12,969,930.

Funding Policy

The Florida Constitution requires local governments to make the actuarially determined contributions. The Florida Division of Retirement reviews and approves each local government's actuarial report prior to its being appropriate for use for funding purposes. The funding method and determination of benefits payable are provided in the various acts of the Florida Legislature, under which the Plan was created, including subsequent amendments thereto. Additionally, the State collects a locally authorized insurance premium surcharge on certain real and personal property insurance policies within the corporate limits of Deltona. The funds can only be distributed after the State has ascertained that the City has met its actuarial funding requirement for the most recently completed fiscal year. These funds are recorded in the General Fund and then immediately transferred to the pension fund as revenue, with an off-setting expense in the General Fund.

The Plan, as approved by the City Commission, requires members to contribute 8% of their annualized compensation. The City is required to fund the plan at the actuarially determined rate with an offset for estimated insurance premium receipts and contributions from members. The contribution rate for fiscal year ended September 30, 2013 is 21.8% (18.0% by the City, 3.8% by insurance premium excise tax) of annual covered payroll based on an actuarial valuation dated April 2011. The City has set its actual contribution rate at 18.0% of covered payroll for 2013. Insurance premium payments received from the State of Florida are recorded as revenue in the General Fund and immediately transferred to the Pension Fund. The transfer is recorded in the General Fund as an additional pension contribution.

Direct costs for Plan administration are paid from Plan assets. However, City staff performs certain administrative functions at no cost to the Plan.

The actuarial valuation, dated October 1, 2012, utilizes the entry age actuarial cost method. Prior years actuarial valuations used the frozen entry age actuarial cost method. Since the actuarial cost method was changed to the entry age actuarial cost method effective October 1, 2002, all prior unfunded frozen actuarial accrued liabilities have been consolidated into an initial UAAL as of October 1, 2002. This initial unfunded actuarial accrued liability is to be amortized over a 15 year period from October 1, 2002 at 4.4%. Unfunded frozen actuarial accrued liability bases established subsequent to October 1, 2002 will be amortized over 30 years using amortization periods that are closed as a level dollar amount from the date of inception. Assets of the Plan are valued at fair value. Significant actuarial assumptions used include an 8% investment rate of return, salary rate increases of 5.7%, inflation at 3.5% and 0% post retirement COLA.

Investments are reported at fair value and are managed by third party money managers. Investments that do not have an established market are reported at estimated fair market value.

Annual Pension Cost

The City Commission establishes, and may amend, the contribution requirements of the plan members and the City. For the year ended September 30, 2013, the required annual pension cost was \$805,342 and the amount contributed by the City (including the Insurance Premium Tax of \$429,488) was \$1,162,894 or 28.4% of covered payroll. Member contributions for the year totaled \$325,958 or 8% of covered payroll. For the fiscal year ended September 30, 2012 the City continues to have a negative net pension obligation.

Notes to the Financial Statements

The development of the net pension obligation to date, the annual pension cost (APC) and the percentage of APC contributed is as follows as of the Actuarial Valuation report dated:

	October 1, 2010	October 1, 2011	October 1, 2012 *
Actuarially Determined Contribution (ARC)	\$ 641,004	\$ 683,071	\$ 822,418
Interest on Net Pension Obligation (NPO)	(69,700)	(70,817)	(71,951)
Adjustment to (ARC)	55,739	56,632	54,875
Annual Pension Cost (APC) (1)	627,042	668,886	805,342
Contributions Made	(641,004)	(683,070)	(822,418)
Increase (Decrease) in NPO	(13,961)	(14,184)	(17,076)
NPO, Beginning of Year	(871,247)	(885,208)	(899,392)
NPO, End of Year	\$ (885,208)	\$ (899,392)	\$ (916,468)

* 9/30/12 includes both City and State contributions.

(1) APC includes employer, but excludes State and member contributions.

Net Pension Asset

The net pension asset, which is in the nature of a prepayment, represents the cumulative amount by which actual employer contributions exceed required contributions and relates solely to the Firefighters' Pension Plan. The net pension asset as of September 30, 2012 was \$916,468.

General Employees' Pension Plan

Plan Description

The City maintains a single-employer, defined contribution pension plan known as the *City of Deltona General Employees' Pension Plan* (the Plan). The Plan was adopted through City resolution on December 17, 1997, with an effective date of October 1, 1997. The Plan is a tax-qualified plan pursuant to section 401(a) of the Internal Revenue Code and covers all full-time employees of the City, excluding certified firefighters.

Membership

As of September 30, 2013, there were 52 employees enrolled in the Plan. The Plan was closed by the City effective December 1, 2006 when the City opted to enroll in the Florida Retirement System (FRS).

Funding Policy

The Plan is administered by an outside party and requires the City to contribute 10% of each participant's base earnings in a pension trust. Base earnings includes W-2 earnings, plus any contribution made pursuant to a salary reduction agreement which are not included under section 125 of the Internal Revenue Code, less unscheduled overtime and on call pay. There is no mandatory contribution by participants, however participants may make voluntary (unmatched), after-tax contributions. The Plan has a five-year graduated vesting schedule granted in 20% increments starting after the attainment of one year of service. Participants automatically become fully vested at age 55, the normal retirement age set by the Plan. The

Plan permits withdrawals for retirement, termination and disability. The Plan does not allow participants to borrow against their accounts.

For the fiscal year ended September 30, 2013, the City's total covered payroll for employees eligible to participate in the Plan was \$2,140,745 compared with a total payroll for the City of \$12,969,930. The required employer contribution and the contribution actually made amounted to \$214,075 or 10% of covered payroll. Investments are reported at fair value. There have been no revisions to the Plan since its adoption.

The City is the Trustee for the plan, however assets are held in employees' names and therefore the City is not exposed to custodial risk.

Florida Retirement System (FRS)

Plan Description

The City participates in the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit public employee retirement system, administered by the State of Florida Department of Administration. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Florida Statutes Chapter 121, as may be amended from time to time by the state legislature, provides the methodology for determining contribution rates for the various membership classes of the FRS. The FRS issues a publicly available financial report that includes financial statements, ten-year historical trend information, and other required supplementary information. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan.

That report may be obtained by writing to the:

State of Florida Department of Administration
Division of Retirement
Post Office Box 9000
Tallahassee, Florida 32315-9000

Membership

The City passed Resolution #2006-39, which allows all current eligible employees to enroll in FRS with the State of Florida (a defined benefit pension plan) with an effective date of December 1, 2006, or continue to participate in the pre-existing defined contribution pension plan known as the City of Deltona General Employees' Pension Plan. All general employees hired after December 1, 2006 are compulsory members of FRS. General employees electing to participate in FRS with the State of Florida had the option to purchase past service credit back to October 1, 1997. For each general employee opting to purchase past service, their General Employees' Pension Plan assets were transferred directly to FRS with the State of Florida. As of September 30, 2013, there were 186 employees enrolled in FRS.

Funding Policy

The FRS has five classes of membership, of which three apply to the City, with descriptions and contribution rates in effect at September 30 for the last three years as follows (contribution rates are in agreement with the actuarially determined rates):

	September 30,		
	2011	2012	2013
<u>Regular Class</u> Members who do not qualify for other classes	4.91%	5.18%	6.95%
<u>Senior Management Service Class</u> Members of senior management who do elect the optional annuity retirement program	6.27%	6.30%	18.31%
<u>FRS Report Only</u> Retiree not eligible for FRS retirement	1.60%	1.60%	3.39%

Effective July 1, 2011 the Florida Legislature passed Senate Bill 2100 requiring all FRS Investment Plan and Pension Plan members (except those in DROP) to make a 3% employee contribution on a pre-tax basis. This was vigorously challenged and the final court decision was in favor of the State.

For the fiscal year ended September 30, 2013, the City's total covered payroll for employees eligible to participate in the Plan was \$6,740,764 compared with a total covered payroll for the City of \$12,969,930. Employer contributions to the plan were \$407,841, \$329,143 and \$617,977 for the fiscal years ended September 30, 2013, 2012 and 2011, respectively. These contributions represent 100% of required contributions for each of the three years presented.

Notes to the Financial Statements

Following is a summarized schedule of the general and fire pension plan assets and changes in the net position of the plans:

SCHEDULE OF PENSION PLAN NET POSITION AS OF SEPTEMBER 30, 2013			
	Firefighters' Pension Trust Fund	General Employees' Pension Trust Fund	Total
Assets			
Cash and Investments	\$ 17,556,357	\$ 3,195,013	\$ 20,751,370
Prepaid	3,160	-	3,160
Total Assets	<u>17,559,517</u>	<u>3,195,013</u>	<u>20,754,530</u>
Liabilities			
Accounts Payable	28,291	-	28,291
Due to Other Funds	-	15,959	15,959
Total Liabilities	<u>28,291</u>	<u>15,959</u>	<u>44,250</u>
Net Position			
Reserved for Employees' Pension Benefits	<u>\$ 17,531,226</u>	<u>\$ 3,179,054</u>	<u>\$ 20,710,280</u>
Additions			
Contributions			
Employer	\$ 733,406	\$ 213,874	\$ 947,280
State of Florida	429,488	-	429,488
Employee	325,958	-	325,958
Employee Roll-Ins	-	5,164	5,164
Total Contributions	<u>1,488,852</u>	<u>219,038</u>	<u>1,707,890</u>
Investment Income (Loss)	<u>1,560,885</u>	<u>332,251</u>	<u>1,893,136</u>
Total Additions	<u>3,049,737</u>	<u>551,289</u>	<u>3,601,026</u>
Deductions			
Benefit Payments – Retirement	426,011	60,250	486,261
Benefit Payments – Disability	102,308	-	102,308
Benefit Payments - Beneficiary	14,850	-	14,850
Refunds to Employees	14,197	-	14,197
Administration	129,449	627	130,076
Insurance Premium Payments	2,669	-	2,669
Forfeitures	-	9,249	9,249
(Total Deductions)	<u>689,484</u>	<u>70,126</u>	<u>759,610</u>
Net Increase (Decrease)	2,360,253	481,163	2,841,416
Net Position Reserved for Employees' Pension Benefits			
Beginning of Year	<u>15,170,975</u>	<u>2,697,889</u>	<u>17,868,864</u>
End of Year	<u>\$ 17,531,228</u>	<u>\$ 3,179,052</u>	<u>\$ 20,710,280</u>

Other Pension Plan Information

The information presented below is taken from the City's most current Firefighters' Pension Plan Actuarial Valuation as of October 1, 2013 and represents the most current information available.

Three year trend information

	Fiscal Year Ended	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
Firefighters	2012	\$ 805,342	102%	\$ (916,468)
Firefighters	2011	\$ 668,886	102%	\$ (899,392)
Firefighters	2010	\$ 627,042	102%	\$ (885,208)

Firefighters' Retirement Plan

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Entry Age Normal Actuarial Liability (AAL)	(4) Unfunded Actuarial Accrued Liability (UAAL) (3)-(2)	(5) Funded Ratio(2)/(3)	(6) Annual Covered Payroll	(7) UAAL as Percentage of Payroll (4)/(6)
10/01/12	\$ 15,488,008	\$ 20,442,874	\$ 4,954,866	75.76%	\$ 4,127,685	120.04%
10/01/11	\$ 14,351,538	\$ 19,038,851	\$ 4,687,744	75.38%	\$ 4,125,753	113.62%
10/01/10	\$ 13,082,304	\$ 17,807,076	\$ 4,724,772	73.47%	\$ 4,455,835	106.04%

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

F. New Pronouncements

The City adopted new accounting guidance GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement codifies into GASB accounting and financial reporting standards the "legacy" standards from the private-sector.

The City adopted new accounting guidance GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Concepts Statement No. 4, *Elements of Financial Statements*. These statements incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and renamed that measure as net position, rather than net assets, affecting the comparability of the financial statements for the 2012-13 and 2011-12 fiscal years.

The City intends to implement both GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities" and GASB Statement no. 67, "Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25" in FY 2013 / 2014.

The City intends to implement GASB Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27" in FY 2014 / 2015.

G. Subsequent Events

Fire Union Negotiations

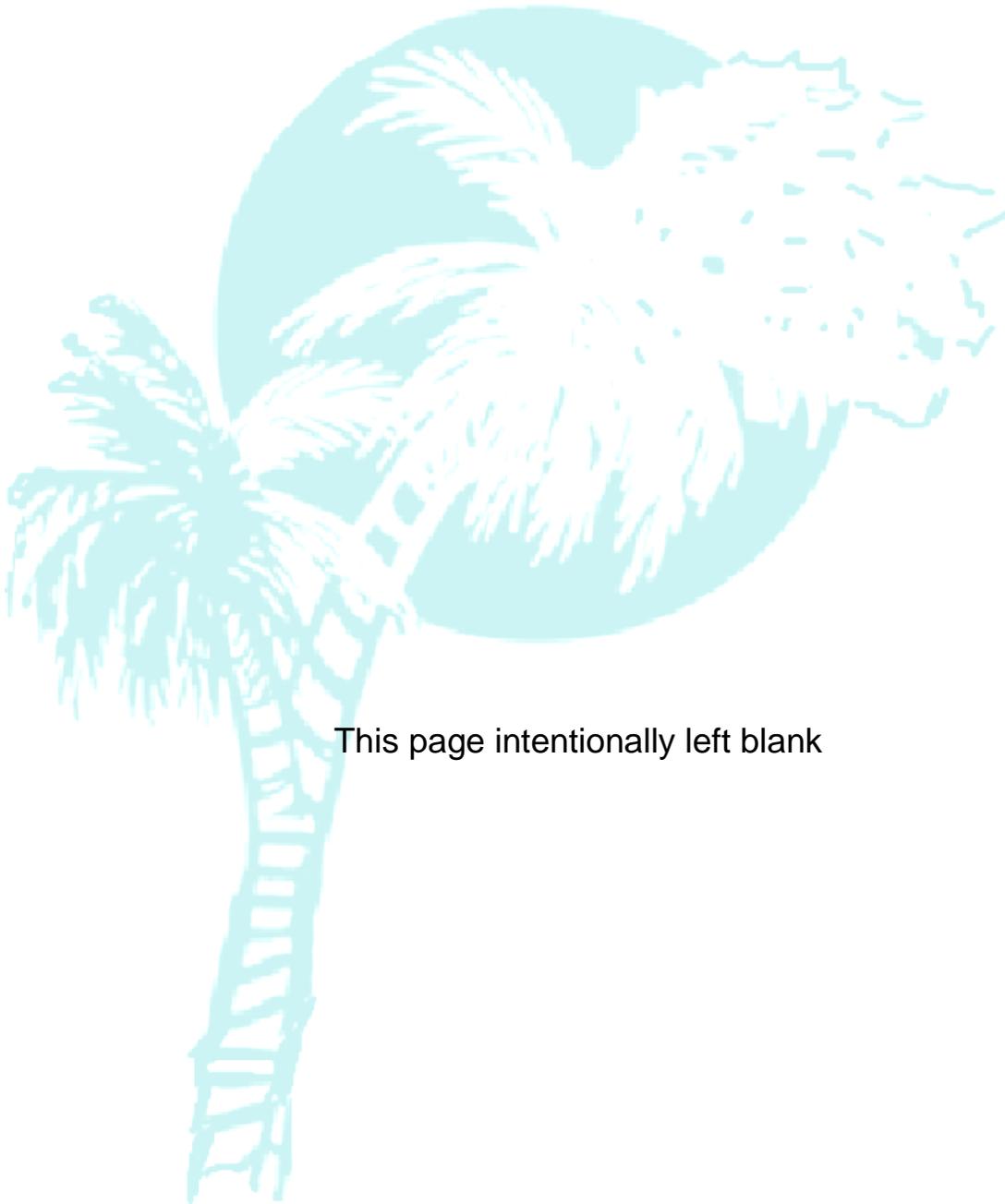
Toward the end of August, 2013 the City and the City's Fire Union reached an agreement on the Union contract. The Commission approved the contract on September 3, 2013. The contract is effective October 1, 2012 through September 30, 2015.

City Manager

The City's City Manager resigned effective February 4, 2013 and the Deputy City Manager was named Acting City Manager. At the December 16, 2013 regular Commission meeting, the Commission approved the Acting City Manager as the City Manager with a contract effective January 1, 2014 through June 30, 2014.

