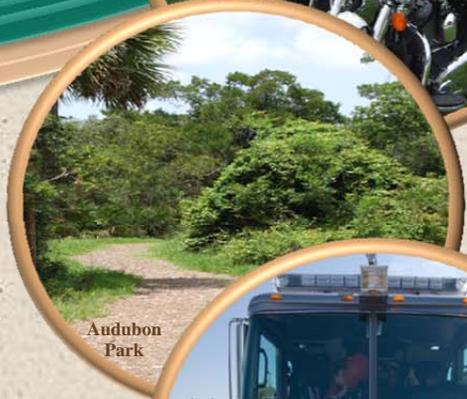




Inspiration Playground at  
Thornby Park



Audubon  
Park



Eastern Wastewater  
Treatment Plant



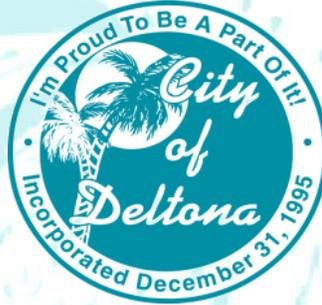
# City of Deltona, Florida Comprehensive Annual Financial Report

for the fiscal year ended September 30, 2014



# City of Deltona, Florida

*Building Deltona's Future Through Continued Efficiencies and Effectiveness*

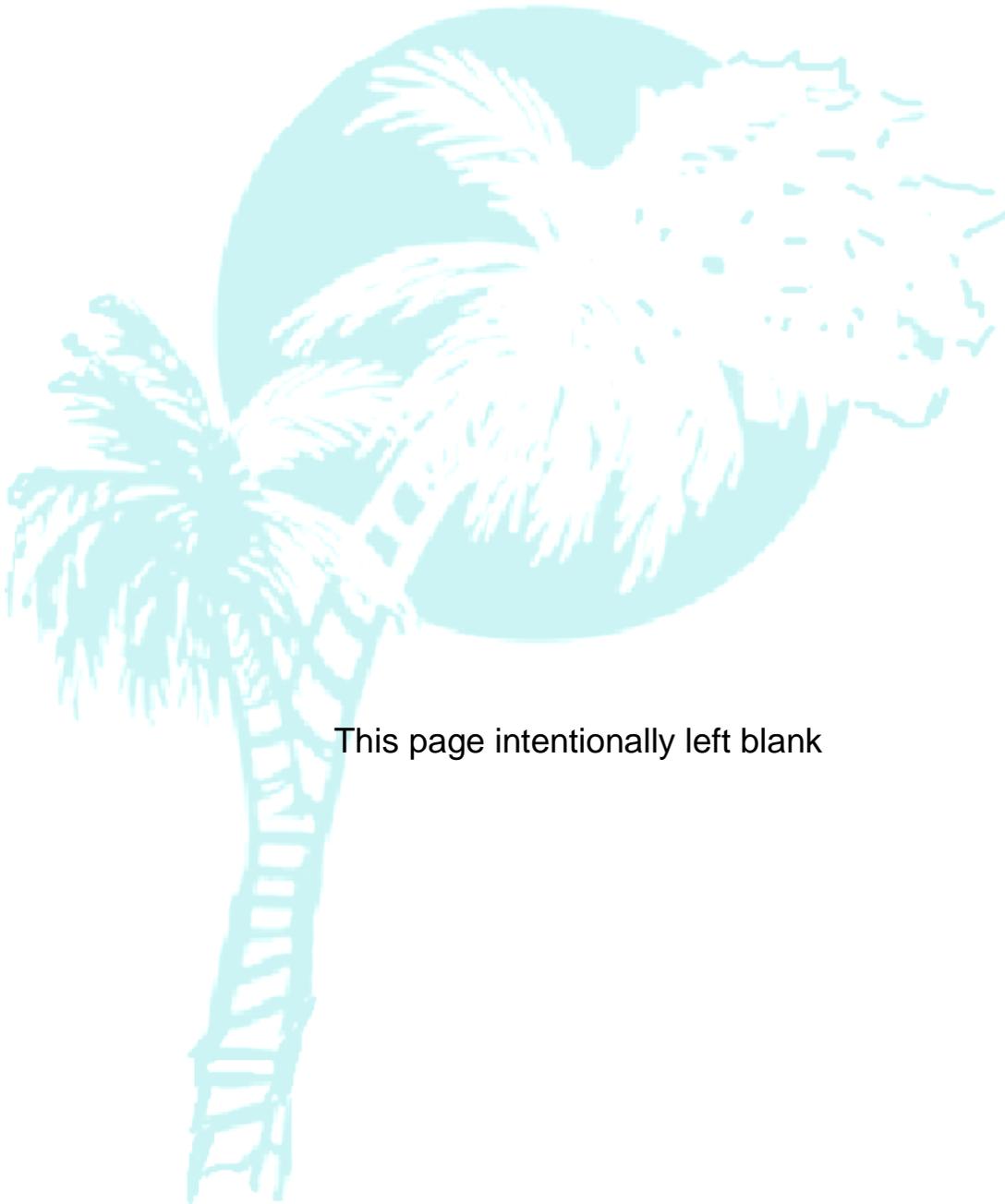


## Comprehensive Annual Financial Report

For the year ended  
September 30, 2014

Prepared By:  
Finance Department

Submitted By:  
Dale Baker  
Acting City Manager



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CITY OF DELTONA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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CITY OF DELTONA, FLORIDA

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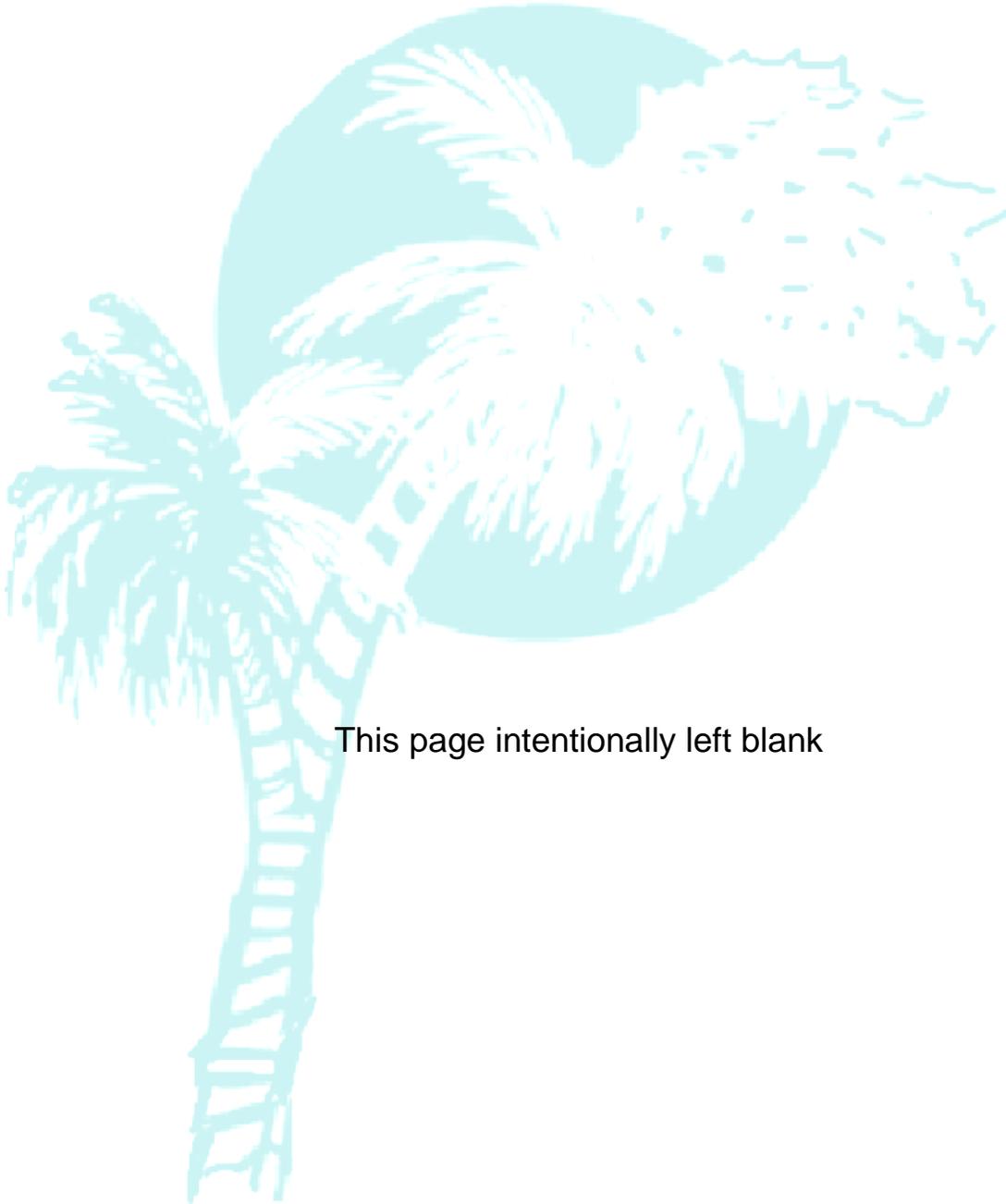
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# City of Deltona

March 2, 2015

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 annually. This report is published to fulfill that requirement for the year ended September 30, 2014. The Comprehensive Annual Financial Report (CAFR) of the City of Deltona, for the fiscal year ended September 30, 2014, 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 controls that have been established for this purpose. The cost of internal control should not exceed anticipated benefits; therefore 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 information 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 unmodified ("clean") opinion on the City of Deltona's financial statements for the year ended September 30, 2014. 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

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Webpage: [www.deltonafl.gov](http://www.deltonafl.gov)

**City 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 86,360. 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 Timucuan 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.

Letter of Transmittal

As part of the referendum for incorporation, the Deltona Fire District was dissolved as the City provides fire protection services.