City of Deltona Firefighter's Pension Plan

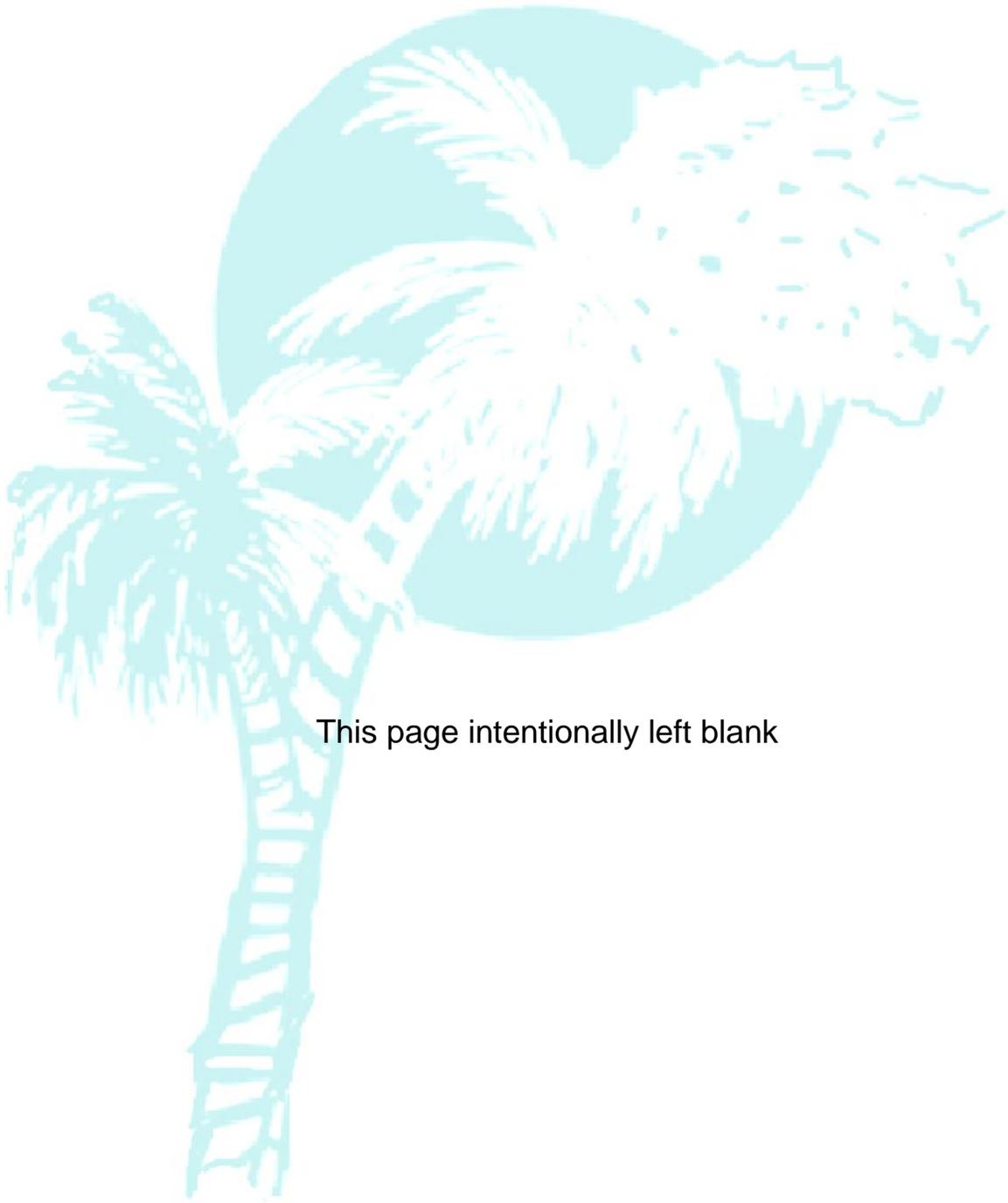
Actuarial figures based on September 30, 2012 have been used in this report. As of the writing of this report, there is a pending Ordinance revision to the Firefighters' Pension Plan that may or may not have significant impact on future benefits and City contributions.



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REQUIRED SUPPLEMENTARY INFORMATION



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Schedule of Revenues, Expenditures, Changes in Fund Balance

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 11,340,000	\$ 11,340,000	\$ 11,405,246	\$ 65,246
Franchise fees	3,557,000	3,557,000	3,436,887	(120,113)
Public service tax	6,972,000	6,972,000	7,315,776	343,776
State revenue sharing	2,424,000	2,424,000	2,929,631	505,631
Intergovernmental revenue	4,208,100	4,208,100	4,435,181	227,081
Charges for services	1,256,100	1,256,100	1,732,448	476,348
Fines and forfeitures	177,000	177,000	225,204	48,204
Interest income	120,700	120,700	105,039	(15,661)
Miscellaneous	386,000	391,000	242,555	(148,445)
Total revenues	30,440,900	30,445,900	31,827,967	1,382,067
Expenditures				
Current:				
General Government and Administration:				
City Commission	273,800	279,800	279,426	374
City Manager	725,200	832,200	831,206	994
City Clerk	449,300	449,300	435,880	13,420
Finance and Internal Services	1,036,400	1,016,400	1,016,174	226
Human Resources	475,900	435,900	403,345	32,555
City Attorney	498,300	558,300	503,242	55,058
Development Services	1,524,900	1,524,900	1,418,093	106,807
Enforcement Services	1,308,400	1,308,400	1,288,010	20,390
General Services	1,177,600	1,180,500	1,140,738	39,762
Total General Government and Administration	7,469,800	7,585,700	7,316,114	269,586
Public Safety:				
Law Enforcement	9,341,300	9,341,300	9,322,543	18,757
Fire Rescue	8,227,400	8,227,400	8,031,370	196,030
Total public safety	17,568,700	17,568,700	17,353,913	214,787
Highways and Streets:				
Administration	218,900	221,900	204,713	17,187
Engineering	148,400	148,400	112,105	36,295
Field Operations	1,242,900	1,242,900	1,078,108	164,792
Maintenance	346,600	343,600	308,361	35,239
Total Highways and Streets	1,956,800	1,956,800	1,703,287	253,513
Culture and Recreation	2,105,000	1,999,000	1,917,002	81,998
Economic Environment	-	-	-	-
Physical Environment	-	-	-	-
Capital Outlay				
General Government and Administration	648,600	613,600	427,293	186,307
Culture and Recreation	146,000	171,000	150,023	20,977
Highways and Streets	613,000	613,000	455,681	157,319
Physical Environment	247,100	247,100	219,382	27,718
Public Safety	782,500	832,500	338,772	493,728
Economic Environment	-	-	-	-
Total expenditures	(31,537,500)	(31,587,400)	(29,881,467)	(1,705,933)
Excess of revenues over expenditures	(1,096,600)	(1,141,500)	1,946,500	3,088,000
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	(3,000)	(3,000)	(3,000)	-
Total other financing (uses)	(3,000)	(3,000)	(3,000)	-
Excess (deficiency) of revenues and other financing sources (under) expenditures and other financing uses	(1,099,600)	(1,144,500)	1,943,500	3,088,000
Fund balance, beginning of year	18,863,236	18,863,236	19,507,644	644,408
Fund balance, end of year	\$ 17,763,636	\$ 17,718,736	\$ 21,451,144	\$ 3,732,408

Required Supplementary Information

Schedule of Revenues, Expenditures, Changes in Fund Balance

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SOLID WASTE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 5,628,200	\$ 5,628,200	\$ 5,673,107	\$ 44,907
Interest income	1,800	1,800	6,907	5,107
Miscellaneous	-	-	4,229	4,229
Total revenues	<u>5,630,000</u>	<u>5,630,000</u>	<u>5,684,243</u>	<u>54,243</u>
Expenditures				
Current:				
Physical Environment	5,563,000	5,563,000	5,585,579	(22,579)
Capital outlay - Physical Environment	-	-	-	-
Total expenditures	<u>(5,563,000)</u>	<u>(5,563,000)</u>	<u>(5,585,579)</u>	<u>(22,579)</u>
(Deficiency) of revenues (under) expenditures	<u>67,000</u>	<u>67,000</u>	<u>98,664</u>	<u>31,664</u>
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>67,000</u>	<u>67,000</u>	<u>98,664</u>	<u>31,664</u>
Fund balance, beginning of year	<u>505,175</u>	<u>505,175</u>	<u>501,368</u>	<u>(3,807)</u>
Fund balance, end of year	<u>\$ 572,175</u>	<u>\$ 572,175</u>	<u>\$ 600,032</u>	<u>\$ 27,857</u>

Required Supplementary Information

Schedule of Revenues, Expenditures, Changes in Fund Balance

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STORMWATER UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 147,100	\$ 147,100	\$ 569,556	\$ 422,456
Charges for services	2,915,000	2,915,000	2,925,730	10,730
Miscellaneous	5,000	5,000	1,621	(3,379)
Interest income	3,000	3,000	12,012	9,012
Total revenues	<u>3,070,100</u>	<u>3,070,100</u>	<u>3,508,919</u>	<u>438,819</u>
Expenditures				
Current:				
Physical Environment	2,205,100	2,302,100	1,876,326	425,774
Debt service:				
Principal	298,161	298,161	227,538	70,623
Interest	227,539	227,539	298,161	(70,622)
Capital outlay - Physical Environment	3,259,900	3,162,900	1,646,519	1,516,381
Total expenditures	<u>(5,990,700)</u>	<u>(5,990,700)</u>	<u>(4,048,544)</u>	<u>1,942,156</u>
(Deficiency) of revenues (under) expenditures	<u>(2,920,600)</u>	<u>(2,920,600)</u>	<u>(539,625)</u>	<u>2,380,975</u>
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(2,920,600)</u>	<u>(2,920,600)</u>	<u>(539,625)</u>	<u>2,380,975</u>
Fund balance, beginning of year	<u>4,443,539</u>	<u>4,443,539</u>	<u>4,430,585</u>	<u>(12,954)</u>
Fund balance, end of year	<u>\$ 1,522,939</u>	<u>\$ 1,522,939</u>	<u>\$ 3,890,960</u>	<u>\$ 2,368,021</u>

Required Supplementary Information

Schedule of Revenues, Expenditures, Changes in Fund Balance

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NEIGHBORHOOD STABILIZATION GRANT FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 2,161,000	\$ 2,161,000	\$ 768,061	\$ (1,392,939)
Program Revenue	1,232,900	1,232,900	1,395,529	162,629
Interest income	-	-	2,433	2,433
Miscellaneous	-	-	-	-
Total revenues	<u>3,393,900</u>	<u>3,393,900</u>	<u>2,166,023</u>	<u>(1,227,877)</u>
Expenditures				
Current:				
General Government and Administration	190,000	190,000	173,364	16,636
Economic Environment	3,203,900	3,203,900	1,992,659	1,211,241
Total expenditures	<u>(3,393,900)</u>	<u>(3,393,900)</u>	<u>(2,166,023)</u>	<u>1,227,877</u>
(Deficiency) of revenues (under) expenditures	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Required Supplementary Information

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TRANSPORTATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 2,112,000	\$ 2,112,000	\$ 2,069,784	\$ (42,216)
Impact Fees	-	-	-	-
Interest	4,100	4,100	6,215	2,115
Miscellaneous	-	-	66,245	66,245
Total revenues	<u>2,116,100</u>	<u>2,116,100</u>	<u>2,142,244</u>	<u>26,144</u>
Expenditures				
Current:				
Highways and Streets	129,400	129,400	129,109	291
Debt Service:				
Principal	760,000	760,000	760,000	-
Interest	699,600	699,600	699,575	25
Capital outlay - Highways and Streets	4,300,000	4,300,000	2,523,563	1,776,437
Total expenditures	<u>(5,889,000)</u>	<u>(5,889,000)</u>	<u>(4,112,247)</u>	<u>1,776,753</u>
(Deficiency) of revenues (under) expenditures	<u>(3,772,900)</u>	<u>(3,772,900)</u>	<u>(1,970,003)</u>	<u>1,802,897</u>
Other financing sources (uses)				
Transfers from other funds	45,000	45,000	162,699	(117,699)
Transfers to other funds	-	-	-	-
Total other financing sources	<u>45,000</u>	<u>45,000</u>	<u>162,699</u>	<u>(117,699)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(3,727,900)</u>	<u>(3,727,900)</u>	<u>(1,807,304)</u>	<u>1,920,596</u>
Fund balance, beginning of year	<u>5,997,636</u>	<u>5,997,636</u>	<u>5,701,909</u>	<u>(295,727)</u>
Fund balance, end of year	<u>\$ 2,269,736</u>	<u>\$ 2,269,736</u>	<u>\$ 3,894,605</u>	<u>\$ 1,624,869</u>

Required Supplementary Information

**SCHEDULES OF FUNDING PROGRESS AND CONTRIBUTIONS
FROM EMPLOYER AND OTHERS
SEPTEMBER 30, 2013**

DEFINED BENEFIT PENSION PLAN TREND INFORMATION

A. City of Deltona Firefighter's Pension Plan (Established October 1, 1997)

Schedule of Contributions from Employer and Other Contributing Entities

Year Ended September 30,	Annual Required Contribution	City Contrib.	State Contrib.	Total Employer Contrib.	Percentage Contrib.	Net Pension Obligation (Asset)
2003	227,514	313,409	49,126	362,535	159%	(315,663)
2004	245,229	355,812	49,126	404,938	165%	(475,372)
2005	260,870	267,952	77,664	345,616	132%	(560,119)
2006	306,309	286,986	154,989	441,975	144%	(695,785)
2007	411,670	349,735	154,989	504,724	123%	(788,839)
2008	369,366	347,106	154,989	502,095	136%	(884,870)
2009	658,280	503,291	154,990	658,281	100%	(871,247)
2010	795,994	641,004	154,990	795,994	100%	(885,208)
2011	838,061	683,070	154,990	838,060	100%	(899,392)
2012	822,418	667,428	154,990	822,418	100%	(916,468)

(1) Contributions made include required contributions by members of the plan and excise tax on certain insurance premiums collected and remitted by the State of Florida. The City is required to contribute the balance of the annual required contribution.

B. Schedule of Funding Progress

Valuation Date October 1,	Actuarial Accrued Liability (AAL)*	Actuarial Value of Assets	Unfunded AAL (UAAL)	Percentage Funded	Annual Covered Payroll	UAAL as Percentage of Payroll
2003	4,433,201	3,755,476	677,725	84.71%	2,118,096	32.00%
2004	5,111,314	4,746,593	364,721	92.86%	2,321,131	15.71%
2005	6,302,268	5,897,162	405,106	93.57%	2,668,839	15.18%
2006	7,862,670	7,495,199	367,471	95.33%	3,180,183	11.56%
2007	11,045,124	9,219,824	1,825,300	83.47%	4,368,725	41.78%
2008	13,385,926	9,890,318	3,057,753	73.89%	3,981,771	76.79%
2009	15,733,675	11,396,506	4,337,169	72.43%	4,270,527	101.56%
2010	17,807,076	13,082,304	4,724,772	73.47%	4,455,835	106.04%
2011	18,998,282	14,310,538	4,687,744	75.33%	4,125,753	113.62%
2012	20,442,874	15,488,008	4,954,866	75.76%	4,127,685	120.04%

(1) The funded ratio represents the actuarial value of assets as a percentage of the actuarial accrued liability.

**SCHEDULE OF FUNDING PROGRESS
FROM EMPLOYER AND OTHERS
SEPTEMBER 30, 2013**

OTHER POST EMPLOYMENT BENEFITS (OPEB) TREND INFORMATION

A. Schedule of Funding Progress

Valuation Date	(A) Actuarial Value of Assets (AVA)	(B) Actuarial Accrued Liability (AAL)	(B-A) Unfunded Actuarial Accrued Liability (UAAL)	(C) Normal Cost	(A)/(B) Funded Ratio	(D) Annual Covered Payroll	((B-A)/D) UAAL as Percentage of Payroll
3/1/2008	\$ -	\$ 1,362,000	\$ 1,362,000	\$ 272,000	0%	\$13,602,000	10.01%
3/1/2011	\$ -	\$ 1,934,000	\$ 1,934,000	\$ 295,000	0%	\$ 12,210,000	15.84%
10/1/2012	\$ -	\$ 1,707,000	\$ 1,707,000	\$ 175,000	0%	\$ 12,317,000	13.86%

B. Schedule of Employer Contributions

FYE	Actuarial Valuation Date	Annual OPEB Cost	Actual Contribution	% Contributed	Contribution as % of Payroll	Net Ending OPEB Liability / (Asset)
9/30/2009	3/1/2008	\$ 334,000	\$ 15,000	4.5%	0.1%	319,000
9/30/2010	3/1/2008	\$ 359,000	\$ 37,000	10.3%	0.3%	641,000
9/30/2011	3/1/2011	\$ 380,000	\$ 51,000 *	13.4%	0.4%	970,000
9/30/2012	3/1/2011	\$ 402,000	\$ 84,000 *	20.9%	0.7%	1,288,000
9/30/2013	10/1/2012	\$ 248,000	\$ 34,000 *	13.7%	0.3%	1,502,000

* Estimated

NOTE: Actuarial report is required only every two years, therefore only information for update years (odd years) is presented. The City adopted GASB 45 effective October 1, 2008.

Required Supplementary Information

Notes to the Required Supplementary Information September 30, 2013

Note 1

Budgetary information

Budgetary comparisons are presented as part of the Required Supplementary Information (RSI) and the basis of budgeting is the same as GAAP.

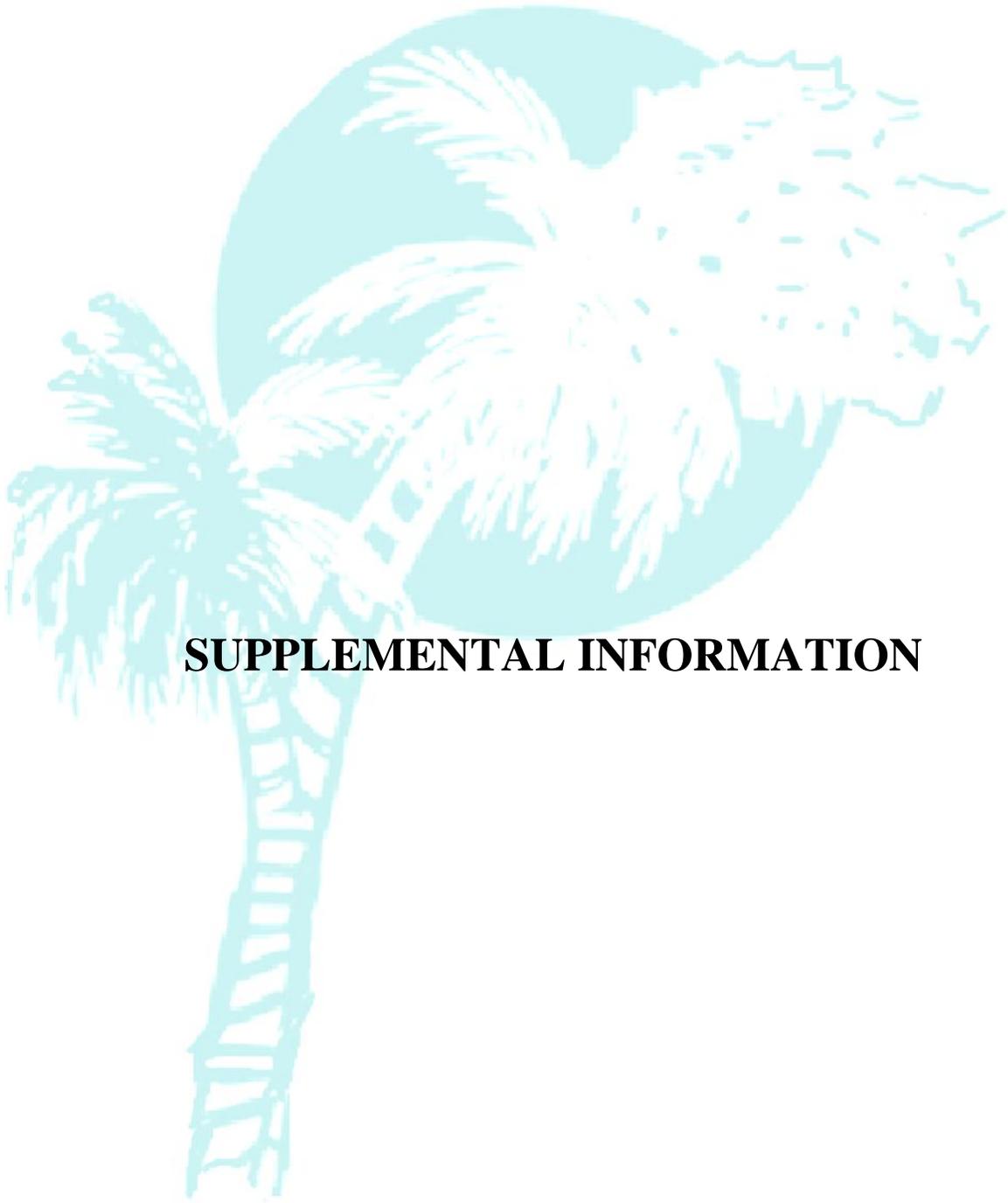
Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds. All annual appropriations lapse at fiscal year-end.

Annually, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1st. Public hearings are held to obtain taxpayer comments. Prior to October 1st, the budget is legally enacted through City Commission resolution.

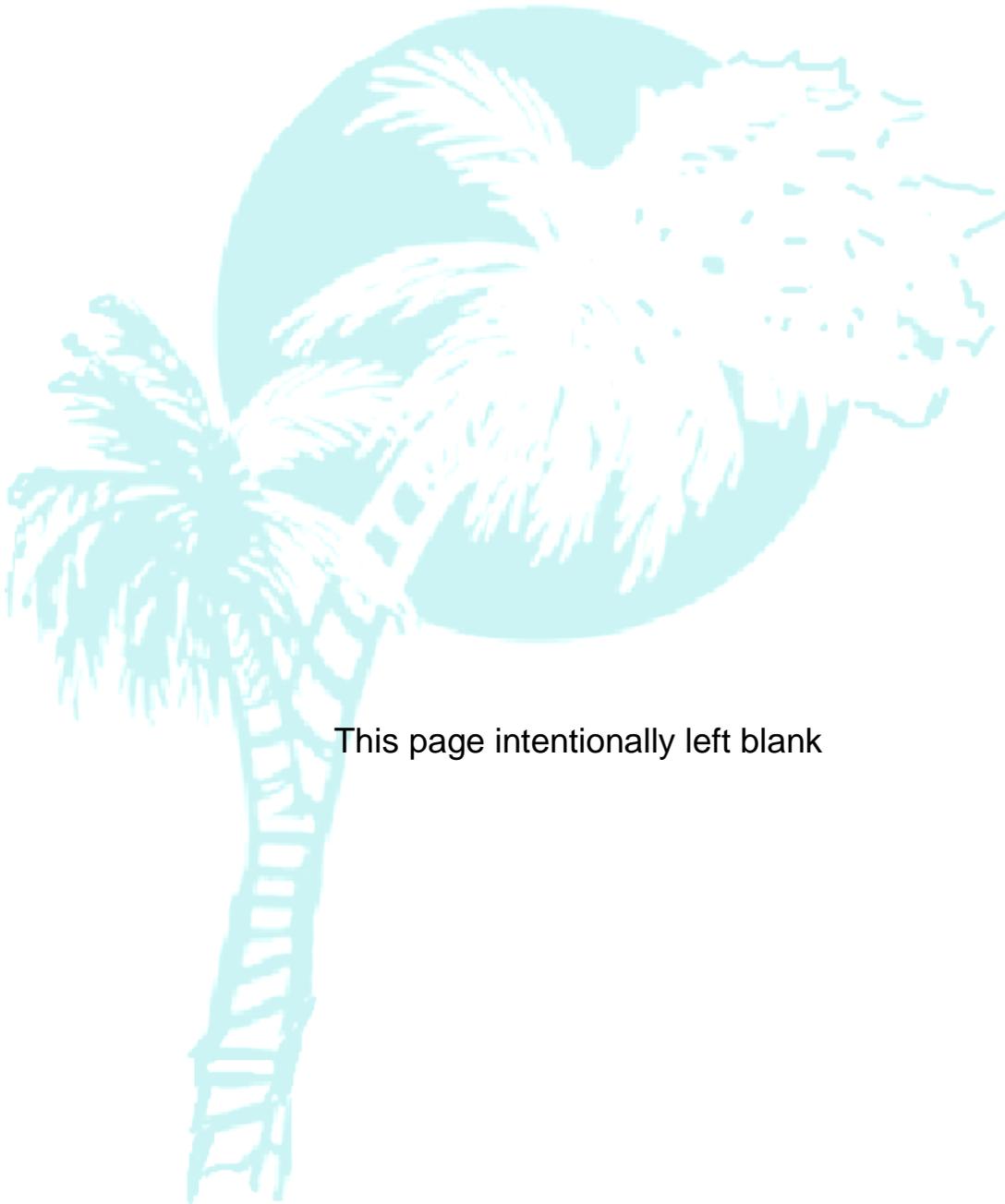
The budget is prepared and adopted by fund, function and department. The City Manager may make transfers of appropriations within a department throughout the year. Transfers of appropriations between departments require the approval of the City Commission.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

The City received \$438,089 from the State of Florida for the Firefighter Pension Insurance Premium Tax. This is money charged to all homeowners on their homeowners' insurance bill to provide additional pension benefits to firefighters. As required by Generally Accepted Accounting Principles (GAAP), this money was recorded in the General Fund as revenue with an offsetting equal expense in public safety. Once received, this money was immediately transferred to the Firefighters pension fund to fund pension benefits above and beyond what the City provides.



SUPPLEMENTAL INFORMATION



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**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
CAPITAL PROJECTS - MUNICIPAL COMPLEX(S) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Interest income	\$ 6,000	\$ 6,000	\$ 11,515	\$ 5,515
Miscellaneous	-	-	-	-
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>11,515</u>	<u>5,515</u>
Expenditures				
Capital outlay:				
General Government and Administration	70,000	70,000	71,210	(1,210)
Public Safety	85,000	130,000	123,002	6,998
Culture and Recreation	-	-	-	-
Economic Environment	-	-	-	-
Total expenditures	<u>(155,000)</u>	<u>(200,000)</u>	<u>(194,212)</u>	<u>5,788</u>
(Deficiency) of revenues (under) expenditures	<u>(149,000)</u>	<u>(194,000)</u>	<u>(182,697)</u>	<u>11,303</u>
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(149,000)</u>	<u>(194,000)</u>	<u>(182,697)</u>	<u>11,303</u>
Fund balance, beginning of year	<u>1,914,798</u>	<u>1,914,798</u>	<u>1,945,122</u>	<u>30,324</u>
Fund balance, end of year	<u>\$ 1,765,798</u>	<u>\$ 1,720,798</u>	<u>\$ 1,762,425</u>	<u>\$ 41,627</u>

Required Supplementary Information

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	Special Revenue Funds								Capital Projects - Park Projects Fund	Total
	Streetlighting Districts	Fire/Rescue Service Impact Fees	Law Enforcement Impact Fees	Park Impact Fees	Transportation Impact Fees	Community Development Block Grant	State Housing Initiatives Partnership	Tree Replacement Fund		
Assets										
Cash and cash equivalents	\$ 16,965	\$ 12,304	\$ 14,638	\$ 96,865	\$ -	\$ -	\$ 185,328	\$ 468,477	\$ 64,200	\$ 858,777
Due from other governments	-	-	-	-	-	338,282	-	-	-	338,282
Total assets	<u>16,965</u>	<u>12,304</u>	<u>14,638</u>	<u>96,865</u>	<u>-</u>	<u>338,282</u>	<u>185,328</u>	<u>468,477</u>	<u>64,200</u>	<u>1,197,059</u>
Liabilities and fund balances										
Liabilities										
Accounts payable	9,906	-	-	-	-	71,047	-	-	-	80,953
Accrued liabilities	-	-	-	-	-	-	-	-	-	-
Contracts/Retainage payable	-	-	-	-	-	6,407	-	-	-	6,407
Due to other funds	-	-	-	-	-	260,828	-	-	-	260,828
Deferred revenues	-	-	-	-	-	-	185,328	-	-	185,328
Total liabilities	<u>9,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>338,282</u>	<u>185,328</u>	<u>-</u>	<u>-</u>	<u>533,516</u>
Fund balances										
Restricted:										
Public safety	-	12,304	14,638	-	-	-	-	-	-	26,942
Highways and streets	7,059	-	-	-	-	-	-	-	-	7,059
Culture and recreation	-	-	-	96,865	-	-	-	-	-	96,865
Total restricted fund balances	<u>7,059</u>	<u>12,304</u>	<u>14,638</u>	<u>96,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,866</u>
Committed:										
Culture and recreation	-	-	-	-	-	-	-	-	64,200	64,200
Physical environment	-	-	-	-	-	-	-	468,477	-	468,477
Total committed fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>468,477</u>	<u>64,200</u>	<u>532,677</u>
Unassigned fund balances	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>7,059</u>	<u>12,304</u>	<u>14,638</u>	<u>96,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>468,477</u>	<u>64,200</u>	<u>663,543</u>
Total liabilities and fund balances	<u>\$ 16,965</u>	<u>\$ 12,304</u>	<u>\$ 14,638</u>	<u>\$ 96,865</u>	<u>\$ -</u>	<u>\$ 338,282</u>	<u>\$ 185,328</u>	<u>\$ 468,477</u>	<u>\$ 64,200</u>	<u>\$ 1,197,059</u>

Supplemental Information

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	Special Revenue Funds								Capital Projects - Park Projects Fund	Total
	Streetlighting Districts	Fire/Rescue Service Impact Fees	Law Enforcement Impact Fees	Park Impact Fees	Transportation Impact Fees	Community Development Block Grant	State Housing Initiatives Partnership	Tree Replacement Fund		
Revenues										
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 614,320	\$ 45,515	\$ -	\$ -	\$ 659,835
Charges for services	130,304	-	-	-	-	-	-	-	-	130,304
Impact fees	-	6,220	3,489	46,686	162,699	-	-	-	-	219,094
Interest income	111	59	87	210	-	-	432	2,843	693	4,435
Miscellaneous	-	-	-	-	-	-	-	1,775	-	1,775
Total revenues	130,415	6,279	3,576	46,896	162,699	614,320	45,947	4,618	693	1,015,443
Expenditures										
Current:										
General Government and Administration	-	-	-	-	-	87,367	5,201	-	-	92,568
Highways and Streets	133,809	-	-	-	-	-	-	-	-	133,809
Culture and Recreation	-	-	-	-	-	-	-	-	-	-
Economic Environment	-	-	-	-	-	62,931	40,746	-	-	103,677
Physical Environment	-	-	-	-	-	105,067	-	14,673	-	119,740
Capital Outlay:										
General Government and Administration	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-
Highways and Streets	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	55,000	-	-	16,000	71,000
Economic Environment	-	-	-	-	-	-	-	-	-	-
Physical Environment	-	-	-	-	-	303,955	-	-	-	303,955
Total expenditures	(133,809)	-	-	-	-	(614,320)	(45,947)	(14,673)	(16,000)	(824,749)
Excess (deficiency) of revenues over (under) expenditures	(3,394)	6,279	3,576	46,896	162,699	-	-	(10,055)	(15,307)	190,694
Other financing sources (uses)										
Transfers from other funds	-	-	-	-	-	-	-	-	3,000	3,000
Transfers to other funds	-	-	-	-	(162,699)	-	-	-	-	(162,699)
Total other financing (uses) sources	-	-	-	-	(162,699)	-	-	-	3,000	(159,699)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,394)	6,279	3,576	46,896	-	-	-	(10,055)	(12,307)	30,995
Fund balances, beginning of year	10,453	6,025	11,062	49,969	-	-	-	478,532	76,507	632,548
Fund balances, end of year	\$ 7,059	\$ 12,304	\$ 14,638	\$ 96,865	\$ -	\$ -	\$ -	\$ 468,477	\$ 64,200	\$ 663,543

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
STREETLIGHTING DISTRICTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Actual	Final Budget	Variance With Final Budget
Revenues			
Special assessments	\$ 130,304	\$ 135,000	\$ (4,696)
Interest income	111	200	(89)
Total revenues	<u>130,415</u>	<u>135,200</u>	<u>(4,785)</u>
Expenditures			
Current:			
Highways and Streets	133,809	135,200	1,391
Total expenditures	<u>(133,809)</u>	<u>(135,200)</u>	<u>1,391</u>
Excess of revenues over (under) expenditures	(3,394)	-	(3,394)
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(3,394)	-	(3,394)
Fund balance, beginning of year	<u>10,453</u>	<u>2,821</u>	<u>7,632</u>
Fund balance, end of year	<u>\$ 7,059</u>	<u>\$ 2,821</u>	<u>\$ 4,238</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FIRE/RESCUE SERVICE IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Actual	Final Budget	Variance With Final Budget
Revenues			
Impact fees	\$ 6,220	\$ 2,140	\$ 4,080
Interest	59	-	59
Total revenues	<u>6,279</u>	<u>2,140</u>	<u>4,139</u>
Expenditures			
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>6,279</u>	<u>2,140</u>	<u>(4,139)</u>
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	6,279	2,140	4,139
Fund balance, beginning of year	<u>6,025</u>	<u>6,500</u>	<u>(475)</u>
Fund balance, end of year	<u>\$ 12,304</u>	<u>\$ 8,640</u>	<u>\$ 3,664</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
LAW ENFORCEMENT IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Actual	Final Budget	Variance With Final Budget
Revenues			
Impact Fees	\$ 3,489	\$ 1,160	\$ 2,329
Interest	87	50	37
Total revenues	<u>3,576</u>	<u>1,210</u>	<u>2,366</u>
Expenditures			
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>3,576</u>	<u>1,210</u>	<u>2,366</u>
Other financing sources (Uses)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	3,576	1,210	2,366
Fund balance, beginning of year	<u>11,062</u>	<u>11,792</u>	<u>(730)</u>
Fund balance, end of year	<u>\$ 14,638</u>	<u>\$ 13,002</u>	<u>\$ 1,636</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
PARK IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Actual	Final Budget	Variance With Final Budget
Revenues			
Impact fees	\$ 46,686	\$ 15,560	\$ 31,126
Interest income	210	220	(10)
Total revenues	<u>46,896</u>	<u>15,780</u>	<u>31,116</u>
Expenditures			
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues Over expenditures	<u>46,896</u>	<u>15,780</u>	<u>31,116</u>
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	46,896	15,780	31,116
Fund balance, beginning of year	<u>49,969</u>	<u>46,102</u>	<u>3,867</u>
Fund balance, end of year	<u>\$ 96,865</u>	<u>\$ 61,882</u>	<u>\$ 34,983</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
TRANSPORTATION IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Actual	Final Budget	Variance With Final Budget
Revenues			
Impact fees	\$ 162,699	\$ 45,000	\$ 117,699
Interest income	-	-	-
Total revenues	<u>162,699</u>	<u>45,000</u>	<u>117,699</u>
Expenditures			
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues Over expenditures	<u>162,699</u>	<u>45,000</u>	<u>117,699</u>
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	(162,699)	(45,000)	(117,699)
Total other financing sources	<u>(162,699)</u>	<u>(45,000)</u>	<u>(117,699)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Actual	Final Budget	Variance With Final Budget
Revenues			
Intergovernmental	\$ 614,320	\$ 909,463	\$ (295,143)
Total revenues	<u>614,320</u>	<u>909,463</u>	<u>(295,143)</u>
Expenditures			
Current:			
General Government and Administration	87,367	88,364	997
Culture and Recreation	-		-
Economic Environment	62,931	86,273	23,342
Physical Environment	105,067	207,255	102,188
Capital outlay:			
Highways and Streets	-	-	-
Culture and Recreation	55,000	55,000	-
Physical Environment	303,955	472,571	168,616
Total expenditures	<u>(614,320)</u>	<u>(909,463)</u>	<u>295,143</u>
Excess of revenues over expenditures	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
STATE HOUSING INITIATIVE PARTNERSHIP
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Actual	Final Budget	Variance With Final Budget
Revenues			
Intergovernmental revenue	\$ 45,515	\$ 55,964	\$ (10,449)
Interest	432	-	432
Total revenues	<u>45,947</u>	<u>55,964</u>	<u>(10,017)</u>
Expenditures			
Current:			
General government and administration	5,201	-	(5,201)
Economic Environment	40,746	55,964	15,218
Total expenditures	<u>(45,947)</u>	<u>(55,964)</u>	<u>10,017</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
TREE REPLACEMENT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Actual	Final Budget	Variance With Final Budget
Revenues			
Tree Replacement Fees	\$ 1,775	\$ 6,000	\$ (4,225)
Interest	2,843	1,900	943
Miscellaneous	-	-	-
Total revenues	<u>4,618</u>	<u>7,900</u>	<u>(3,282)</u>
Expenditures			
Physical Environment	14,673	25,000	10,327
Total expenditures	<u>(14,673)</u>	<u>(25,000)</u>	<u>10,327</u>
Excess of revenues over expenditures	(10,055)	(17,100)	7,045
Fund balance, beginning of year	<u>478,532</u>	<u>464,679</u>	<u>13,853</u>
Fund balance, end of year	<u>\$ 468,477</u>	<u>\$ 447,579</u>	<u>\$ 20,898</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
CAPITAL PROJECTS - PARK PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Actual	Final Budget	Variance With Final Budget
Revenues			
Intergovernmental	\$ -	\$ -	\$ -
Interest	693	100	593
Miscellaneous	-	-	-
Total revenues	<u>693</u>	<u>100</u>	<u>593</u>
Expenditures			
Capital Outlay - Culture and Recreation	16,000	18,000	2,000
Total expenditures	<u>(16,000)</u>	<u>(18,000)</u>	<u>2,000</u>
(Deficiency) of revenues (under) expenditures	<u>(15,307)</u>	<u>(17,900)</u>	<u>2,593</u>
Other financing sources (uses)			
Transfers from other funds	3,000	3,000	-
Transfers to other funds	-	-	-
Total other financing sources	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(12,307)	(14,900)	2,593
Fund balance, beginning of year	<u>76,507</u>	<u>32,809</u>	<u>43,698</u>
Fund balance, end of year	<u>\$ 64,200</u>	<u>\$ 17,909</u>	<u>\$ 46,291</u>