The City has grown to approximately 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**

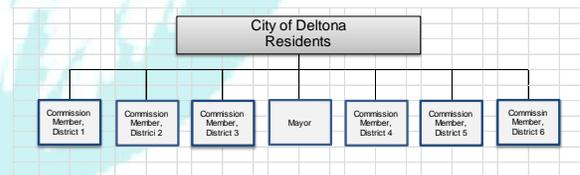
The City of Deltona operates under a Commission-Manager form of government consisting of a seven member Commission. Residents elect, through non-partisan elections, a Mayor who represents the City at large and six Commissioners who each represent a specific district of the City.



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.

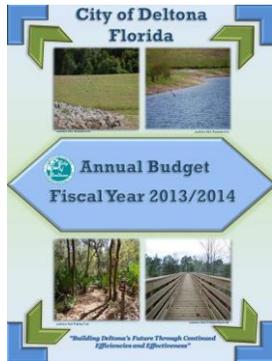
The City is governed by the City Charter as well as State and local laws and regulations. The Commission is responsible for the establishment and adoption of City policy and appointing a City Manager and City Attorney. The City Manager serves as the Chief Executive Officer of the City and is responsible 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 30<sup>th</sup> 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 has experienced positive indicators for the local economy and for the benefit of our residents. With the majority of land uses platted and developed throughout the City, FY 2015/2016 is projected to be a year of growth and development. For



vacant land, master planned residential projects that were dormant in past years have been brought forward. Live Oak Estates is

being built-out, Lake Baton Estates is under construction, Fernanda Landings will be adding ±22.8 acres for additional home

construction, and Lake Sidney Shores, Lake Gleason Reserve, and Arbor Ridge are achieving updated entitlements. These residential projects portend to increase the local tax base of the City, in addition to the over 33,000 residential homes already constructed.

The increased number of residential homes is in keeping with an increased population within the City. In the 2010 U.S. Census Count, the City's population was 85,182. As of April 1, 2014, the City increased its population an additional 1,178 persons for a total of 86,360 residents. For FY 2015/2016, that population increase is expected to continue at an annual growth rate of approximately 2.0%, with people moving into homes that were abandoned, foreclosed, rehabilitated, or newly constructed. The real estate absorption is present and will continue to result in occupied homes.

For non-residential development during FY 2015-2016, the City is seeing an increase in the number and type of businesses that desire to be in close proximity to residential homes. A new Tractor Supply Company development recently opened with a ±20,000 square foot building. A new Halifax Health office building opened to serve local residents, a new Wal-Mart Neighborhood Center will open at ±45,000 square feet in size, a new college campus opened for Bethune Cookman University, a new commercial retail center at ±14,500 square feet is being constructed, and a new ±20,000 square foot Florida Hospital medical office building will open this fiscal year. All of these projects will enhance the non-residential local tax base of the City. The goal is for the City to be able to provide a more balanced land use pattern, as it is currently predominantly developed with residential homes.

With the construction of office units in this fiscal year, the projected land uses that will

follow that development pattern are typically sit-down restaurants, which the City has land to accommodate. Also within this period, the City will be developing a new assisted living facility, as many residents are aging and want to remain locally.

The many long-range planning efforts are considered strategic in nature to keep the City functional and viable beyond this fiscal year. The City is working with the Florida Department of Transportation (FDOT) to provide safe access to Interstate 4 and additional capacity of roadways at its three (3) interchanges. The projects will include utility work, as well, and will benefit regional utility usage to reduce aquifer drawdown. In all, it is responsible development. The utilization of land strategically will also include an attempt to achieve a Community Redevelopment Area (CRA) within FY 2015/2016 and an update of Impact Fee rates to make them more current for City transportation, parks, recreation, law enforcement, and fire/rescue. The updates to these fees have the potential to at least balance the revenues to pay for public facilities and services with the advent of new development.

The City of Deltona remains the largest municipality within Volusia County and the second largest within Central Florida. The City continues to expand public facilities and services to its increasing number of residents through increased numbers of sheriff deputies, fire fighters, and expansion of utility systems and roadway maintenance.

Currently, the Eastern Water Reclamation Facility Phase I is scheduled to open in 2015 and be operational for FY 2015/2016. This will bring  $\pm 1.5$  million gallons per day of capacity on-line and also free capacity up at the Fisher Water Reclamation Facility. There are reuse lines being placed within rights-of-way to facilitate population growth and more efficient water reuse, and the City is partnering with the St. Johns River Water

Management District to add a surface water tank next to a series of rapid infiltration basins on City property for aquifer recharge. This is coupled with roadway improvements to widen Howland Boulevard, SR 415, and Ft. Smith Boulevard.

In FY 2015/2016, the land use pattern should become more diversified with the increase in utility and road provisions. The City is seeing the construction of more office uses, residential uses, and commercial uses.

The City is completing the last years of the HUD Neighborhood Stabilization Program (NSP). To-date, there have been 83 homes purchased, 72 of those homes have been sold and 11 homes for sale. The original grant of \$6.6 million dollars and its successful operation have resulted in an additional \$1.96 million, which has generated over \$1.5 million in income from sold homes. More importantly, families and individuals that would otherwise not have a home to own and dwell in are now homeowners. The other HUD grant administered by the City is the Community Development Block Grant (CDBG), which provides assistance to repair homes, upgrade parks, operate social service agencies, and assist in providing stormwater management in the City. For FY 2015/2016, more emphasis will be on parks and home repair programs.

Finally, the City received its largest amount of State Housing Initiatives Partnership (SHIP) funds from the Florida Housing Finance Corporation to-date. Over \$350,000 is available for owner-occupied home repair to allow residents to improve life-safety issues that upgrade their homes for greater functionality.

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 2014. In the 4th quarter of 2014, Deltona's unemployment rate dropped to 5.5%, down from 6.5% in the 4th quarter of 2013. This was also quite a drop from the 12.9% unemployment rate in the 4th quarter of 2010. Again, that's a total of a 7.4% drop in unemployment from 4th quarter 2010 to 4th quarter 2014.

The City's population has continued to grow and in 2014 the City had a workforce of 47,000. While many cities have experienced outflow of population and workforce as the reason for unemployment reduction, in Deltona the drop in unemployment, coupled with the increase in population and workforce, speaks for very healthy growth for the City.

In the past several years, the regional economy experienced both highs and lows. As with the nation, Central Florida and Deltona went through an economic downturn. In 2011, Deltona rebounded faster than most communities due to greater demand for goods and services and an increasing population to 86,360 residents. There has been a corresponding increase in the number of residential building permits pulled and master planned communities once dormant during the recession are coming forward for development.

New construction permits for single-family residential housing had slowed down for nine consecutive years beginning in FY 2002/2003. In FY 2013/2014 there were 39 residential permits issued during the year. In FY 2012/2013 there were 51 residential

permits issued during the year indicating an unsteady economic recovery.

In FY2013/2014 property tax revenue increased a modest \$563,716 or 4.9% since the adopted millage rate remained at 7.99. That makes seven consecutive years that property tax revenue has been less than the peak year of FY2006/2007.

The City's economic environment actually improved somewhat for FY 2013/2014. Overall revenues came in over budget. Property market values, as determined by the Volusia County Property Appraiser, increased by 12.6% while taxable value increased by 7.8%. The smaller increase for taxable value reflects the impact of "Save Our Homes" and additional exemptions allowed by law. While this was very encouraging, 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 is becoming ever more optimistic that the housing market will continue to improve but we still expect minimal growth in new construction going forward.

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.

The City of Deltona always strives for sustainable economic growth for the purpose of achieving a more balanced residential-to-nonresidential (commercial) tax base and to provide higher wage job opportunities.

To reach these goals, the City's Office of Economic Development (OED) carries forward the strategy of encouraging economic growth by (1) bringing new businesses and jobs to the City and (2) business retention and expansion of existing businesses. This strategy currently focuses on four targeted industries: commercial / industrial, medical, educational and tourism.

Commercial / Industrial: The biggest obstacle the City faces with commercial / industrial growth is that there is not a commercial / industrial park within the City. Commercial retail growth has seen several major projects come forth in 2014. A new RaceTrac gas and convenience store opened and a Tractor Supply Company store, a Walmart Neighborhood Market, the Saxon-Sterling Shops, a major Duke Energy substation, and the City's Eastern Waste Treatment Facility all processed through in 2014 and are in construction in 2015. The Duke Energy Sub-station is the first facility in the 'Deltona Commerce Park' (a working name) and is a major infrastructure for that project. The City hopes to be able to fully utilize that commercial and industrial 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 Health redeveloped an existing building (vacant over 3 years) into a full service walk-in clinic and a radiology center. Halifax Health also purchased a 12.5 acre tract for a future multipurpose medical facility, and is currently negotiating a 31 acre purchase for a future hospital site. Florida Hospital Fish Memorial has expanded their services from Orange City into Deltona with the development (under construction with a 2015 opening) of a multipurpose medical facility. All medical expansion attracts additional medical facilities. 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. One major element for attracting new businesses is to have an educated and trained workforce. Recent educational advancements in the City have been the expansion of Daytona State College class offerings and the announcement (2014) that Daytona State College is planning a new educational building on the Deltona Campus. In 2013 Bethune-Cookman University expanded its facilities from Daytona Beach, opening a new campus in Deltona. The Deltona Campus has had success, Bethune-Cookman University purchased the multi building educational and medical campus and is now in preparation to expand course offerings.

Tourism: Deltona is located between two tourism behemoths – 28 miles to Orlando (Disney, Universal, Sea World, etc.) and 28 miles to Daytona Beach (World's Most Famous Beach, NASCAR, etc.). Although the City does not offer theme parks or the Daytona 500, it does offer an abundance of parks, springs and trails which equates to "*ecological tourism*", which is the fastest growing tourism within the State of Florida. Currently, this tourism in Florida is a larger industry than either the golf or the 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.

With the planned development and expansion of sports parks, the City is starting to see the beginning of a tourism based on sports. Among the many sports and sports facilities offered, the City of Deltona has premiere soccer fields. Several MLS (Major League Soccer) teams utilize the City's fields for practice. Bethune-

Cookman University has indicated a high interest in bringing collegiate soccer to the City.

**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. A total of \$10,600 of this reserve has been spent as of September 30, 2014.

On September 3, 2014 the City adopted Resolution 2014-30 establishing a Grants Match fund balance reserve of \$500,000. The purpose of this reserve is to provide funding for grant matches that staff was not aware of during the annual budget process.

As of September 30, 2014, the total fund balance of the General Fund was \$23,758,000. With the adoption of GASB 54, as of September 30, 2011 the City designated 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 \$23,758,000 fund balance, \$22,000 is non-spendable in the form of a pre-paid; no funds are designated as Restricted; \$41,000 is designated as Committed for wetland mitigation; and \$16,020,000 is designated as assigned - \$6,000,000 for natural disasters, \$5,163,000 for an operating reserve, \$1,989,000 for economic development and City infrastructure and \$2,368,000 to be used for equipment in the Capital Equipment Fund. The remaining fund balance of \$7,675,000 is unassigned and may be used for any legal general purpose.

**Relevant financial policies**

The City implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 25." The Firefighters' Pension Plan engaged an actuary to provide estimates of the liability the City is required to disclose. The estimated total of the City's net pension liability for the Firefighters' Pension Plan is \$6,666,939 which equates to a plan that is 75% funded.

**Major initiatives**

There has not been any State legislation recently passed that has had any significant impact on City revenues. The City is closely monitoring any potential changes to the Communications Service Tax administered by the State.

**Financial Outlook and Challenges**

While it appears that the economy, both locally and nationally, is beginning to rebound somewhat, the City plans to continue along a fiscally conservative path. Even with a rebounding economy, the City will continue to face financial challenges well into the future. One of these challenges is the "Save Our Homes" provision which limits the maximum annual increase in assessed value of a homesteaded home to 3.0%. This means that if the value of a home increases more than 3.0% in any given year, the home's assessed value, the amount which is taxed, can only increase by a maximum of 3.0%. Another challenge the City faces is the small percentage of properties that are commercial. The City's mix of high residential to low commercial puts more of the tax burden on residents than is typical for most Florida cities.



For preparation of the FY 2014/2015 budget, City staff was directed to maintain spending levels consistent with actual spending incurred in FY 2012/2013. In the FY 2014/2015 budget, spending levels were increased by 5.1%, mostly attributable to a combination of increased pension costs, increased medical and liability insurance, increased cost of the Volusia County Sheriff's contract and overall inflation.

General Fund transfers to other funds totaled \$13,500 and all went to the Park Projects Fund for a scrub jay mitigation project.

**Long Range Planning**

Comprehensive Planning throughout Florida is again evolving. From the Growth Management Act in 1985 until today, Florida has created a long-range planning system that local governments have to comply with. However, while there remains a 20-year planning process for long-range planning, the methodology has been updated to be more economically friendly. The Florida Department of Community Affairs that governed the process is now the Department of Economic Opportunity. The long-range plan review process places more emphasis on local government review and the small scale comprehensive plan amendment process is more streamlined. One component of this streamlined process is that the Capital Improvements Element (CIE) is optional for an annual update versus a mandatory review.

In looking forward for FY 2015/2016, the City will remain compliant with the State of Florida Growth Management Act and its laws. It will continue to update its CIE annually and be approved by the State. The City will also process comprehensive policy plan amendments in a timely fashion that follows the adopted goals, objectives, and policies for the City.

Recreation programs are important to both the City and the residents of the City. The City continues to upgrade its facilities and programs. Some of these upgrades include renovation of Little League baseball fields, replacement of exterior lighting with more energy efficient LED concepts and installation of video camera surveillance to decrease vandalism. Future development opportunities will be explored. Opportunities currently being explored are the enhancement of the City's trail network and construction of a sports field complex.



The Lakeshore Multi-purpose Trail, currently under design and scheduled for construction to begin in the winter of 2015, will significantly impact City residents and visitors who are looking to enjoy a “nature” friendly environment in Volusia County. The unique aspects of this park will provide visitors the availability to exercise along beautiful Lake Monroe, hold family picnic gatherings at the boat ramp park, and learn about nature while exploring the trail. The unique aspect of the Lakeshore Multi-purpose Trail is sure to attract visitors since it is the only loop from the River to Sea trail to the beautiful Lake Monroe. The need to provide recreational outlets for residents continues to increase, yet the availability to fulfill this need continues to be limited. With ECHO grant dollars, the City will be able to impact a large portion of the community with an environmentally friendly, nature inspired recreational park. In turn, this impact will help project a positive image of Volusia County. The closest community park to the Lakeshore Multi-purpose Trail is the terminus of the trail at Green Springs Park. Therefore, this multi-faceted project will provide a much needed recreational resource for children, seniors, families, and the disabled within the project area. In addition, the “bike trail” and “Bird Watching Path Experience” will most likely draw visitors from other areas of the County as well.



The demand, and resulting deterioration of the City’s roadways, continues to increase. In the FY 2013/2014 budget, the City appropriated \$2.83 million to continue road resurfacing and to complete various road widening projects. This figure is down from \$4.93 million budgeted in the prior year as

proceeds from the Series 2006 bond issue are depleted. Not unlike many Florida cities and counties, Deltona will have to address road deterioration and lack of funding at some time in the not so distant future.

**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, 2013. This was the fourteenth 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, 2014. In order to qualify for the Distinguished Budget Presentation Award, the City’s budget document had to be judged 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

Letter of Transmittal

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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.

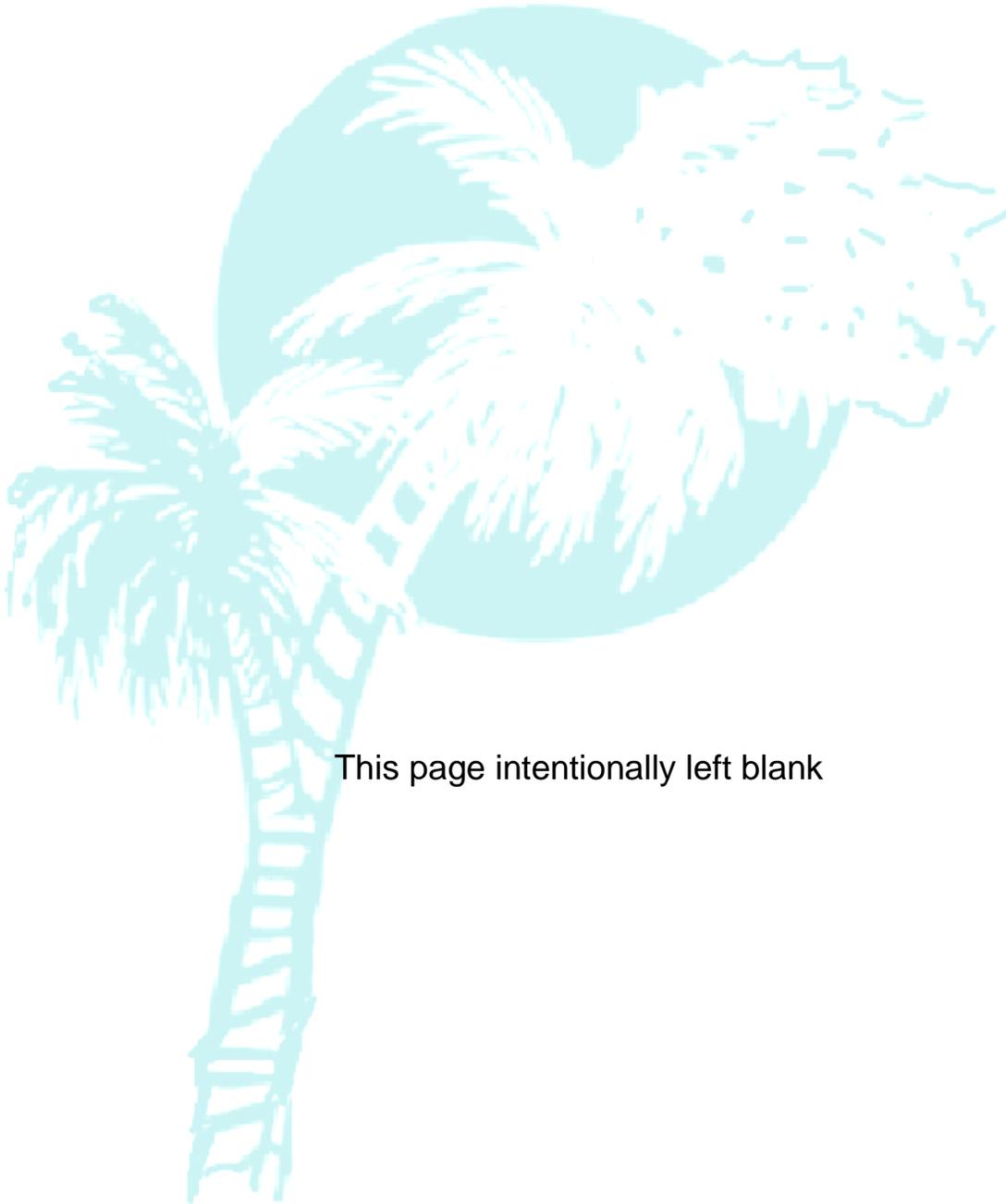
Respectfully submitted,



Dale Baker  
Acting City Manager



Robert Clinger, CPA  
Finance Director



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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, 2013**