Notes to the Supplemental Information September 30, 2013

Note 1

Budgetary information

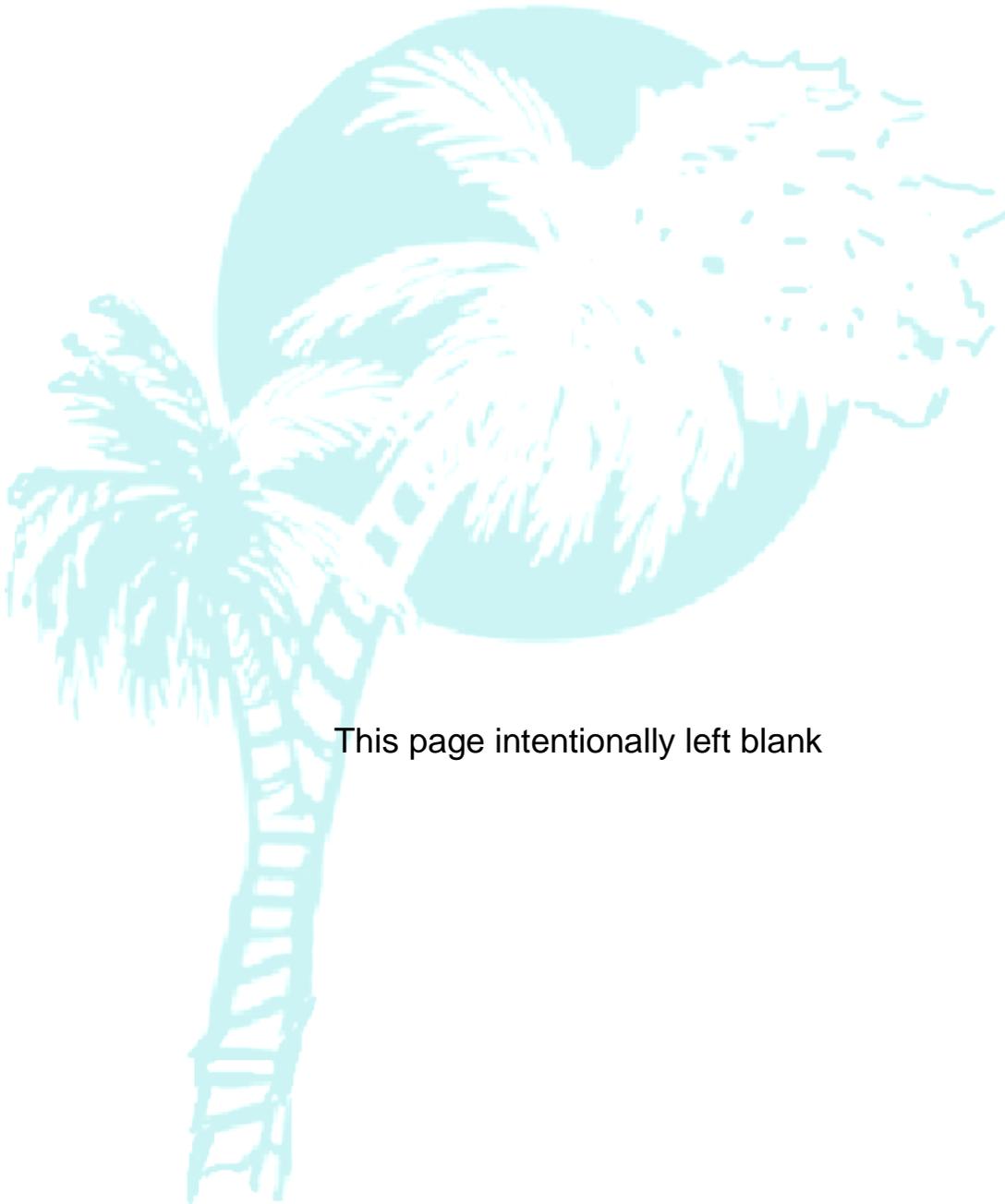
Budgetary comparisons are presented as part of the Supplemental Information and the basis of budgeting is the same as GAAP.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all non-major governmental funds. All annual appropriations lapse at fiscal year-end.

Annually, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1st. Public hearings are held to obtain taxpayer comments. Prior to October 1st, the budget is legally enacted through City Commission resolution.

The budget is prepared and adopted by fund, function and department. The City Manager may make transfers of appropriations within a department throughout the year. Transfers of appropriations between departments require the approval of the City Commission.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.



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This part of the City of Deltona’s comprehensive annual financial report presents unaudited 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.

Financial Trends Page

These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.

Net Position by Component	94
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Changes in Fund Balances of Governmental Funds	102
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Revenue Capacity

These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.

Assessed Value and Estimated Actual Value of Taxable Property	105
Direct and Overlapping Property Tax Rates.....	106
Principal Taxpayers	107
Property Tax Levies and Collections.....	108

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.

Ratios of Outstanding Debt by Type	109
Direct and Overlapping Governmental Activities Debt.....	110
Pledged-Revenues Coverage	111

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.

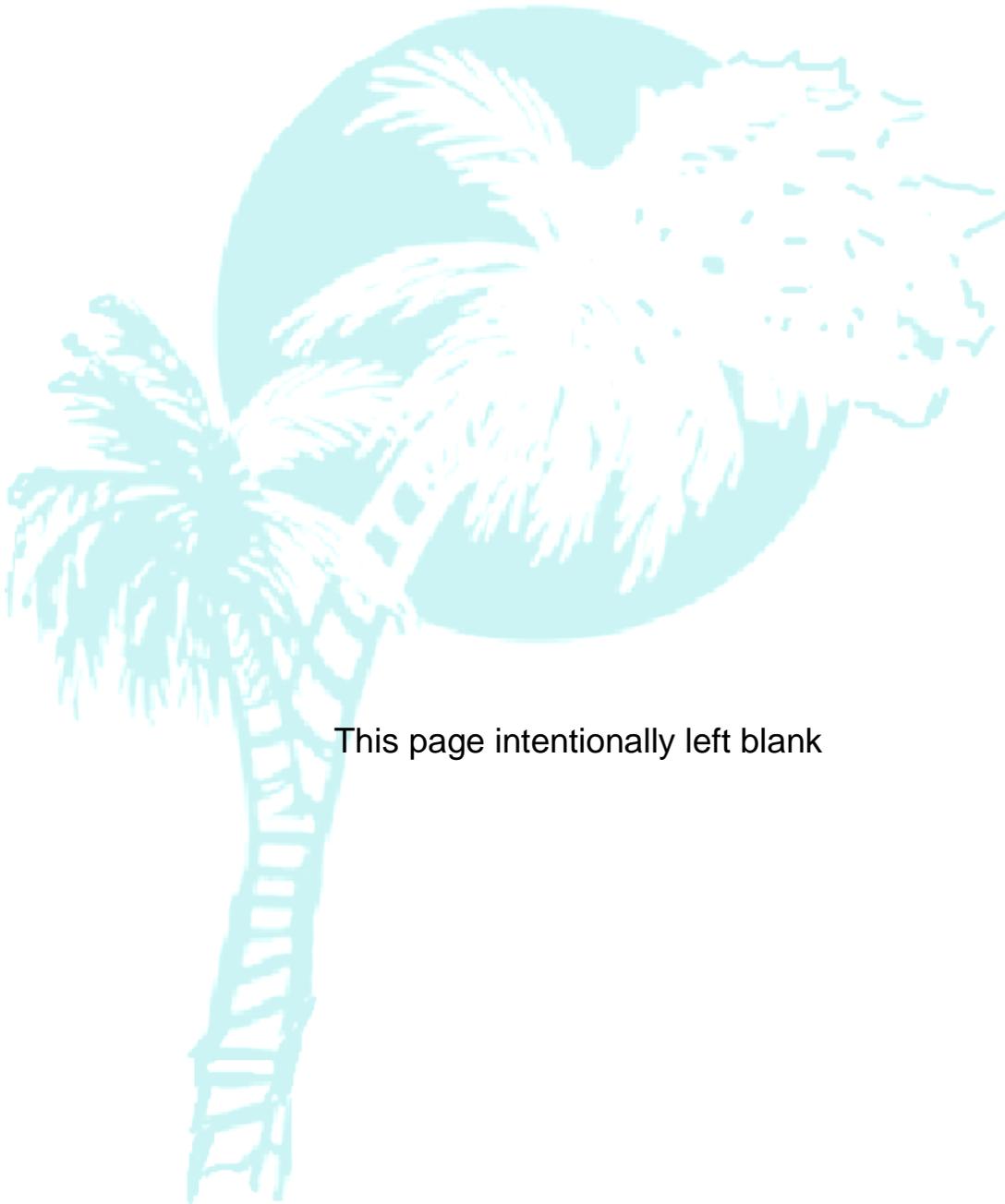
Demographic and Economic Statistics.....	113
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Operating Information

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.

Full-time Equivalent City Government Employees by Function/Program	116
Various Indicators by Function/Program	118
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Wastewater Sold by Type of Customer.....	120
Principal Employers	121

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in the fiscal year ending in 2003; schedules presenting government-wide information include information beginning in that year.



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**NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

	Fiscal Year Ending			
	9/30/2004	9/30/2005	9/30/2006	09/30/07
Governmental activities				
Invested in capital assets, net of related debt	\$ 95,648,664	\$ 98,180,028	\$ 98,811,959	\$ 98,227,017
Restricted	7,636,213	97,088	12,884,043	17,624,008
Unrestricted	12,893,282	14,010,005	20,869,676	22,912,202
Total governmental activities net position	<u>116,178,159</u>	<u>121,898,785</u>	<u>132,565,678</u>	<u>138,763,227</u>
Business-type activities *				
Invested In capital assets, net of related debt	(3,589,804)	(2,268,990)	(1,110,093)	687,601
Restricted	1,670,614	3,777,106	5,084,342	5,756,187
Unrestricted	3,305,568	3,289,974	3,194,364	2,400,615
Total business-type activities net position	<u>1,386,378</u>	<u>4,798,090</u>	<u>7,168,613</u>	<u>8,844,403</u>
Primary government				
Invested In capital assets, net of related debt	92,058,860	95,911,038	97,701,866	98,914,618
Restricted	9,306,827	13,485,858	17,968,385	23,380,195
Unrestricted	16,198,850	17,299,979	24,064,040	25,312,817
Total primary government net position	<u>\$ 117,564,537</u>	<u>\$ 126,696,875</u>	<u>\$ 139,734,291</u>	<u>\$ 147,607,630</u>

* The City had no business-type activities until FY 03/04 when the water/sewer utility was purchased.

09/30/08	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013
\$ 100,154,051	\$ 112,872,553	\$ 116,238,698	\$ 117,988,044	\$ 116,190,035	\$ 114,171,165
21,608,876	7,985,972	5,178,367	2,079,749	2,064,877	2,216,898
13,505,647	16,604,347	21,116,209	20,736,737	20,590,277	22,592,653
<u>135,268,574</u>	<u>137,462,872</u>	<u>142,533,274</u>	<u>140,804,530</u>	<u>138,845,189</u>	<u>138,980,716</u>
(4,554,058)	(4,539,555)	(2,093,842)	(813,553)	5,519,770	15,641,068
6,027,627	7,389,375	6,551,855	7,860,401	8,487,663	849,581
7,555,896	6,053,916	6,161,665	6,505,664	5,150,512	4,235,603
<u>9,029,465</u>	<u>8,903,736</u>	<u>10,619,678</u>	<u>13,552,512</u>	<u>19,157,945</u>	<u>20,726,252</u>
95,599,993	108,332,998	114,144,856	117,174,491	121,709,805	129,812,233
27,636,503	15,375,347	11,730,222	9,940,150	10,552,540	3,066,479
21,061,543	22,658,263	27,277,874	27,242,401	25,740,789	26,828,256
<u>\$ 144,298,039</u>	<u>\$ 146,366,608</u>	<u>\$ 153,152,952</u>	<u>\$ 154,357,042</u>	<u>\$ 158,003,134</u>	<u>\$ 159,706,968</u>

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

	Fiscal Years Ending			
	9/30/2004	9/30/2005	9/30/2006	9/30/2007
Expenses				
Governmental activities:				
General government	\$ 6,163,917	\$ 7,511,985	\$ 7,934,679	\$ 9,703,442
Public safety	11,116,849	11,976,999	12,556,076	15,601,863
Highways and Streets	12,251,123	7,625,589	6,256,676	6,752,773
Culture and recreation	2,442,211	1,872,250	2,292,825	2,785,735
Economic environment	161,787	609,644	2,287,563	1,363,432
Physical environment	5,484,689	5,702,314	5,727,828	5,969,928
Interest on long-term debt	-	-	190,410	854,963
Total governmental activities	<u>37,620,576</u>	<u>35,298,781</u>	<u>37,246,057</u>	<u>43,032,136</u>
Business-type activities: *				
Personal services	1,823,063	2,351,334	2,690,157	3,065,373
Operating expenses	2,423,113	3,519,953	3,519,637	3,810,492
Professional services	718,050	231,610	129,704	78,425
Depreciation	1,950,983	2,264,714	2,511,124	2,560,312
Insurance	119,116	123,838	78,754	170,521
Bad debts	59,437	95,000	61,000	58,000
Total business-type activities	<u>7,093,762</u>	<u>8,586,449</u>	<u>8,990,376</u>	<u>9,743,123</u>
Total primary government expenses	<u>44,714,338</u>	<u>43,885,230</u>	<u>46,236,433</u>	<u>52,775,259</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	2,927,245	3,493,022	3,522,887	2,211,608
Public safety	291,199	296,238	404,301	321,400
Transportation	-	-	-	-
Culture and recreation	129,146	-	220,045	239,614
Physical environment	3,186,061	3,722,521	3,799,283	3,851,466
Operating grants and contributions	5,625,081	4,327,207	2,292,489	1,668,575
Capital grants and contributions	2,396,807	4,275,697	5,332,206	4,913,892
Total governmental activities program revenues	<u>14,555,539</u>	<u>16,114,685</u>	<u>15,571,211</u>	<u>13,206,555</u>
Business-type activities: **				
Charges for services:				
Water	6,511,194	7,995,028	8,558,812	8,528,101
Wastewater	3,251,194	4,373,292	4,266,858	4,295,944
Connection fees	818,632	108,299	102,420	88,815
Operating grants and contributions	-	277,746	-	-
Capital grants and contributions	642,214	2,042,282	1,097,791	542,629
Total business-type activities program revenues	<u>11,223,234</u>	<u>14,796,647</u>	<u>14,025,881</u>	<u>13,455,489</u>
Total primary government program revenues	<u>25,778,773</u>	<u>30,911,332</u>	<u>29,597,092</u>	<u>26,662,044</u>
Net (expenses) revenues				
Governmental activities	(23,065,037)	(19,184,096)	(21,674,846)	(29,825,581)
Business-type activities **	4,129,472	6,210,198	5,035,505	3,712,366
Total primary government net (expenses) revenues	<u>\$ (18,935,565)</u>	<u>\$ (12,973,898)</u>	<u>\$ (16,639,341)</u>	<u>\$ (26,113,215)</u>