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

Executive Director/CEO

**ORGANIZATIONAL CHART**



***Citizens of Deltona***

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

**Various Appointed Boards & Committees**

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

**Building & Enforcement Services Department**  
 Dale Baker, Director

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

**Finance**  
 Robert "Bob" Clinger, CPA  
 Director

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

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

- Human Resources
- Risk management

**Acting City Manager**  
 Dale Baker

**Acting Deputy City Manager**  
 Gerald Chancellor

**Information Technology**  
 Steve Narvaez, IT Director

**Parks & Recreation**  
 William "Steve" Moore, Director

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

**Public Works**  
 Gerald Chancellor, Director

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

**City Attorney**  
 Gretchen "Becky" Vose

**Fire / Rescue Department**  
 Mark Rhame, Fire Chief

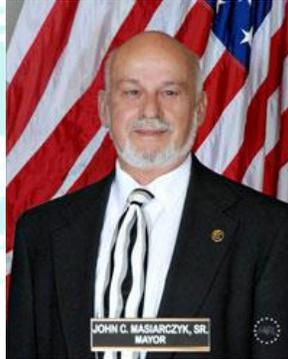
- Operations/Combat
- Emergency Management/ Administration
- Fire Loss Management

**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

**Elected Officials  
As of September 30, 2014**



John C. Masiarczyk  
Mayor



Zenaida Denizac  
Vice Mayor  
District 1



Webster Barnaby  
District 2



Heidi Herzberg  
District 3



Nancy Schleicher  
District 4



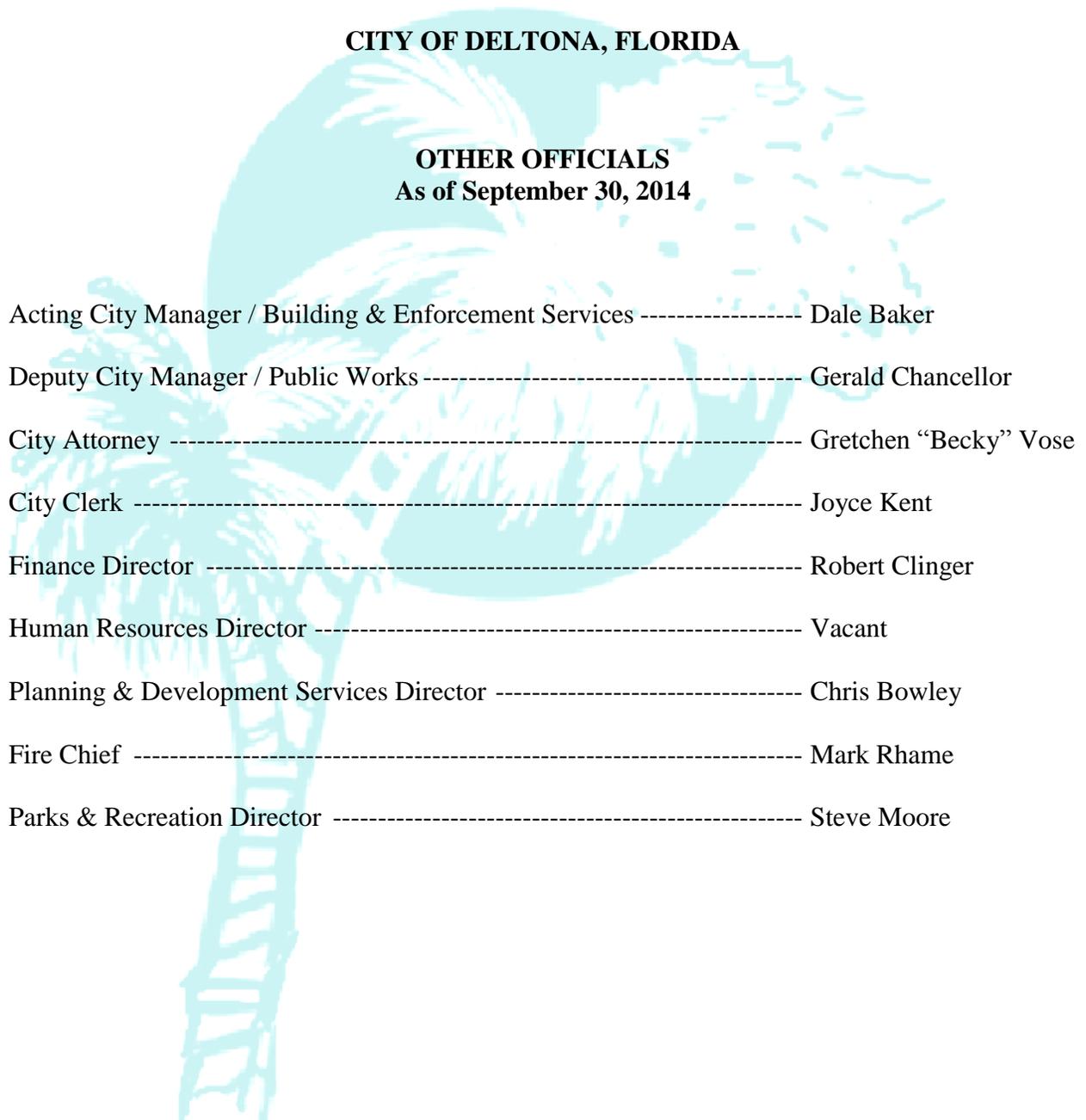
Anthony Bellizio  
District 5



Chris Nabicht  
District 6

**CITY OF DELTONA, FLORIDA**

**OTHER OFFICIALS  
As of September 30, 2014**



Acting City Manager / Building & Enforcement Services -----	Dale Baker
Deputy City Manager / Public Works -----	Gerald Chancellor
City Attorney -----	Gretchen “Becky” Vose
City Clerk -----	Joyce Kent
Finance Director -----	Robert Clinger
Human Resources Director -----	Vacant
Planning & Development Services Director -----	Chris Bowley
Fire Chief -----	Mark Rhame
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, 2014, 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, 2014, 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, 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 and state financial assistance 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 Organization* and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, major and nonmajor fund budgetary comparison schedules, and the schedule of expenditures of federal awards and state financial assistance 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, major and nonmajor fund budgetary comparison schedules, and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 2, 2015, 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 2, 2015  
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, 2014. We encourage readers to consider this analysis in conjunction with additional information that has been provided in the letter of transmittal, which can be found on pages i-xi.

### 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 \$160.2 million. Of this amount, \$20.9 million (*unrestricted net assets*) may be used to meet any general obligation of the City.
- The City's total net position increased by \$1,355,194 or about .9%.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$32.3 million, an increase of approximately \$46,000, or 0.1%, over the prior year. Approximately 23.8% 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 \$7.7 million or 24.8% 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, planning and development services, code enforcement, construction and maintenance of road and street facilities, 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 21-22 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 government-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 23-26 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 government-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 27-31 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 32-33 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 34-69 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 71-82 of this report.

This report also includes Supplemental Information on the City's non-major funds. The combining statements referred to earlier regarding 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 83-98 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 \$160.2 million at the close of the fiscal year reported.

By far, the largest portion of the City's net position (81.8%) reflect its investment in capital assets (e.g., land, improvements, buildings, equipment and infrastructure), 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 37,045,108	\$ 37,338,728	\$ 17,606,618	\$ 24,421,510	\$ 54,651,726	\$ 61,760,238
Capital assets, net of depreciation	125,605,370	127,477,152	96,460,765	82,437,108	222,066,135	209,914,260
<b>Total assets</b>	<b>162,650,478</b>	<b>164,815,880</b>	<b>114,067,383</b>	<b>106,858,618</b>	<b>276,717,861</b>	<b>271,674,498</b>
Deferred charges on refunding	-	-	14,154,654	-	14,154,654	-
<b>Total deferred outflows</b>	<b>-</b>	<b>-</b>	<b>14,154,654</b>	<b>-</b>	<b>14,154,654</b>	<b>-</b>
Current and other liabilities	4,669,901	2,756,799	15,973,731	3,808,550	20,643,632	6,565,349
Long-term liabilities	20,396,843	23,298,547	89,617,979	82,951,735	110,014,822	106,250,282
<b>Total liabilities</b>	<b>25,066,744</b>	<b>26,055,346</b>	<b>105,591,710</b>	<b>86,760,285</b>	<b>130,658,454</b>	<b>112,815,631</b>
Net Assets:						
Investment in capital assets net of related debt	110,706,931	113,950,983	20,279,612	15,013,149	130,986,543	128,964,132
Restricted	6,189,970	2,216,898	2,135,000	849,581	8,324,970	3,066,479
Unrestricted	20,686,833	22,592,653	215,715	4,235,603	20,902,548	26,828,256
<b>Total net assets</b>	<b>\$ 137,583,734</b>	<b>\$ 138,760,534</b>	<b>\$ 22,630,327</b>	<b>\$ 20,098,333</b>	<b>\$ 160,214,061</b>	<b>\$ 158,858,867</b>

A portion of the City’s net position (5.2%) represents resources that are subject to external restrictions on how they may be used. Only \$20.9 million or 13.1%, of the City’s total net assets are considered unrestricted and may be used for spending at the City’s discretion for any legal purpose 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 decreased the City’s net position by \$1,176,800 while business-type activities experienced an increase in net position of \$2,531,944. Key elements of these changes are as follows:

City of Deltona's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 10,203,282	\$ 10,374,603	\$ 16,849,653	\$ 16,789,419	\$ 27,052,935	\$ 27,164,022
Operating grants and contributions	2,957,233	3,887,399	-	-	2,957,233	3,887,399
Capital grants and contributions	660,950	1,334,533	1,335,167	125,704	1,996,117	1,460,237
General Revenues:						
Property taxes	11,968,962	11,405,246	-	-	11,968,962	11,405,246
Franchise fees	3,794,039	3,436,887	-	-	3,794,039	3,436,887
Other taxes	13,591,523	13,306,994	-	-	13,591,523	13,306,994
State Shared Revenues	2,428,680	2,141,004	-	-	2,428,680	2,141,004
Other	712,791	576,143	(361,783)	(639,882)	351,008	(63,739)
<b>Total Revenues</b>	<b>46,317,460</b>	<b>46,462,809</b>	<b>17,823,037</b>	<b>16,275,241</b>	<b>64,140,497</b>	<b>62,738,050</b>
<b>Expenses:</b>						
Governmental Activities:						
General government	8,861,121	8,246,984	-	-	8,861,121	8,246,984
Public safety	18,739,948	18,605,589	-	-	18,739,948	18,605,589
Physical environment	9,371,600	8,989,720	-	-	9,371,600	8,989,720
Highways and Streets	5,854,936	5,358,992	-	-	5,854,936	5,358,992
Culture & recreation	2,460,610	2,616,214	-	-	2,460,610	2,616,214
Economic environment	1,287,852	1,525,531	-	-	1,287,852	1,525,531
Interest on long-term debt	918,193	984,252	-	-	918,193	984,252
Business-type Activities:						
Water and sewer	-	-	15,291,043	14,706,934	15,291,043	14,706,934
<b>Total Expenses</b>	<b>47,494,260</b>	<b>46,327,282</b>	<b>15,291,043</b>	<b>14,706,934</b>	<b>62,785,303</b>	<b>61,034,216</b>
Change in Net Assets	(1,176,800)	135,527	2,531,994	1,568,307	1,355,194	1,703,834
Net Assets-beginning of year (as restated)	138,760,534	138,845,189	20,098,333	19,157,945	158,858,867	158,003,134
Net Assets-end of year	\$ 137,583,734	\$ 138,980,716	\$ 22,630,327	\$ 20,726,252	\$ 160,214,061	\$ 159,706,968

- In FY 2013/2014 charges for services in governmental activities decreased by \$171,000 or 1.7%. The majority of this decrease was in General Government. The reason for this is two-fold: there was a decrease in business tax fees attributable to a prior year accounting adjustment and there was also a reduction in the administrative fees charged to Deltona Water by the General Fund as a result of refined methodology.
- In FY 2013/2014 operating grants and contributions received by the City for governmental activities decreased by

\$930,000, or 23.9%, over the prior year. This decrease is mostly attributable to the Neighborhood Stabilization Program (NSP) funds. As funding for these grants is being depleted, both of these funds (NSP I and NSP III) are beginning to experience a significant decline in activity.

- In FY 2013/14 capital grants and contributions received by the City decreased by \$674,000, or 50.5%, over the prior year. Most of this decrease is attributable to the prior year completion of major grant funded projects in the

Management's Discussion and Analysis

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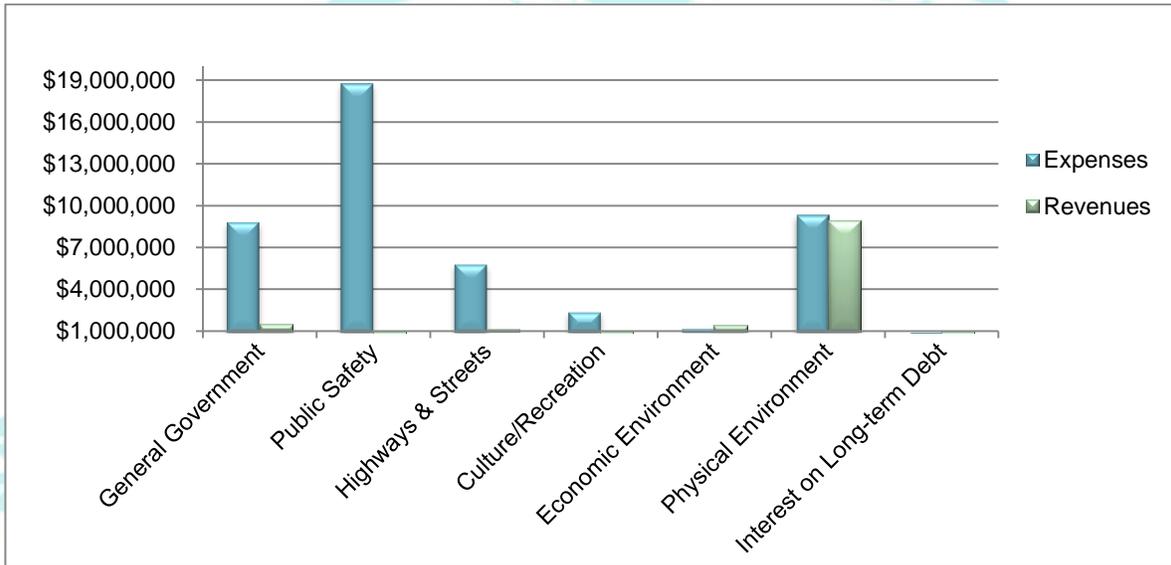
Stormwater division which had been funded by CDBG-R funds.

- In FY 2013/2014 general revenues increased by \$1.6 million, or about 5.3%. This figure represents increases in all general revenue categories. The largest increase was in property taxes, approximately \$564,000, as the Commission adopted the same millage rate which was more than the roll-back rate. The City experienced other significant increases in franchise fees: \$357,000, sales tax: \$216,000, and State shared revenues: \$288,000. This is likely a clear indication that the economy has finally bottomed out and is entering the recovery phase.
- Overall, Governmental Activities expenses experienced an increase of \$1,167,000 or 2.5%. There were significant swings both up and down; the largest increases were in General Government and Highways and Streets. The largest decreases were in Economic Environment and Culture and Recreation.
- General Government expenses increased by \$614,000 or 7.4%. Nearly two-thirds of the increase is attributable to depreciation expense. While General Government expenses did increase overall, it is important to note that most of the increase is attributable to capital outlay not operating expenses.
- Public Safety expenditures in FY 2013/2014 increased by only \$134,000, or 0.7%. This is primarily attributable to an increase in the City's contract with the VCSO.
- Highways and Streets expenditures increased by \$496,000, or 9.3%. Virtually all of this is attributable to the accounting of an impairment loss for a write-off of design expenditures incurred for projects that will not be completed.
- Culture and Recreation expenditures decreased by \$156,000. This decrease is attributable to the booking of the non-cash transaction of depreciation of assets. Unlike General Government, when looking at operating expenses only, Culture and Recreation expenses increased by almost \$600,000. The majority of this increase (about 2/3) is due to increased expenditures on projects and capitalized equipment. Approximately \$100,000 of the increase is due to increased personal services costs. The remaining increase is due to nominal increases in operating costs.
- Economic Environment experienced a decrease in expenditures of \$238,000 over the prior year attributable to decreased activity in both of the NSP grant funds.
- Physical Environment experienced an increase of almost \$382,000. This is primarily attributable to increased depreciation expense.

Management’s Discussion and Analysis

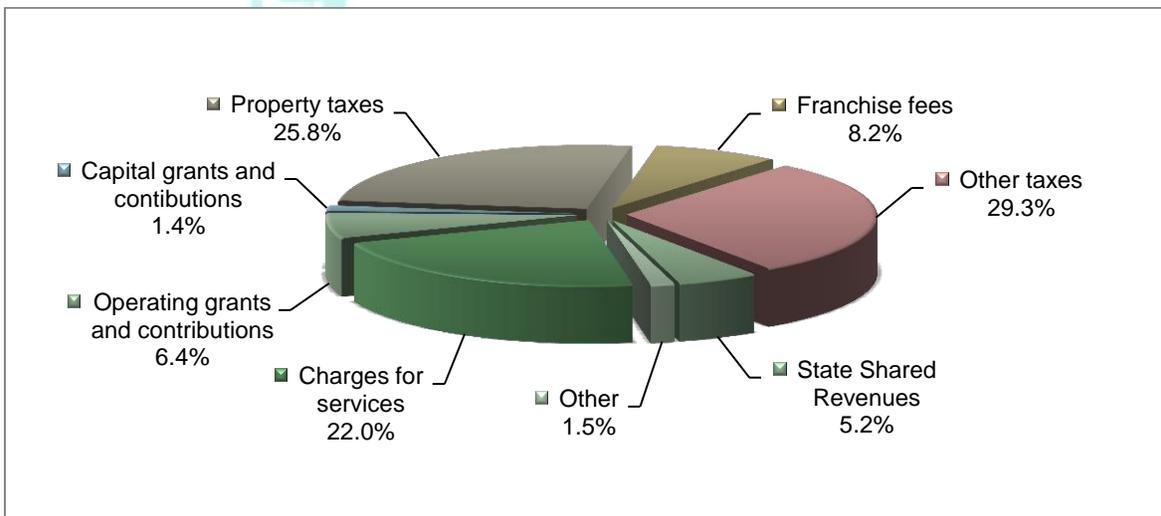
The following chart compares expenses with program revenues for the City’s governmental activities:

**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**

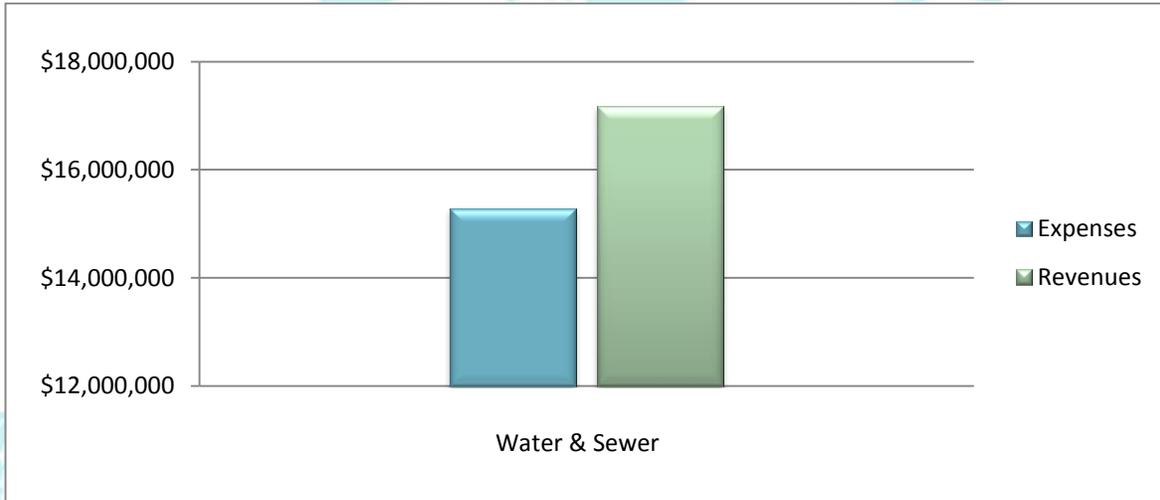
Business-type activities, which accounted for all of the total growth in the City's net position this year, increased the City's net position by \$2.5 million. The key components of this increase are explained below (comparing prior year to this year):