* The City had no business-type activities until FY 03/04 when the water/sewer utility was purchased

	9/30/2008	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013
\$	11,343,784	\$ 8,403,728	\$ 8,608,657	\$ 7,970,347	\$ 8,618,729	\$ 8,246,984
	18,291,690	18,356,301	18,442,646	18,946,170	18,000,160	18,605,589
	7,402,043	6,927,195	5,333,601	5,544,071	5,209,626	5,358,992
	5,386,966	2,713,803	2,626,028	2,577,658	2,726,161	2,616,214
	563,904	593,424	1,069,663	4,341,857	2,491,265	1,525,531
	6,790,848	6,804,695	6,982,097	6,920,661	7,560,685	8,989,720
	838,806	973,351	1,115,716	1,074,661	1,031,328	984,252
	<u>50,618,041</u>	<u>44,772,497</u>	<u>44,178,408</u>	<u>47,375,425</u>	<u>45,637,954</u>	<u>46,327,282</u>
	3,065,599	3,046,606	3,011,767	3,413,640	3,564,796	3,770,221
	3,897,427	3,818,513	3,692,854	4,015,494	3,805,695	3,799,036
	145,653	146,095	84,869	55,909	41,722	59,651
	2,731,455	3,166,475	3,399,136	2,854,935	2,980,008	3,069,245
	175,812	163,405	175,458	133,395	114,552	112,871
	85,000	118,032	57,812	60,690	97,790	152,195
	<u>10,100,946</u>	<u>10,459,126</u>	<u>10,421,896</u>	<u>10,534,063</u>	<u>10,604,563</u>	<u>10,963,219</u>
	<u>60,718,987</u>	<u>55,231,623</u>	<u>54,600,304</u>	<u>57,909,488</u>	<u>56,242,517</u>	<u>57,290,501</u>
	1,628,906	1,708,691	1,492,531	1,434,657	1,386,206	1,590,260
	393,525	101,073	104,092	123,265	46,263	59,113
	-	145,595	139,905	-	-	-
	152,592	141,669	129,885	112,156	96,620	83,075
	3,940,709	7,212,206	7,230,865	7,225,345	7,212,472	8,642,155
	1,394,733	1,105,105	2,055,276	1,923,505	2,736,446	3,887,399
	5,681,697	3,631,902	4,950,675	4,013,670	1,482,553	1,334,533
	<u>13,192,162</u>	<u>14,046,241</u>	<u>16,103,229</u>	<u>14,832,598</u>	<u>12,960,560</u>	<u>15,596,535</u>
	8,172,325	9,108,281	8,921,006	10,021,881	10,548,127	9,843,484
	4,182,987	4,648,838	5,185,602	5,992,664	7,028,123	5,832,025
	88,515	208,335	261,670	242,000	245,670	264,560
	-	102,179	-	-	-	-
	420,686	229,554	22,839	157,152	43,178	125,704
	<u>12,864,513</u>	<u>14,297,187</u>	<u>14,391,117</u>	<u>16,413,697</u>	<u>17,865,098</u>	<u>16,065,773</u>
	<u>26,056,675</u>	<u>28,343,428</u>	<u>30,494,346</u>	<u>31,246,295</u>	<u>30,825,658</u>	<u>31,662,308</u>
	(37,425,879)	(30,726,256)	(28,075,179)	(32,542,827)	(32,677,394)	(30,730,747)
	2,763,567	3,838,061	3,969,221	5,879,634	7,260,535	5,102,554
\$	<u><u>(34,662,312)</u></u>	<u><u>(26,888,195)</u></u>	<u><u>(24,105,958)</u></u>	<u><u>(26,663,193)</u></u>	<u><u>(25,416,859)</u></u>	<u><u>(25,628,193)</u></u>

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Concluded)**

	Fiscal Year Ending			
	9/30/2004	9/30/2005	9/30/2006	9/30/2007
General revenues & other changes in net assets				
Governmental activities:				
Taxes:				
Property taxes	\$ 7,334,228	\$ 8,394,332	\$ 9,878,462	\$ 12,782,901
Franchise fees	2,815,567	3,168,855	3,963,179	3,788,900
Public service tax	6,411,966	6,874,286	7,360,867	7,567,153
Sales tax		4,594,128	4,397,122	4,263,700
Local Option Gas Taxes	2,153,415	2,322,563	2,164,256	2,194,708
State revenue sharing	5,841,122	2,212,888	2,606,365	2,523,853
Investment earnings	160,013	531,582	1,627,596	3,086,818
Miscellaneous income	476,714	279,929	343,892	318,426
Total governmental activities	<u>25,193,025</u>	<u>28,378,563</u>	<u>32,341,739</u>	<u>36,526,459</u>
Business-type activities: **				
Investment earnings	463,551	460,360	716,327	990,594
Gain on sale of capital assets	-	32,536	9,505	9,358
Changes in FV of Derivative Instruments	-	-	-	-
Grant reimbursements	-	-	-	-
Interest expense and issue costs	(3,568,504)	(3,949,749)	(3,926,081)	(3,557,293)
Miscellaneous income	361,859	658,367	535,267	520,764
Total business-type activities	<u>(2,743,094)</u>	<u>(2,798,486)</u>	<u>(2,664,982)</u>	<u>(2,036,577)</u>
Total primary government	<u>22,449,931</u>	<u>25,580,077</u>	<u>29,676,757</u>	<u>34,489,882</u>
Change in net position				
Governmental activities	2,127,988	9,194,467	10,666,893	6,700,878
Business-type activities	1,386,378	3,411,712	2,370,523	1,675,789
Total primary government	<u>\$ 3,514,366</u>	<u>\$ 12,606,179</u>	<u>\$ 13,037,416</u>	<u>\$ 8,376,667</u>

* The City has statistical information dating back to FY 2003 only.

** The City had no business-type activities until FY 03/04 when the water/sewer utility was purchased

9/30/2008	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013
\$ 12,106,012	\$ 12,346,188	\$ 12,568,945	\$ 11,673,440	\$ 11,856,683	\$ 11,405,246
3,788,670	4,040,268	4,106,081	3,924,731	3,474,383	3,436,887
7,437,523	7,823,723	8,059,245	7,556,782	7,111,064	7,315,776
3,935,428	3,562,838	3,462,212	3,491,307	3,728,339	3,921,434
2,072,286	2,113,741	2,089,575	2,064,317	2,087,788	2,069,784
2,306,647	2,019,205	2,006,079	1,512,497	1,668,923	2,141,004
2,083,996	459,819	270,540	92,463	137,133	148,554
200,664	554,772	582,904	498,546	653,740	427,589
<u>33,931,226</u>	<u>32,920,554</u>	<u>33,145,581</u>	<u>30,814,083</u>	<u>30,718,053</u>	<u>30,866,274</u>
683,262	192,620	135,643	30,493	94,272	102,890
16,466	(758)	(106,296)	(3,764)	68,754	
-	(1,031,911)	813,169	(7,852)	1,004,679	(778,085)
(133,416)	-	-	-	-	35,313
(3,734,622)	(3,827,369)	(3,829,885)	(3,784,384)	(3,721,731)	(3,743,715)
589,805	831,501	734,090	818,707	898,924	849,350
<u>(2,578,505)</u>	<u>(3,835,917)</u>	<u>(2,253,279)</u>	<u>(2,946,800)</u>	<u>(1,655,102)</u>	<u>(3,534,247)</u>
<u>31,352,721</u>	<u>29,084,637</u>	<u>30,892,302</u>	<u>27,867,283</u>	<u>29,062,951</u>	<u>27,332,027</u>
(3,494,653)	2,194,298	5,070,402	(1,728,744)	(1,959,341)	135,527
185,062	2,144	1,715,942	2,932,834	5,605,433	1,568,307
<u>\$ (3,309,591)</u>	<u>\$ 2,196,442</u>	<u>\$ 6,786,344</u>	<u>\$ 1,204,090</u>	<u>\$ 3,646,092</u>	<u>\$ 1,703,834</u>

**FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

	Fiscal Years Ending September 30			
	2004 (1)	2005	2006 (2)	2007
General fund				
Reserved	\$ -	\$ -	\$ 430,894	\$ 226,372
Non-spendable / prepaid items	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unreserved	1,549,689	11,407,512	17,526,869	21,077,058
Total general fund	<u>1,549,689</u>	<u>11,407,512</u>	<u>17,957,763</u>	<u>21,303,430</u>
All other governmental funds				
Reserved	8,085,040	9,708,752	31,112,787	32,482,443
Restricted				
Special revenue funds	-	-	-	-
Committed				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Assigned				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Unreserved reported in:				
Special revenue funds	2,082,722	1,913,789	2,842,489	2,744,876
Capital projects funds	-	-	-	-
Total all other governmental funds	<u>\$ 10,167,762</u>	<u>\$ 11,622,541</u>	<u>\$ 33,955,276</u>	<u>\$ 35,227,319</u>

(1) The large decrease in General fund balance in fiscal year ended 2004 was the result of hurricane debris removal expenditures that were reimbursed in fiscal year 2005.

(2) The transportation revenue bond issue accounts for \$18.5 million of the increase in other Governmental funds reserved fund balance during the fiscal year ended 2006.

(3) The City adopted GASB Statement No. 54 effective 09/30/11.

2008	2009	2010	2011 (3)	2012	2013
\$ 707,308	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	468,556
-	-	-	-	-	-
-	-	-	10,948,884	12,931,713	40,518
-	-	-	2,584,986	2,827,899	15,802,496
12,977,046	16,615,905	17,738,795	4,434,397	3,748,032	5,139,574
<u>13,684,354</u>	<u>16,615,905</u>	<u>17,738,795</u>	<u>17,968,267</u>	<u>19,507,644</u>	<u>21,451,144</u>
28,811,589	26,435,446	19,737,565	-	-	-
-	-	-	15,321,931	10,711,371	8,516,463
-	-	-	502,754	478,532	468,477
-	-	-	269,531	76,507	64,200
-	-	-	-	-	-
-	-	-	1,919,495	1,945,122	1,762,425
1,180,305	2,027,508	1,645,254	-	-	-
-	-	-	-	-	-
<u>\$ 29,991,894</u>	<u>\$ 28,462,954</u>	<u>\$ 21,382,819</u>	<u>\$ 18,013,711</u>	<u>\$ 13,211,532</u>	<u>\$ 10,811,565</u>

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Years Ending September 30			
	2004 (1)	2005	2006 (2)	2007
Revenues:				
Property taxes	\$ 7,334,228	\$ 8,394,332	\$ 9,878,462	\$ 12,782,897
Franchise fees	2,815,567	3,168,855	3,963,179	3,788,900
Public service tax	6,411,966	6,874,286	7,360,867	7,567,153
State revenue sharing	1,956,265	2,473,587	2,591,215	2,506,737
Intergovernmental	6,683,930	15,887,440	10,424,400	9,625,961
Charges for services	7,421,216	9,262,321	9,709,730	8,509,902
Fines and forfeitures	258,376	296,238	335,093	257,189
Impact fees	755,063	1,523,928	1,804,404	1,115,958
Interest income	160,013	531,582	1,627,596	3,086,818
Miscellaneous	598,987	670,429	569,030	491,499
Total revenues	<u>34,395,611</u>	<u>49,082,998</u>	<u>48,263,976</u>	<u>49,733,014</u>
Expenditures:				
General government	5,689,764	6,759,888	7,018,478	8,988,364
Public safety	10,687,423	11,597,713	12,676,423	14,801,650
Highways and Streets	11,464,814	4,516,203	3,213,677	4,316,879
Culture/Recreation	1,462,220	1,853,925	1,837,059	2,231,633
Economic environment	161,787	609,644	2,287,563	1,363,432
Physical environment	4,738,776	5,418,280	5,317,395	5,557,871
Capital outlay	8,056,985	7,014,743	5,912,901	6,398,640
Debt service				
Interest	-	-	-	1,056,835
Principal	-	-	-	400,000
Total expenditures	<u>42,261,769</u>	<u>37,770,396</u>	<u>38,263,496</u>	<u>45,115,304</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,866,158)</u>	<u>11,312,602</u>	<u>10,000,480</u>	<u>4,617,710</u>
Other financing sources (uses):				
Proceeds from issuance of debt	-	-	18,240,000	-
Premium on revenue bonds	-	-	308,836	-
Revenue bonds proceeds from debt service agreement	-	-	333,670	-
Transfers from other funds	5,015,000	4,103,887	2,677,711	2,863,153
Transfers to other funds	<u>(5,015,000)</u>	<u>(4,103,887)</u>	<u>(2,677,711)</u>	<u>(2,863,153)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>18,882,506</u>	<u>-</u>
Net change in fund balances	<u>\$ (7,866,158)</u>	<u>\$ 11,312,602</u>	<u>\$ 28,882,986</u>	<u>\$ 4,617,710</u>
* Debt service as a percentage of noncapital expenditures	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>3.8%</u>

(1) The large decrease in fund balance in fiscal year ended 2004 was the result of hurricane debris removal expenditures that were reimbursed in fiscal year 2005.

(2) The transportation revenue bond issue accounts for \$18.5 million of the increase in fund balance during the fiscal year ended 2006.

* Note: Calculation excludes non-capitalized capital

2008	2009	2010	2011	2012	2013
\$ 12,106,008	\$ 12,346,188	\$ 12,568,945	\$ 11,673,440	\$ 11,856,683	\$ 11,405,246
3,788,670	4,040,268	4,106,081	3,924,731	3,474,383	3,436,887
7,437,523	7,823,723	8,059,245	7,556,782	7,111,064	7,315,776
1,669,778	2,001,350	2,006,079	2,145,303	2,330,382	2,929,631
9,963,668	10,777,651	12,154,051	9,903,521	8,746,907	8,502,417
8,042,841	9,309,234	9,097,278	9,019,674	8,859,307	10,461,589
279,582	299,570	235,849	286,221	148,511	225,204
683,751	264,741	412,079	76,160	170,831	219,094
2,083,996	459,819	270,539	92,462	137,136	148,556
431,696	280,790	338,663	968,387	843,409	1,711,954
<u>46,487,513</u>	<u>47,603,334</u>	<u>49,248,809</u>	<u>45,646,681</u>	<u>43,678,613</u>	<u>46,356,354</u>
10,155,007	7,291,358	7,287,498	6,884,007	7,336,540	7,582,046
17,678,858	17,520,030	17,605,770	18,234,722	17,343,256	17,353,913
5,139,946	4,574,797	2,921,960	2,222,222	1,974,706	1,966,205
4,737,322	2,031,772	2,008,762	1,942,278	2,041,728	1,917,002
561,005	592,309	4,326,670	3,166,069	1,265,821	2,096,336
6,189,967	6,092,548	6,106,061	6,141,542	6,176,954	7,581,645
13,424,641	13,211,803	12,944,077	8,211,947	8,821,414	6,330,400
850,268	825,451	855,779	895,839	1,044,579	997,736
605,000	630,000	1,149,477	1,087,691	936,417	987,538
<u>59,342,014</u>	<u>52,770,068</u>	<u>55,206,054</u>	<u>48,786,317</u>	<u>46,941,415</u>	<u>46,812,821</u>
(12,854,501)	(5,166,734)	(5,957,245)	(3,139,636)	(3,262,802)	(456,467)
-	6,569,345	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,065,594	1,765,396	2,992,756	1,817,385	509,577	165,699
<u>(6,065,594)</u>	<u>(1,765,396)</u>	<u>(2,992,756)</u>	<u>(1,817,385)</u>	<u>(509,577)</u>	<u>(165,699)</u>
-	6,569,345	-	-	-	-
<u>\$ (12,854,501)</u>	<u>\$ 1,402,611</u>	<u>\$ (5,957,245)</u>	<u>\$ (3,139,636)</u>	<u>\$ (3,262,802)</u>	<u>\$ (456,467)</u>
<u>3.2%</u>	<u>3.7%</u>	<u>4.7%</u>	<u>4.8%</u>	<u>5.1%</u>	<u>4.8%</u>

**TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)**

Fiscal Year	Ad Valorem Tax	Franchise Fees			Public Service Tax			Total
		Electric	Cable Television	Other	Electric	Telecom-munication	Gas	
2004	7,334	2,763	-	53	3,271	3,047	94	16,562
2005	8,394	3,116	-	53	3,564	3,200	110	18,437
2006	9,879	3,883	-	80	3,847	3,405	109	21,203
2007	12,783	3,731	-	58	3,870	3,590	107	24,139
2008	12,106	3,733	-	56	3,799	3,525	113	23,332
2009	12,346	3,967	-	73	4,071	3,647	105	24,209
2010	12,569	4,052	-	54	4,556	3,382	121	24,734
2011	11,635	3,893	-	32	4,324	3,122	111	23,117
2012	11,817	3,412	-	62	4,033	2,976	102	22,402
2013	11,336	3,405	-	32	4,303	2,913	99	22,088
Change 2004-2013	54.6%	23.2%	N/A	-39.6%	31.5%	-4.4%	5.3%	33.4%

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)**

Fiscal Year Beginning	Real Property	Personal Property	Total Assessed Valuation	Total Direct Rate	Total Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2004	2,734,204	110,888	2,845,092	4.19800	3,199,018	88.9%
2005	3,171,520	101,215	3,272,735	4.15000	3,865,228	84.7%
2006	4,066,569	109,340	4,175,909	4.01451	5,490,449	76.1%
2007	4,632,470	111,543	4,744,013	3.28370	6,404,587	74.1%
2008	4,448,069	131,933	4,580,002	4.15329	5,558,225	82.4%
2009	3,715,742	131,743	3,847,485	5.43755	4,083,032	94.2%
2010	3,153,624	129,655	3,283,279	6.3776	3,305,013	99.3%
2011	2,514,783	136,842	2,651,625	8.2995	2,655,628	99.8%
2012	2,478,869	134,375	2,613,244	7.9900	2,635,068	99.2%
2013	2,568,021	119,627	2,687,648	7.9900	2,779,591	96.7%

Source: County of Volusia Property Appraiser.

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Per One Thousand Dollars of Taxable Value)**

Fiscal Year Beginning	* Direct Rate		** Overlapping Rates				Total
	City of Deltona	County of Volusia	Volusia County School Board	St. Johns River Water Management District	Florida Inland Navigation District	West Volusia Hospital Authority	
2004	4.19800	6.60400	8.69900	0.46200	0.03850	1.80000	21.80150
2005	4.15000	6.60400	8.51700	0.46200	0.03850	1.80000	21.57150
2006	4.01451	6.29400	8.25900	0.46200	0.03850	1.55000	20.61801
2007	3.28370	5.13330	7.68500	0.46200	0.03850	1.26190	17.86440
2008	4.15329	5.40373	7.45900	0.41580	0.03450	1.46724	18.93356
2009	5.43755	6.37434	7.80500	0.41580	0.03450	1.74500	21.81219
2010	6.37760	6.30250	8.23700	0.41580	0.03450	2.08180	23.44920
2011	8.29950	6.77910	8.06300	0.33130	0.03450	2.38490	25.89230
2012	7.99000	6.88090	7.88800	0.33130	0.03450	2.46660	25.59130
2013	7.99000	7.27090	7.35800	0.32830	0.03450	2.37590	25.35760

* The City of Deltona has no G.O. debt, therefore the direct rate has no components.

** The overlapping rate represents agencies which have taxing authority within the area. These rates plus the City direct rate is the total mileage rate attributable to property within the city.

**PRINCIPAL TAXPAYERS
CURRENT AND TEN YEARS AGO
FISCAL YEARS ENDING**

Taxpayer	September 30, 2004			September 30, 2013		
	Assessed Valuation (in 1000's)	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation (in 1,000's)	Rank	Percentage of Total Taxable Assessed Value
Florida Power Corporation	\$ 17,000	1	0.9%	\$ 23,703	1	1.5%
Florida Power & Light Company	12,939	2	0.7%	18,400	2	1.2%
Wal-Mart Stores East LP			N/A	12,329	3	0.8%
Lowe's Home Centers, Inc.			N/A	8,724	4	0.6%
Publix Super Markets, Inc.	11,357	3	0.6%	8,383	5	0.5%
Bright House Networks, LLC	7,998	5	0.4%	7,926	6	0.5%
D O T Properties N V			N/A	6,941	7	0.5%
Federal National Mortgage Assoc.			N/A	6,790	8	0.4%
EPIC Properties			N/A	6,169	9	0.4%
THR Florida LP			N/A	6,093	10	0.4%
Bellsouth Telecommunication, Inc.	8,443	4	0.5%			0.0%
Sprint Florida, Inc.	7,638	6	0.4%			0.0%
Deltona Associates, LTD	6,043	7	0.3%			0.0%
Tiger Partner, LLC	4,913	8	0.3%			0.0%
Storaway Self Storage Deltona	4,317	9	0.2%			0.0%
Norwood Oaks, LLC	4,289	10	0.2%			0.0%
All Other	1,727,692		95.3%	1,436,483		93.2%
	<u>\$ 1,812,629</u>		<u>100.0%</u>	<u>1,541,941</u>		<u>100.0%</u>

Source: County of Volusia Property Appraiser.

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Total Tax Levy	Current Levy Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent Total Collections To Levy
2004	7,609,418	7,334,228	96.4%	n/a	7,334,228	96.4%
2005	8,694,704	8,385,492	96.4%	8,840	8,394,332	96.5%
2006	10,230,420	9,862,225	96.4%	16,237	9,878,462	96.6%
2007	13,216,062	12,760,664	96.6%	22,233	12,782,897	96.7%
2008	12,489,846	12,087,519	96.8%	18,488	12,106,007	96.9%
2009	12,779,905	12,320,999	96.4%	25,189	12,346,188	96.6%
2010	12,990,671	12,513,417	96.3%	55,528	12,568,945	96.8%
2011	12,171,823	11,635,431	95.6%	38,010	11,673,441	95.9%
2012	12,205,320	11,816,523	96.8%	40,161	11,856,684	97.1%
2013	11,776,070	11,336,295	96.3%	68,951	11,405,246	96.9%

Florida Statute 197.012 allows a discount for early payment of taxes of 4% in November, 3% in December, 2% in January and 1% in February. Taxes become delinquent on April 1 of each year.

The County Tax Collector is responsible for collecting and remitting all property taxes. They do not keep track of amounts which are past due on a regular basis. Once a year they consolidate all past due amounts and have a tax certificate sale. The money obtained from this sale is then distributed to the proper taxing authority.

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

Year	Governmental Activities		Business- Type Activities	Total Primary	Per Capita Debt	Debt as a Percentage of Personal Income (1)
	Revenue Bonds	Stormwater Bank Note	Utility System Revenue Bonds	Government Debt		
2004	-	-	81,725,000	81,725,000	\$ 1,021	4.21%
2005	-	-	81,225,000	81,225,000	979	3.96%
2006	18,240,000	-	80,575,000	98,815,000	1,156	4.61%
2007	17,840,000	-	79,825,000	97,665,000	1,142	4.37%
2008	17,235,000	-	78,975,000	96,210,000	1,120	4.29%
2009	16,605,000	6,569,345	78,025,000	101,199,345	1,201	4.24%
2010	15,945,000	6,373,566	76,925,000	99,243,566	1,176	3.97%
2011	15,255,000	6,167,727	75,525,000	96,947,727	1,138	3.75%
2012	14,535,000	5,951,310	73,825,000	94,311,310	1,106	3.45%
2013	13,775,000	5,723,772	79,745,000	99,243,772	1,162	3.60%

(1) Source for Per Capita Income - US Dept. of Commerce, Bureau of Economic Analysis (Florida Research Economic Database)

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2013**

Taxing Authority	Debt Outstanding	Percentage Applicable to Deltona	Amount Applicable to Deltona
City of Deltona	\$ 99,243,772	100%	\$ 99,243,772
County of Volusia (1)	\$ 23,025,000	6.35%	1,462,088
Volusia County School Board (2)	\$ -	0%	-
Total Direct and Overlapping Debt	\$ 122,268,772		\$ 100,705,860

(1) Source: County of Volusia Finance Department; percentage based on Deltona's total taxable property value compared to Volusia County's total taxable property value.

(2) Source: Volusia County School Board.

**PLEDGED-REVENUE COVERAGE
LAST THREE FISCAL YEARS**

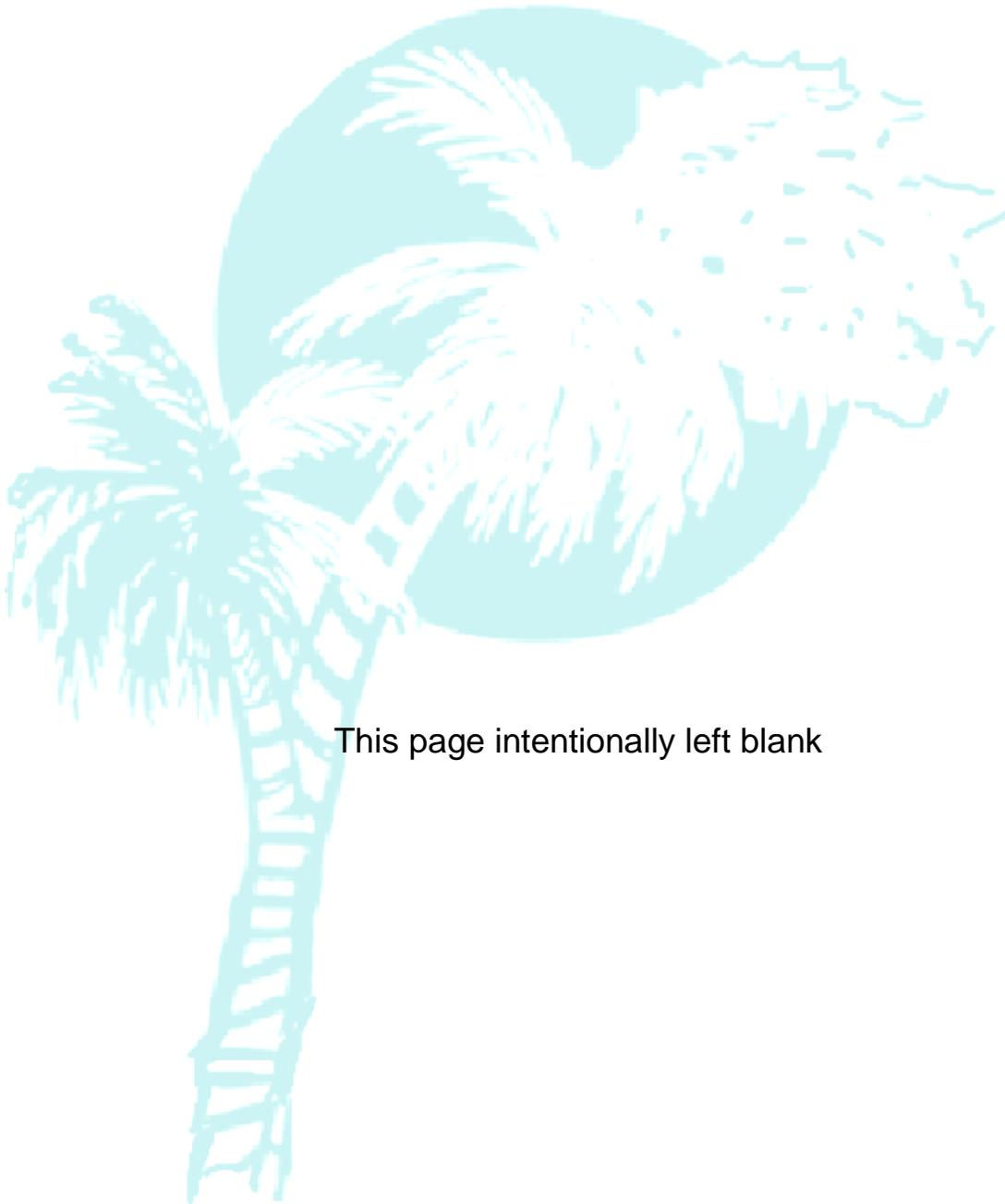
Fiscal Year Ended	Water and Sewer Revenue Bonds					
	(1)	(2)	Net Available Revenue	(3)		Coverage
	Utility Revenues	Less Operating Expenses		Principal	Interest	
2011 (4)	17,075,252	7,595,797	9,479,455	1,400,000	3,784,384	1.83
2012 (4)	18,720,844	6,427,814	12,293,030	1,700,000	3,700,436	2.28
2013 (4)	16,789,419	8,416,974	8,372,445	1,290,000	3,886,331	1.62

	Transportation Capital Improvement Revenue Bonds					
	Gas Tax Revenues	Impact Fee Revenues	Net Available Revenue	2006 Transportation Bonds		Coverage
				Principal	Interest	
2011	2,064,317	53,141	2,117,458	690,000	768,375	1.45
2012	2,087,788	125,777	2,213,565	720,000	735,576	1.52
2013	2,069,787	162,699	2,232,486	760,000	699,575	1.53

	Stormwater Bank Note					
	Stormwater Assessments		Net Available Revenue	2009 Bank Note		Coverage
	Improved	Unimproved		Principal	Interest	
2011	2,680,791	250,350	2,931,141	205,839	319,316	5.58
2012	2,678,658	240,008	2,918,666	216,417	309,003	5.55
2013	2,682,165	243,566	2,925,731	227,538	298,161	5.57

- (1) For purposes of debt coverage the following revenues are included: All water and sewer revenues and water and sewer impact fees. Interest income is included.
- (2) Direct operating expenses does not include depreciation.
- (3) Interest expense has not been reduced by capitalized interest.
- (4) 2011 and 2012 calculation based on 2003 bonds; 2013 based on 2013 bonds.

Note: The City purchased the water and sewer utility in the 2003/2004 fiscal year.



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

Year	Per Capita Income (1)						
	Florida	Lake	Orange	Seminole	Sumter	Marion	Volusia
2003-04	30,116	26,389	28,203	33,670	18,220	23,803	25,062
2004-05	31,469	27,122	29,748	35,716	19,400	24,749	26,118
2005-06	33,219	27,122	29,748	35,716	19,400	24,749	26,118
2006-07	35,798	28,942	31,569	38,838	21,878	26,893	28,347
2007-08	36,720	29,815	33,335	40,946	24,135	29,012	29,615
2008-09	38,417	30,460	35,303	42,223	26,481	30,322	30,374
2009-10	39,064	31,520	36,639	43,439	27,504	31,225	32,098
2010-11	38,965	30,785	36,400	42,340	30,259	31,097	32,255
2011-12	38,345	32,554	34,916	39,596	26,699	31,475	32,339
2012-13	41,012	34,442	37,013	42,191	35,032	35,570	34,445

Year	Median Household Income (2)						
	Florida	Lake	Orange	Seminole	Sumter	Marion	Volusia
2002-03	38,024	36,585	41,202	49,287	30,559	31,490	34,740
2003-04	38,972	37,398	40,697	48,957	31,673	31,851	35,010
2004-05	40,554	39,013	40,604	49,199	34,050	33,177	36,038
2005-06	40,554	39,013	40,604	49,199	34,050	33,177	36,038
2006-07	42,990	40,745	41,725	50,842	37,523	34,948	37,247
2007-08	46,602	43,443	49,768	57,318	39,387	39,295	41,772
2008-09	48,637	45,945	52,133	59,317	44,213	41,128	44,304
2009-10	47,051	45,191	49,933	57,302	43,376	39,998	43,580
2010-11	46,077	44,738	47,448	57,741	45,382	39,238	44,133
2011-12	45,736	44,978	46,769	57,962	45,516	38,258	41,766
2012-13	45,637	43,931	46,172	57,164	45,712	37,574	40,836

(1) Source US Department of Commerce, Bureau of Economic Analysis (Florida Research Economic Database)

(2) Source U. S. Census Bureau American FactFinder, American Community Survey

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Continued)

Cost of Living Index Volusia and Surrounding Counties (1)						
Year	Volusia	Lake	Orange	Seminole	Sumter	Marion
2003-04	96.16	98.79	101.63	100.01	95.14	95.99
2004-05	95.53	98.13	101.17	99.99	95.50	96.02
2005-06	94.90	97.50	100.99	99.56	95.33	94.30
2006-07	94.77	97.69	101.19	99.98	95.52	94.82
2007-08	94.74	97.70	101.20	99.95	95.53	94.73
2008-09	95.23	97.64	101.13	100.07	95.46	94.79
2009-10	95.39	97.51	101.00	99.81	95.34	94.71
2010-11	96.13	97.49	100.98	99.64	96.39	96.28
2011-12	96.19	96.95	100.42	99.35	95.49	95.83
2012-13	95.78	96.43	99.88	99.33	95.65	95.51

Unemployment Volusia and Surrounding Counties (2)					
Year	Volusia	Lake	Orange	Seminole	Marion
2003-04	5.20	5.20	5.10	5.10	5.40
2004-05	4.50	4.50	4.40	4.20	4.60
2005-06	3.70	3.80	3.60	3.40	3.90
2006-07	3.40	3.40	3.20	3.00	3.60
2007-08	4.20	4.20	3.80	3.50	4.60
2008-09	6.60	6.40	5.80	5.60	7.70
2009-10	11.00	11.10	10.50	9.80	12.90
2010-11	12.50	12.00	11.40	10.70	13.80
2011-12	10.80	11.20	10.30	9.70	12.30
2012-13	8.80	9.00	8.30	7.80	10.00

(1) Source University of Florida, Bureau of Economic and Business Research

(2) U. S. Dept. of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
(Concluded)**

Fiscal Year	Population (1)			Unemployment Rate (2)	School (3)		Personal Income (4)	
	Deltona	County	% of City		Enrollment	Attendance	Deltona / Daytona Beach / Ormond Beach (thousands of dollars)	
2004	80,052	484,080	16.54%	4.6%	15,994	96.3%	\$	11,356,533
2005	82,973	494,649	16.77%	3.8%	16,228	96.4%	\$	11,812,530
2006	85,484	503,844	16.97%	3.3%	16,465	96.5%	\$	12,963,749
2007	86,540	508,014	17.03%	4.0%	16,116	96.6%	\$	14,260,500
2008	85,921	508,014	16.91%	6.3%	14,885	94.2%	\$	15,292,177
2009	84,264	510,750	16.50%	10.4%	14,508	94.1%	\$	15,895,098
2010	84,385	507,105	16.64%	11.3%	13,535	94.1%	\$	15,963,663
2011	85,182	494,593	17.22%	10.3%	12,747	96.5%	\$	15,994,714
2012	85,281	497,145	17.15%	8.6%	12,406	95.9%	\$	16,544,186
2013	85,442	498,978	17.12%	7.1%	12,262	95.7%	\$	20,634,149