- Total operating revenues, including charges for services increased by \$60,000, or 0.4%. This nominal increase was anticipated given that the Enterprise Fund experienced a small rate increase in rates over the prior year.
- Capital grants and contributions increased by \$1.19 million. Most of the increase is attributable to several cost-sharing grants received from the St. John's Water River Management District.
- Interest income decreased by \$64,000 as the utility uses cash funding for projects whenever at all possible.
- Operating expenses decreased by \$359,000, or 3.3% as the utility strives to maintain expenses while responding to rising production costs.
- Gain/loss on sale of capital assets had a year over year change of \$436,000 as the utility sold and/or scrapped some obsolete equipment in the current year.
- Interest expense increased by almost \$943,000. Nearly 80% of the increase is the amortization of the refinancing loss from 2013 which is reported as a component of interest expense.

Management’s Discussion and Analysis

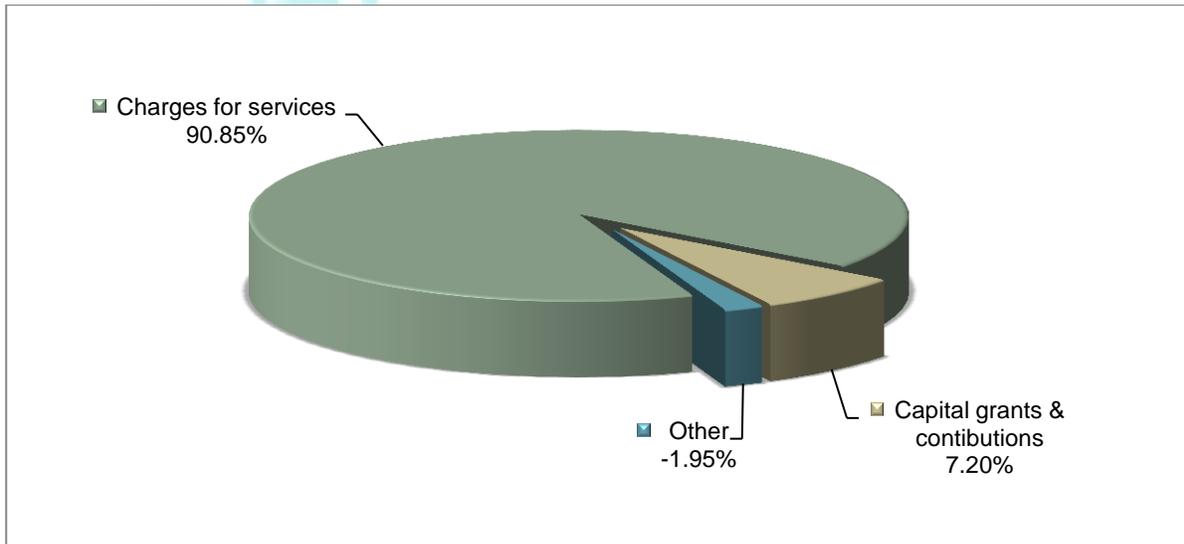
The following chart compares expenses with program revenues for the City’s business-type activities:

**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* financial statements 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 \$32,308,000, an increase of \$46,000, or 0.1% from the prior year. Approximately 23.8% of this amount, or \$7.7 million, constitutes *unassigned fund balance*, which is available for spending at the City's discretion for any legal purpose. This is \$2.5 million more than at the close of FY 2012/2013. 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. In FY 2013/2014 the Commission approved an expenditure of \$10,600 leaving a remaining combined balance of \$1,989,400.

Most recently, on September 3, 2014 the Commission adopted Resolution 2014-30 establishing a Grants Match fund balance reserve of \$500,000. The purpose of this reserve is to provide funding for grant matches that staff was not aware of during the annual budget process. Any use of these funds must be approved by the City Commission.

The components of fund balance for all Governmental funds (not just the General Fund) as reported in accordance with GASB Statement No. 54 is as follows: \$22,362 non-spendable, \$6,304,396 is *restricted*, \$528,558 is *committed*, \$17,778,250 is *assigned*, and \$7,674,812 is unassigned.

The General Fund is the major operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$23,758,000 of which \$7,674,812 was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The General Fund's committed and assigned fund balances represent 51.9% of total General Fund expenditures. The General Funds

unassigned fund balance represents 24.8% of total General Fund expenditures.

a transfer of \$13,500 to Parks Projects in FY 2013/2014.

The total fund balance of the City's General Fund increased by approximately \$2,307,000 or 10.8%, during the current fiscal year. This increase in fund balance is approximately \$363,000 more than the increase was in the prior year. The key factors in this upward swing (compared to prior year) are as follows:

- As discussed previously General Fund revenues increased by about \$1.4 million. Operating expenditures were approximately \$1.0 million more than the prior year. While this would appear to be a significant increase, it was only a 3.6% increase overall with well over half of the increase in Public Safety. This reinforces staffs' position of being very conscientious and increasing spending only when absolutely necessary. The continued monitoring of 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 a small increase of \$81,000. Capital spending on Public Safety continues to increase as staff responds to the City's need to replace aging and obsolete vehicles and equipment. Capital spending on Highways and Streets continues to decline as bond funds are depleted and no new revenue sources are implemented.
- The changes in capital and operating expenses combined resulted in a net increase of \$1.1 million in all expenditures, or 3.7%.
- Transfers out of the General Fund were \$10,500 more than in the prior year. The City had transferred only \$3,000 to Parks Projects in the prior year, versus

### ***Solid Waste Fund***

The City's Solid Waste fund experienced a decrease in fund balance of \$37,000. This decrease was anticipated as part of the current rate plan structure in which the City maintained the same rate for three consecutive years. Solid Waste rates will be re-evaluated as part of the FY 2014/2015 budget process. Compared to the prior year, revenues were up just slightly while expenses were up slightly more.

### ***Stormwater Utility Fund***

The City's Stormwater fund experienced a decrease in fund balance of \$1,141,000. Revenues dropped by \$560,000 primarily due to the completion and reimbursement of several grant funded projects in the prior year.

Operating expenses increased by \$75,000 primarily due to rising personal service costs, especially health insurance.

Capital expenditures in the Stormwater Fund decreased by \$34,000 as staff completes more and more projects in-house and funding from the 2009 Bank Note is used.

### ***Transportation Fund***

The City's Transportation fund experienced a decrease in fund balance of \$1,207,000. This was anticipated and is attributable to reduced capital outlay. Construction activity has been winding down as Series 2006 bond funds are depleted and the fund has less ability to fund road resurfacing on a pay-as-you-go basis while revenue remains essentially flat.

**Municipal Complex Fund**

The City's Municipal Complex Fund experienced a minor decrease in fund balance. There was essentially no activity in the fund during the 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 \$215,715 which is about \$4 million less than last year.

Restricted assets of the utility at the end of the year were \$2.1 million, up from \$850,000 FY 2012/2013. The reason for this was simply a timing issue with 2003 bond refunding and issuance of the 2013 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 Transportation and Public Safety.

- General Fund revenues were over budget by \$1,720,000. The largest component was State Revenue Sharing which came in \$398,000 over budget and, like last year, was completely unexpected as this is a figure that is provided by the State. Intergovernmental revenue (primarily sales tax) came in over budget by \$350,000, indicating an improvement in the economy. Public service tax came in over budget by \$371,000, also another indicator of an improving economy.

- General Fund operating expenditures were \$1.2 million under budget and capital outlay was on budget with expenses coming in at only \$8,300 under budget. Personal service costs were under budget by \$361,000, or 6.5%. The three largest contributing factors to this large variance were: 1) the City Manager position was budgeted for 9 months, but was not filled as the Deputy City Manager became Acting City Manager and the Deputy City Manager position was vacant all year, 2) the ITSD division was not able to fill two vacant position for the entire year, and 3) Planning and Development was able to charge a fair amount of salaries to the administrative cost of the grants operating under their direction.
- Operating expenses for General Government came in \$137,000, or 5.2%, under budget. The majority of this, \$109,000, was attributable to the ITSD division which is continuously trying to reduce overall City operating costs primarily in the areas of communication and software/network maintenance.
- General Services, which provides funding for general City services not associated with a specific department, came in under budget by a total of \$182,000. This is a result of liability and property insurance, unemployment insurance costs and utility services all coming in under budget.
- Total General Government and Administration (which includes General Services as well as Development Services) came in \$498,000 under budget on operating expenditures. Every department successfully kept spending in check and remained within their budget limits in order to finish the year under budget.

Management’s Discussion and Analysis

- Public Safety (Police and Fire) came in under budget by \$354,000. \$200,000 of this was attributable to having budgeted for a specific type of insurance until it was determined that we did not need this particular coverage. Other areas that fell well below budget were Network Services, R&M Equipment, R&M Building and Medical Supplies.
- Public Works (Highways & Streets) came in under budget by a total of \$130,000 for all divisions. The most significant lines items were: \$40,000 – Personal Services under budget, Utility Services - \$19,000 under budget, Road Materials & Supplies - \$12,000 under budget and Network Services - \$10,000 under budget.
- Parks and Recreation came in under budget by \$173,000. Half of this was attributable to Salaries & Wages. The other significant budget shortfalls were in the areas of Utility Services - \$34,000 under budget, Network Services - \$22,000 under budget and Promotional Activities - \$32,000 under budget.

stormwater and water and wastewater utility). The total increase (additions less retirements and depreciation) in the City’s investment in capital assets was \$12.1 million; an increase of 5.8%. This represents a 1.5% decrease for governmental activities and a 17.0% increase for business-type activities as construction continues on the Eastern Wastewater Treatment Plant.

More information regarding the City’s debt can be found on pages 50-54 of this report.

The majority of capital asset expenditures occurred in the utility. The major capital asset expenditures of the utility during the current fiscal year included the following:

- New Eastern Wastewater Treatment Plant - \$9,556,000
- Doyle Road Reclaimed Main - \$2,354,000
- Water Treatment Plant Improvement Group A - \$1,041,000
- Doyle Road 16” Water Main Improvements - \$982,000
- Water Treatment Plant Improvement Group B - \$867,000

**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, 2014 was \$222 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,

Projects of note that were not in the utility are:

- Normandy Section B – Ft. Smith to Saxon Blvd. - \$1,341,000 (Transportation project)
- Master Force Main - \$626,000 (Stormwater Project)
- Master Regional - \$241,000 – (Stormwater Project)

**City of Deltona’s Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	14,322,362	13,810,289	3,150,693	3,150,693	17,473,055	16,960,982
Infrastructure Right of Way	4,372,500	4,372,500	-	-	4,372,500	4,372,500
Construction in Progress	1,372,218	4,478,222	20,678,863	7,355,506	22,051,081	11,833,728
Capitalized Intangibles	-	-	361,959	-	361,959	-
Buildings & Improvements	72,056,757	68,917,181	3,320,319	3,242,913	75,377,076	72,160,094
Machinery & Equipment	21,660,344	20,305,201	16,124,838	14,878,865	37,785,182	35,184,066
Infrastructure	108,091,642	105,689,796	81,905,365	80,354,722	189,997,007	186,044,518
<b>Total</b>	<b>221,875,823</b>	<b>217,573,189</b>	<b>125,542,037</b>	<b>108,982,699</b>	<b>347,417,860</b>	<b>326,555,888</b>

Additional information on the City’s capital assets can be found in Note III C on pages 47-48 of this report.

**Debt**

At the end of the current fiscal year the par value of the City’s total bonded debt outstanding was \$92,725,000. This amount represents \$12,980,000 of Transportation revenue bonds and \$79,745,000 of Utility System revenue bonds, both secured by specified revenue sources.

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 on April 1 and October 1, with annual principal payments due on October 1 of each year. 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.

Both the refunding and swap termination transactions resulted in a net loss which is being amortized as a component of interest expense over the remaining life of the Series 2003 bonds, or 20 years. The unamortized amount at September 30, 2014 was \$14,154,654.

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. The Note will 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 \$5,484,541.

Management’s Discussion and Analysis

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 loan has since been amended to include construction costs.

The loan balance as of September 30, 2014 was \$9,039,412, including \$104,700 in capitalized interest costs. As of the most recent loan amendment in October, 2014, the total amount of the loan is anticipated to

be approximately \$29,381,000. Semiannual loan payments shall be in the amount of \$913,921 beginning on June 15, 2015.

On August 22, 2014 the City obtained a Utility System Bond Anticipation Note (BAN), Series 2014 in the amount of \$7,000,000. The BAN was issued as part of the process of issuing the Utility System Revenue Bonds, Series 2014 and was, as intended, paid off upon the closing of the Utility System Revenue Bonds, Series 2014, in December 2014.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligations Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refunding Bonds	12,980,000	13,775,000	79,745,000	79,745,000	92,725,000	93,520,000
Total Bonds	12,980,000	13,775,000	79,745,000	79,745,000	92,725,000	93,520,000
Bond Anticipation Note	-	-	7,000,000	-	7,000,000	-
Loans Payable	5,484,541	5,723,772	-	-	5,484,541	5,723,772
FDEP State Revolving Loan	-	-	9,039,412	979,602	9,039,412	979,602
Total Bonds and Loans	\$ 18,464,541	\$ 19,498,772	\$ 88,784,412	\$ 80,724,602	\$ 107,248,953	\$ 100,223,374

Additional information on the City’s long-term debt can be found in Note F on pages 50-52 of this report.

**Economic Factors and Next Year’s Budget and Rates**

The unemployment rate at the end of fiscal year 2014 for Volusia County was 6.0%. The following is a summary of the applicable unemployment rates for Volusia County, the State of Florida, and United States:

Region Name	Current Year 9/2014	Previous Year 9/2013
Volusia County	6.0%	7.3%
State of Florida	6.1%	7.0%
United States	6.2%	7.4%

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

## Management's Discussion and Analysis

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For FY 2013-2014 the taxable value of such property, valued as of January 1, 2013, increased 4.8% over the previous year. For the following fiscal year FY 2014/2015, valued as of January 1, 2014, there was an increase in taxable value of 7.9%.

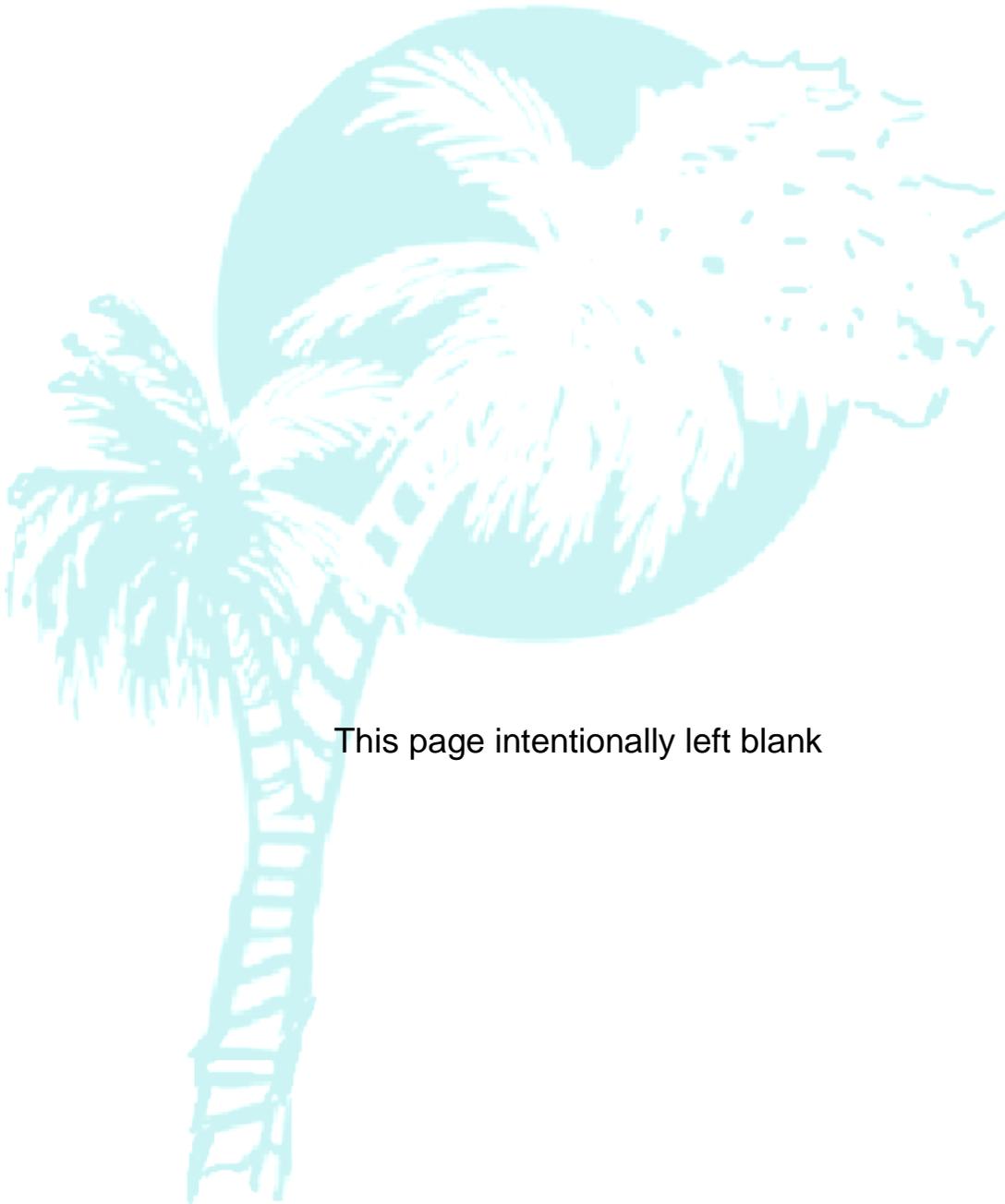
The City's population increased approximately 1.1% from 85,442 in 2013 to an estimated 86,360 in 2014.

During the FY 2013/2014 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 4.8% more than the roll-back rate of 7.6243. Staff was able to reduce expenditures enough so that, with the adopted millage rate of 7.99, the City was able to fund the State mandated increase to the State's pension fund (Florida Retirement System), increased health insurance costs, increased Union contract costs as well as an increase to the cost of the annual Volusia County Sheriff's contract.

The City does not expect to use any of the General Fund's fund balance for day-to-day operations in the FY 2014 / 2015 budget year. The City did, however, budget a \$500,000 transfer to the Transportation Fund for road resurfacing. Additionally, the General Fund transfer to the Capital Equipment Fund was increased to \$1,300,000 from \$1,050,000 in the FY 2014 / 2015 budget.