- (1) Source: Office of Economic & Demographic Research.
- (2) Source: U. S. Dept. of Labor, Bureau of Labor Statistics.
- (3) Source: Volusia County School Board.
- (4) Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

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

Function/Program	Full-Time Equivalent Employees				
	2004	2005	2006	2007	2008
City Commission	1.0	1.0	1.0	1.0	1.0
City Manager	3.0	3.0	3.0	4.0	4.0
City Clerk	5.5	6.0	7.5	8.0	6.0
Finance	16.5	14.0	17.5	17.5	19.0
Information Technology Services	-	-	-	-	-
City Attorney	5.0	6.0	7.0	6.0	6.0
Planning & Development Services	14.0	18.0	21.5	25.0	15.0
Building & Zoning Services	16.0	21.0	24.0	24.0	11.0
Human Resources	4.5	3.5	6.0	7.5	4.5
General Government	-	-	-	-	-
Enforcement Services	12.0	12.0	15.0	19.0	19.0
Parks & Recreation	29.0	29.0	32.0	37.5	43.5
Total general government	106.5	113.5	134.5	149.5	129.0
*Police Officers	66.0	72.0	72.0	72.0	77.0
Fire & Rescue:					
Firefighters	51.0	54.0	66.0	69.0	69.0
Administration & Communication	19.0	20.5	21.5	24.5	26.0
Total Fire & Rescue	70.0	74.5	87.5	93.5	95.0
Total public safety	136.0	146.5	159.5	165.5	172.0
Public Works	25.0	31.5	28.0	30.5	39.5
Storm Water	26.0	23.0	23.0	25.0	21.0
Grant funded positions	-	-	-	-	-
Total public services	51.0	54.5	51.0	55.5	60.5
Water/Sewer utility	48.5	58.0	65.0	68.5	68.5
Solid Waste	1.0	1.0	1.0	1.0	2.0
Total public services	49.5	59.0	66.0	69.5	70.5
Total government employees	343.0	373.5	411.0	440.0	432.0

* Law enforcement services contracted with Volusia County Sheriff's Office

Source: City Finance Department

2009	2010	2011	2012	2013
1.0	1.0	0.5	1.0	1.0
4.0	4.0	6.5	6.5	6.0
5.0	5.0	5.5	5.5	5.5
12.0	11.0	11.0	11.0	12.0
5.0	5.0	5.0	5.0	5.5
4.5	4.0	5.0	2.0	2.0
10.0	7.0	8.0	8.0	8.0
9.0	9.0	8.0	10.5	10.5
4.5	4.5	4.5	4.5	4.5
1.0	1.0	-	-	-
15.0	15.0	13.0	14.0	16.0
30.0	30.0	26.0	25.0	25.0
101.0	96.5	93.0	93.0	96.0
69.0	69.0	73.0	76.0	76.0
69.0	69.0	69.0	69.0	69.0
26.0	25.0	24.0	9.5	8.0
95.0	94.0	93.0	78.5	77.0
164.0	163.0	166.0	154.5	153.0
30.5	31.0	27.0	27.0	28.0
26.0	26.0	26.0	26.0	26.0
3.0	2.0	1.5	2.5	2.5
59.5	59.0	54.5	55.5	56.5
65.0	65.0	64.0	64.0	64.0
2.0	2.0	2.0	2.0	2.0
67.0	67.0	66.0	66.0	66.0
391.5	385.5	379.5	369.0	371.5

**VARIOUS INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General										
Last charter amendment	November 4, 2008									
Number of Commissioners	7	7	7	7	7	7	7	7	7	7
Form of government	Commissioner: 4 Year Term of Office - Appointed City Manager									
Municipal boundaries (1)	46	46	46	46	46	46	46	46	46	46
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of Police officers	66	72	72	72	69	69	73	76	76	76
Number of patrol vehicles	40	40	40	40	69	69	73	73	76	76
Number of arrests	5,068	9,386	6,544	3,435	3,879	3,229	4,091	4,131	3,947	4,108
Fire										
Number of stations	4	4	4	4	4	4	4	5	5	5
Number of vehicles	5	5	6	6	6	6	8	8	8	8
Number of calls	8,713	7,782	7,804	8,180	7,087	7,872	8,134	8,311	8,844	9,101
Building										
Building permits issued	5,662	10,294	5,857	5,062	3,787	3,216	3,551	3,143	3,022	3,174
Average price of single family Residential construction	157,440	164,428	204,176	243,510	238,640	222,361	209,572	295,597	281,498	223,738
Value of permits issued (\$1,000's of dollars)	234,744	435,386	211,986	97,110	55,653	50,534	30,894	32,549	24,893	39,892
Recreation										
Number of parks	14	14	15	15	16	16	19	19	19	20
Acres maintained	202	202	216	216	226	226	230	244	304	314
Number of buildings	13	14	15	15	16	16	17	29	29	30
Number of people served	90,041	168,428	223,533	235,105	220,122	238,521	223,882	250,000	260,000	265,000
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of streets	423.54	423.54	423.54	423.54	423.54	423.54	423.54	423.54	423.54	423.54
Number of street lighting districts	26	26	29	31	37	41	40	40	40	40
Number of city maintained traffic signals	4	4	5	7	9	9	12	16	16	16
Number of school signals	22	25	25	25	37	38	35	35	35	35
Number of buildings	1	1	1	1	1	1	1	1	1	1
Water (3)										
Number of units served	30,295	30,981	31,811	32,419	31,778	31,610	31,731	31,195	31,250	31,599
Average daily flow (2)	12.26	11.06	12.71	12.94	11.90	10.89	9.59	9.59	8.41	8.01
Miles of water main	475	480	480	500	500	500	500	500	500	501
Number of plants	17	17	17	17	17	17	17	17	17	17
Number of vehicles	26	27	22	34	34	34	34	34	34	34
Number of buildings	28	28	28	28	28	28	28	28	28	28
Wastewater (3)										
Miles of sanitary sewers	75	75	75	75	93	93	93	93	93	93
Number of vehicles	11	11	9	15	15	15	15	15	15	15
Number of buildings	4	4	4	4	4	4	4	4	4	4
Number of plants	1	1	1	1	1	1	1	1	1	1

(1) Square miles.

(2) Millions of gallons.

(3) Water and Wastewater utility purchased in fiscal year 2004.

Source: Various City Departments

**WATER SOLD BY TYPE OF CUSTOMER AND
ASSOCIATED RATES LAST THREE FISCAL YEARS
(In Millions of Gallons)**

Type of Customer	Fiscal Year		
	2011	2012	2013
Single Family Residences	2,753.18	2,455.33	2,261.18
Multi Family Residences	2.22	1.87	2.03
Commercial	90.45	86.74	86.49
Multi Family Commercial	2.11	2.07	2.11
Hydrant	1.97	3.92	4.13
Bulk	68.40	55.91	64.43
Irrigation	28.56	30.47	54.85
Totals	2,946.89	2,636.31	2,475.22
<u>Water Rates (Per 1,000 gallons consumed)</u>			
Residential			
0 - 6,000	\$ 1.41	\$ 1.65	\$ 1.40
6,000 - 12,000	\$ 1.97	\$ 2.31	\$ 2.81
12,000 - 18,000	\$ 3.44	\$ 4.03	\$ 4.91
over 18,000	\$ 6.87	\$ 8.06	\$ 9.83
Commercial			
Rates apply to all usage - no cap	\$ 1.97	\$ 2.31	\$ 2.69
All Customers			
Rates apply to all usage - no cap	\$ 1.27	\$ 2.31	\$ 2.69

Note: The City of Deltona purchased the water & sewer utility in the 2003/2004 fiscal year.

**WASTEWATER SOLD BY TYPE OF CUSTOMER AND
ASSOCIATED RATES LAST THREE FISCAL YEARS
(In Millions of Gallons)**

Type of Customer	Fiscal Year		
	2011	2012	2013
Single Family Residences	210.39	206.06	236.22
Multi Family Residences	0.66	0.65	0.72
Commercial	25.79	65.96	66.70
Multi Family Commercial	1.24	1.24	1.27
Bulk	21.61	21.80	22.81
Totals	259.69	295.71	327.72
<u>Sewer Rates (Per 1,000 gallons consumed)</u>			
Residential			
0 - 6,000	\$ 12.65	\$ 14.83	\$ 12.31
over 6,000 (no charge)	\$ -	\$ -	\$ 16.00
			0
Commercial			
Rates apply to all usage - no cap	\$ 15.17	\$ 17.79	\$ 13.28
Bulk			
0 - 1,800,000	\$ 8.79	\$ 10.31	\$ 10.31
over 1,800,000 (no cap)	\$ 9.67	\$ 11.34	\$ 11.34

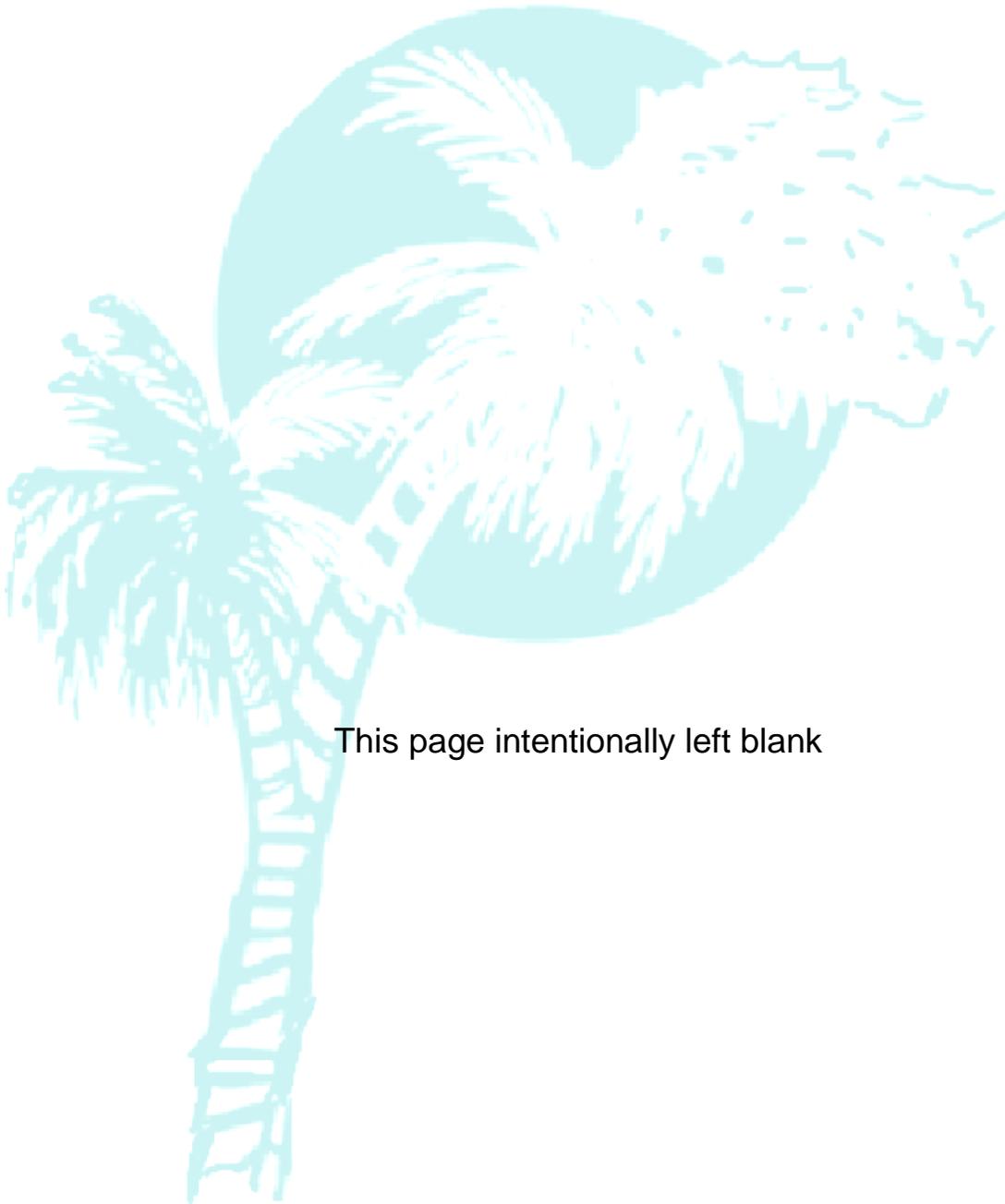
Note: The City of Deltona purchased the water & sewer utility in the 2003/2004 fiscal year.

**PRINCIPAL EMPLOYERS
CURRENT AND TEN YEARS AGO**

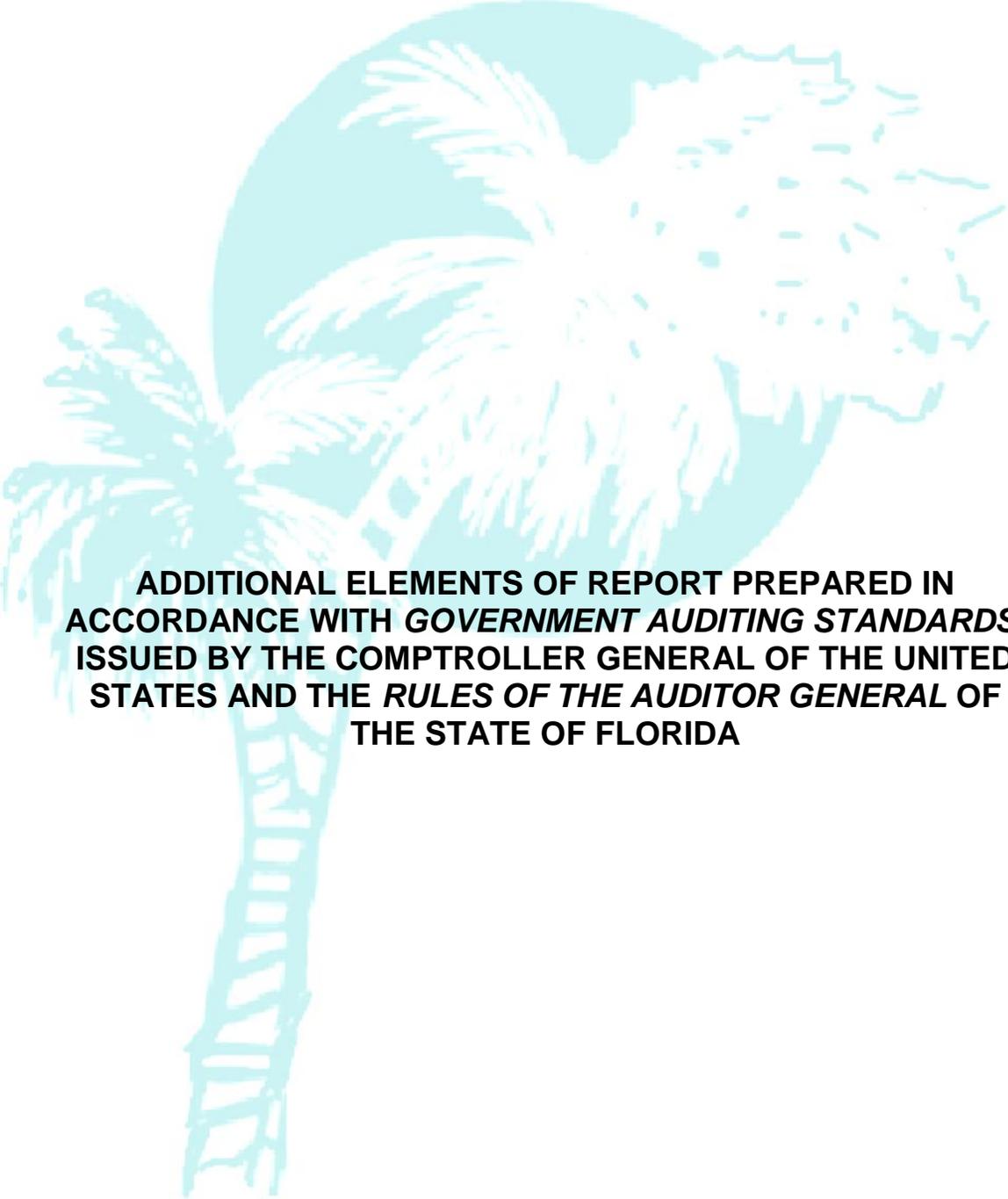
Employer	2013			2007 *		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Daytona State College	1,256	1	12.12%	N/A		N/A
Publix Supermarkets	558	2	5.39%	314	3	2.96%
Wal-Mart	350	3	3.38%	220	5	2.08%
City of Deltona	312	4	3.01%	383	2	3.59%
Winn Dixie Stores	270	5	2.61%	390	1	3.68%
Pine Ridge High School	250	6	2.41%	250	4	2.36%
Methodist Children's Home	180	7	1.74%	N/A		N/A
McDonalds	177	8	1.71%	N/A		N/A
Deltona Health Care Center	160	9	1.54%	N/A		N/A
Galaxy Middle School	160	10	1.54%	160	8	1.51%
Deltona Middle School			0.00%	200	7	1.89%
Albertson's			0.00%	200	6	1.89%
Friendship Elementary			0.00%	150	10	1.42%
Total	3,673		35.45%	2,267		21.38%

Source: InfoGroup Employer Database 2013 ed.1

* NOTE: The City does not have Principal Employer information further back than 2007;
Source - City's Comprehensive Annual Financial Report for FYE 09/30/07



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**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED
STATES AND THE *RULES OF THE AUDITOR GENERAL OF
THE STATE OF FLORIDA***

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

Grantor/Pass-Through Grantor/Program Title	Grant Number	CFDA/ CSFA Number	Program or Award Amount	Expenses	Subrecipient Award Amount
<u>FEDERAL AWARDS</u>					
U.S. Department of Housing and Urban Development					
Community Development Block Grant	B-10-MC-12-0049	14.218	543,184	20,389	-
Community Development Block Grant	B-11-MC-12-0049	14.218	449,996	449,996	62,931
Community Development Block Grant	B-12-MC-12-0049	14.218	441,819	143,935	-
Community Development Block Grant - NSP	B-08-MN-12-0006	14.218	6,635,909	1,083,816	-
Community Development Block Grant - NSP #3	B-11-MN-12-0006	14.218	1,964,066	1,082,207	-
Total Community Development Block Grant				2,780,343	62,931
<i>Passed Through County of Volusia</i>					
Community Development Block Grant/State's Program	10DB-K4-06-74-01-K36	14.228	1,299,652	538,437	-
U.S. Department of Energy					
Energy Efficiency and Conservation Block Grant, Recovery	DE-SC0003127	81.128	730,200	63,532	-
TOTAL FEDERAL AWARDS				3,382,312	62,931

Note to the Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of federal awards 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 and Chapter 10.550, Rules of the Auditor General, Local Governmental Entity Audits.*

**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**

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Deltona (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 10, 2014.

Internal Control Over Financial Reporting

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

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 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 timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

**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
(Concluded)**

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 the City in a separate letter dated March 10, 2014.

The City's responses to the findings identified in our audit are described in the accompanying response to management letter comments. We did not audit the City's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

Purvis, Gray and Company, LLP

March 10, 2014
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

Report on Compliance for Each Major Federal Program

We have audited the City of Deltona, Florida's (the City) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended September 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

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Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133
(Concluded)**

Report on Internal Control Over Compliance

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

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

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

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

Purvis, Gray and Company, LLP

March 10, 2014
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
CITY OF DELTONA, FLORIDA**

PART A - SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the basic financial statements of the City of Deltona, Florida.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of the basic financial statements of the City of Deltona, Florida.
3. No instances of noncompliance material to the basic financial statements of the City of Deltona, Florida, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal programs are reported in the report on compliance with requirements applicable to each major federal program on internal control over compliance in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal programs for the City of Deltona, Florida, expresses an unmodified opinion.
6. The audit disclosed no findings required to be reported related to federal programs under Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included the following:
 - **Federal Program**
 - U.S. Department of Housing and Urban Development:
 - ▶ Community Development Block Grant; CFDA No. 14.218
8. The threshold for distinguishing Type A and Type B projects was \$300,000 for major federal programs.
9. The City of Deltona qualified as a low-risk auditee pursuant to OMB Circular A-133.

PART B - FINDINGS - FINANCIAL STATEMENTS

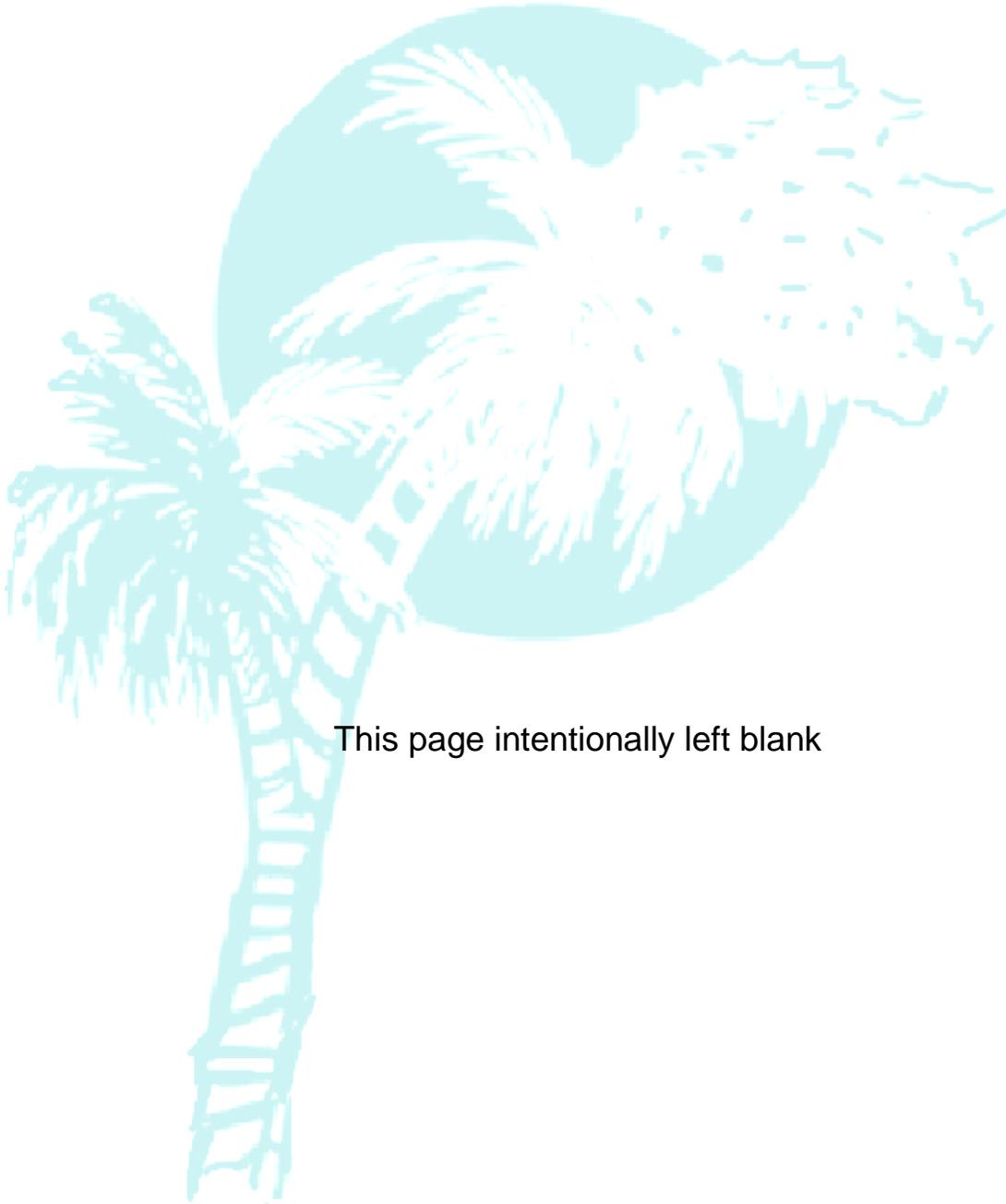
1. No matters were reported.

PART C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

1. No matters were reported.

PART D - OTHER ISSUES

1. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to federal programs.
2. No Corrective Action Plan is required because there were no findings required to be reported under the *Federal Single Audit Act*.



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MANAGEMENT LETTER

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

We have audited the financial statements of the City of Deltona, Florida (the City) as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated March 10, 2014.

We conducted our audit 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 10, 2014, 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 governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective action has been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.
- 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 investment of public funds. In connection with our audit, we noted no instance of noncompliance 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. See attached Management Letter Comments.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that has occurred or is likely to have occurred, that has an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

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Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

MANAGEMENT LETTER
(Concluded)

- Section 10.554(1)(i)5., *Rules of the Auditor General*, also requires that the name or official title and legal authority for the primary government be disclosed in the management letter, unless disclosed in the notes to the financial statements (see Note 1 of the City's basic financial statements as of and for the year ended September 30, 2013 for this information). There were no component units included in the City's basic financial statements as of and for the year ended September 30, 2013.
- Section 10.554(1)(i)6.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2013, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to 10.554(1)(i)6.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, accompanying reports, or other matters.

Purvis, Gray and Company, LLP

March 10, 2014
Ocala, Florida

MANAGEMENT LETTER COMMENTS

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

In planning and performing our audit of the financial statements of the City of Deltona, Florida (the City) for the year ended September 30, 2013, we obtained an understanding of the design of relevant controls to plan our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control. However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration.

Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control and/or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional review of these matters, or to assist in the implementation of the recommendations.

This letter does not affect our report dated March 10, 2014, on the basic financial statements of the City.

Our comments are summarized as follows:

Current Year Recommendations

2013-1—Allowance for Doubtful Accounts Methodology

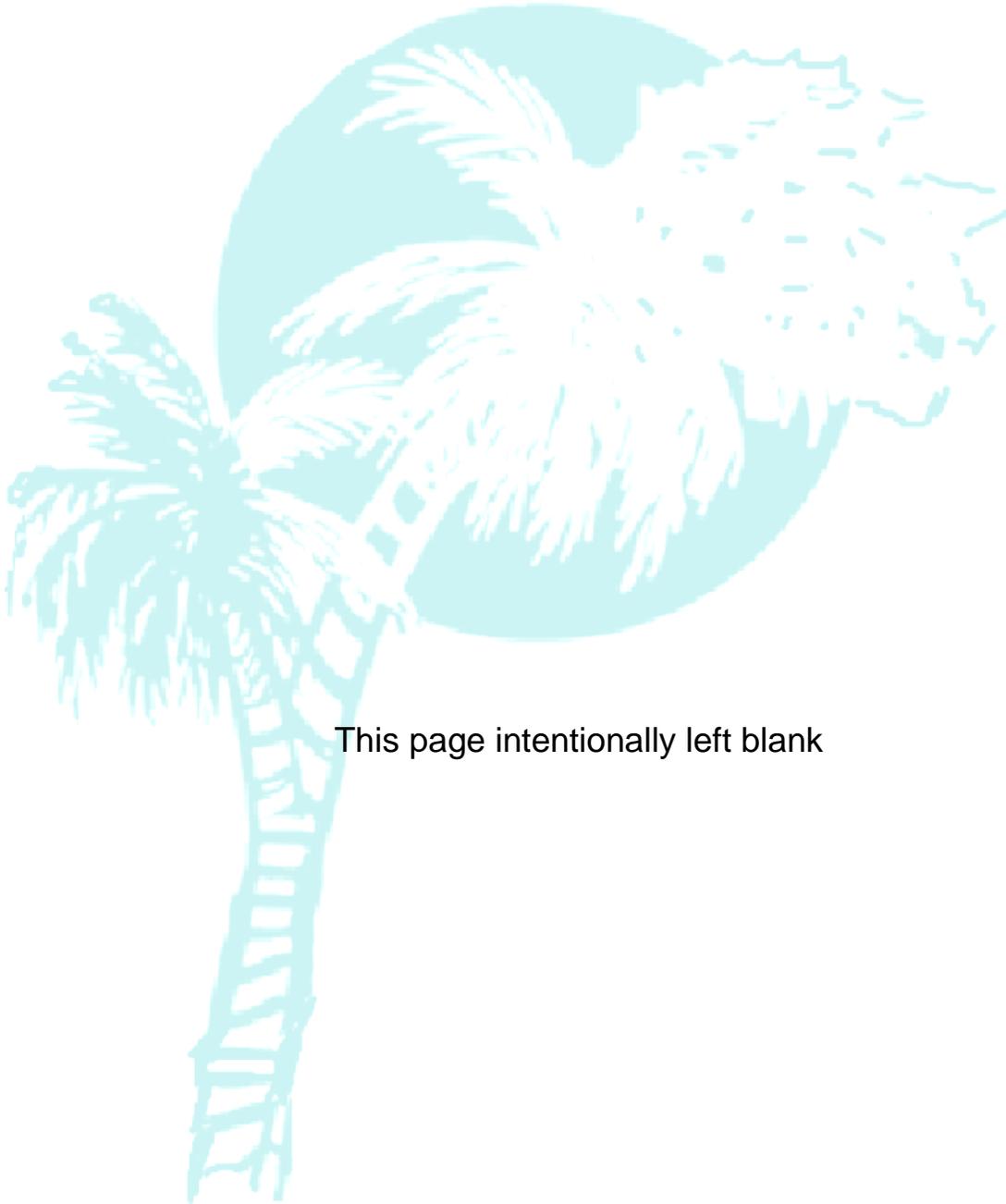
During our review of Deltona Water's allowance for doubtful accounts balance, we noted that the City's informal methodology had not been reviewed and updated periodically and that no formal policy is in place. As a result, we proposed and management made a journal entry to increase the City's allowance for doubtful accounts balance based on our analysis of the City's subsequent collections and range of estimates shared with management. We recommend that the City develop a formal allowance for doubtful accounts policy and methodology, which should include review of historical collections data and current aging of accounts receivable to determine the appropriate allowance for doubtful account balance.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Purvis, Gray and Company, LLP
March 10, 2014
Ocala, Florida

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City of Deltona

RESPONSES TO MANAGEMENT LETTER COMMENTS

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

Prior Year Recommendations:

2012-1 - Capital Assets

At the end of March, 2013 the City held mandatory fixed assets training for all Department heads and departmental Fixed Asset Custodians. Additionally, access to add/change/delete information in the fixed assets system is now restricted to only pertinent employees. The Accounting Manager has had several question and answer sessions with pertinent staff to discuss specific concerns regarding the processing of adding/changing/removing fixed assets.

Current Year Recommendations:

2013-1 – Allowance for Doubtful Accounts Methodology

The City is currently in the process of contacting other cities and utilities for sample allowance for doubtful accounts and bad debt policies as well as historical write-off data. The City will then take this information, along with Deltona Water's historical write-off statistics, and develop, write and adopt a formal allowance for doubtful accounts / write-off policy.

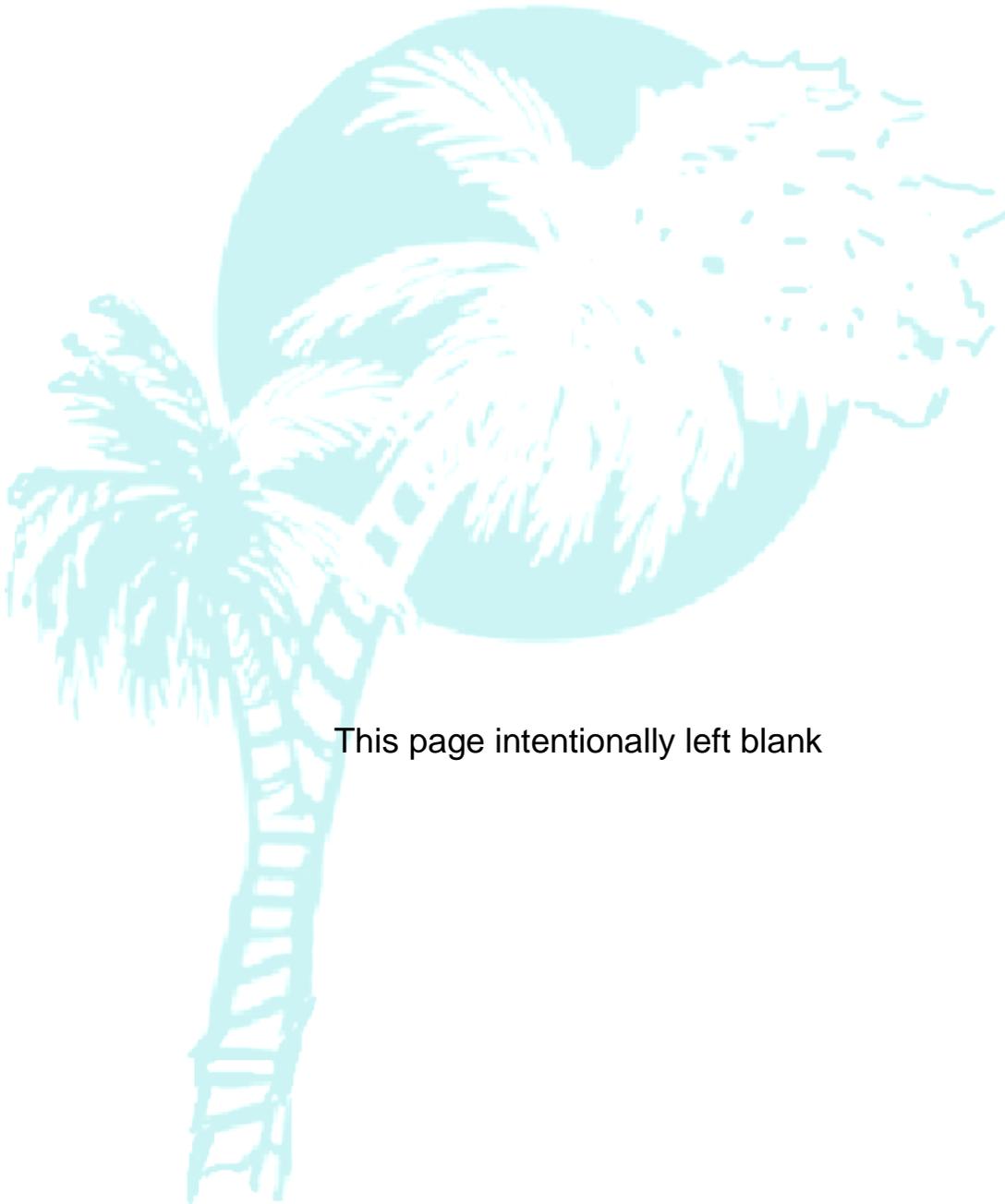
March 10, 2014
Deltona, FL

DEPARTMENT OF FINANCE & INTERNAL SERVICES

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