### **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](http://www.deltonafl.gov).



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Statement of Net Position  
September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 31,425,460	\$ 14,353,558	\$ 45,779,018
Cash with fiscal agent	121,452	-	121,452
Receivables (net)	1,557,356	1,851,016	3,408,372
Due from other governments	1,503,180	638,095	2,141,275
Inventory	1,402,362	470,523	1,872,885
Total current assets	<u>36,009,810</u>	<u>17,313,192</u>	<u>53,323,002</u>
Noncurrent assets:			
Net pension asset	951,599	-	951,599
Other assets	83,699	293,426	377,125
Assets not being depreciated	20,067,080	23,829,555	43,896,635
Assets being depreciated	201,808,744	101,712,482	303,521,226
(Accumulated depreciation)	<u>(96,270,454)</u>	<u>(29,081,272)</u>	<u>(125,351,726)</u>
Total noncurrent assets	<u>126,640,668</u>	<u>96,754,191</u>	<u>223,394,859</u>
Total assets	<u>162,650,478</u>	<u>114,067,383</u>	<u>276,717,861</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred charges on refunding	-	14,154,654	14,154,654
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,245,032	2,488,281	3,733,313
Accrued liabilities	949,442	2,061,446	3,010,888
Contracts/retainage payable	55,676	1,242,045	1,297,721
Deposits	31,281	1,779,990	1,811,271
Unearned revenue	154,428	-	154,428
Due within one year	<u>2,234,042</u>	<u>8,401,969</u>	<u>10,636,011</u>
Total current liabilities	<u>4,669,901</u>	<u>15,973,731</u>	<u>20,643,632</u>
Noncurrent liabilities:			
Due in more than one year	<u>20,396,843</u>	<u>89,617,979</u>	<u>110,014,822</u>
Total liabilities	<u>25,066,744</u>	<u>105,591,710</u>	<u>130,658,454</u>
<b>NET POSITION</b>			
Net investment in capital assets	110,706,931	20,279,612	130,986,543
Restricted for:			
Culture and recreation	176,917	-	176,917
Debt service	1,371,573	1,290,000	2,661,573
Physical environment	3,387,335	-	3,387,335
Public safety	44,106	-	44,106
Renewal and replacement	-	845,000	845,000
Road and street expenses	1,210,039	-	1,210,039
Unrestricted	<u>20,686,833</u>	<u>215,715</u>	<u>20,902,548</u>
Total net position	<u>\$ 137,583,734</u>	<u>\$ 22,630,327</u>	<u>\$ 160,214,061</u>

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

Statement of Activities  
For the Year Ended September 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 8,861,121	\$ 1,416,182	\$ 9,991	\$ 67,183	\$ (7,367,765)	\$ -	\$ (7,367,765)
Public safety	18,739,948	63,588	457,336	16,870	(18,202,154)	-	(18,202,154)
Highways and streets	5,854,936	-	992,947	135,370	(4,726,619)	-	(4,726,619)
Culture and recreation	2,460,610	81,534	-	233,493	(2,145,583)	-	(2,145,583)
Economic environment	1,287,852	-	1,424,632	-	136,780	-	136,780
Physical environment	9,371,600	8,641,978	72,327	208,034	(449,261)	-	(449,261)
Interest on long-term debt	918,193	-	-	-	(918,193)	-	(918,193)
Total governmental activities	<u>47,494,260</u>	<u>10,203,282</u>	<u>2,957,233</u>	<u>660,950</u>	<u>(33,672,795)</u>	<u>-</u>	<u>(33,672,795)</u>
Business-type activities:							
Water and Sewer Utility Fund	15,291,043	16,849,653	-	1,335,167	-	2,893,777	2,893,777
Total business-type activities	<u>15,291,043</u>	<u>16,849,653</u>	<u>-</u>	<u>1,335,167</u>	<u>-</u>	<u>2,893,777</u>	<u>2,893,777</u>
Total primary government	<u>\$ 62,785,303</u>	<u>\$ 27,052,935</u>	<u>\$ 2,957,233</u>	<u>\$ 1,996,117</u>	<u>(33,672,795)</u>	<u>2,893,777</u>	<u>(30,779,018)</u>
General revenues:							
Taxes:							
Property taxes					11,968,962	-	11,968,962
Franchise fees					3,794,039	-	3,794,039
Public service tax					7,374,907	-	7,374,907
Sales tax					4,137,246	-	4,137,246
Local option gas taxes					2,079,370	-	2,079,370
State shared revenues - non program specific					2,428,680	-	2,428,680
Investment income:							
Interest earnings					189,946	38,539	228,485
Changes in fair value of derivative instrument					-	-	-
Miscellaneous					522,845	(400,322)	122,523
Total general revenues, special items, and transfers					<u>32,495,995</u>	<u>(361,783)</u>	<u>32,134,212</u>
Change in net position					(1,176,800)	2,531,994	1,355,194
Net position - beginning (as restated)					<u>138,760,534</u>	<u>20,098,333</u>	<u>158,858,867</u>
Net position - ending					<u>\$ 137,583,734</u>	<u>\$ 22,630,327</u>	<u>\$ 160,214,061</u>

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

**Balance Sheet  
Governmental Funds  
September 30, 2014**

	General Fund	Stormwater Utility Fund	Solid Waste Fund	Transportation Fund	Neighborhood Stabilization Grant Funds	Capital Projects - Municipal Complex(es) Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 22,308,746	\$ 3,080,323	\$ 1,095,558	\$ 813,221	\$ 1,161	\$ 1,758,236	\$ 882,215	\$ 29,939,460
Debt service reserve fund	-	-	-	1,486,000	-	-	-	1,486,000
Cash with fiscal agent	-	-	-	121,452	-	-	-	121,452
Receivables (net of allowance for uncollectibles)	1,541,388	-	-	-	-	-	-	1,541,388
Due from other funds	53,261	-	-	-	-	-	-	53,261
Due from other governments	1,106,599	-	-	343,551	21,426	-	31,604	1,503,180
Prepaid items	22,362	-	-	-	-	-	-	22,362
Total assets	<u>25,032,356</u>	<u>3,080,323</u>	<u>1,095,558</u>	<u>2,764,224</u>	<u>22,587</u>	<u>1,758,236</u>	<u>913,819</u>	<u>34,667,103</u>
<b>LIABILITIES</b>								
Accounts payable	456,468	232,111	454,963	74,140	6,296	-	\$ 21,053	\$ 1,245,031
Accrued liabilities	786,607	42,398	3,398	2,612	-	-	-	835,015
Retainage payable	-	55,676	-	-	-	-	-	55,676
Due to other funds	-	-	-	-	15,516	-	21,778	37,294
Unearned revenues	-	-	-	-	775	-	153,653	154,428
Deposits	31,281	-	-	-	-	-	-	31,281
Total liabilities	<u>1,274,356</u>	<u>330,185</u>	<u>458,361</u>	<u>76,752</u>	<u>22,587</u>	<u>-</u>	<u>196,484</u>	<u>2,358,725</u>
<b>FUND BALANCES (DEFICITS)</b>								
<b>Nonspendable - inventory</b>	<u>22,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,362</u>
<b>Restricted:</b>								
Public safety	-	-	-	-	-	-	44,105	44,105
Highways & streets	-	-	-	1,201,472	-	-	8,567	1,210,039
Culture & recreation	-	-	-	-	-	-	176,917	176,917
Physical environment	-	2,750,138	637,197	-	-	-	-	3,387,335
Debt service	-	-	-	1,486,000	-	-	-	1,486,000
Total restricted fund balance	<u>-</u>	<u>2,750,138</u>	<u>637,197</u>	<u>2,687,472</u>	<u>-</u>	<u>-</u>	<u>229,589</u>	<u>6,304,396</u>
<b>Committed:</b>								
Culture & recreation	-	-	-	-	-	-	10,118	10,118
Physical environment	40,812	-	-	-	-	-	477,628	518,440
Total committed fund balance	<u>40,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>487,746</u>	<u>528,558</u>
<b>Assigned</b>								
Natural disasters	6,000,000	-	-	-	-	-	-	6,000,000
Operating reserve	5,163,000	-	-	-	-	-	-	5,163,000
Economic development	1,989,400	-	-	-	-	-	-	1,989,400
Grant match reserve	500,000	-	-	-	-	-	-	500,000
Capital outlay/projects	2,367,614	-	-	-	-	1,758,236	-	4,125,850
Total assigned fund balance	<u>16,020,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,758,236</u>	<u>-</u>	<u>17,778,250</u>
<b>Unassigned</b>								
	7,674,812	-	-	-	-	-	-	7,674,812
Total fund balances (deficits)	<u>23,758,000</u>	<u>2,750,138</u>	<u>637,197</u>	<u>2,687,472</u>	<u>-</u>	<u>1,758,236</u>	<u>717,335</u>	<u>32,308,378</u>
Total liabilities and fund balances (deficits)	<u>\$ 25,032,356</u>	<u>\$ 3,080,323</u>	<u>\$ 1,095,558</u>	<u>\$ 2,764,224</u>	<u>\$ 22,587</u>	<u>\$ 1,758,236</u>	<u>\$ 913,819</u>	<u>\$ 34,667,103</u>

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

Reconciliation of the Balance Sheet of Governmental Funds

**Reconciliation of Balance Sheet  
To the Statement of Net Position  
September 30, 2014**

Fund balances of Governmental Funds \$32,308,378

**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 balance sheet of Governmental Funds.

Cost of assets	221,875,824	
Accumulated depreciation	<u>(96,270,454)</u>	
		125,605,370

Certain 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		951,599
Inventories - Investment in NSP housing		1,380,000

Liabilities, which are not due and payable in the current period, do not consume current financial resources and, accordingly, are not reported in the balance sheet of Governmental Funds. Since this criteria does not apply to the Statement of Net Position these liabilities are included:

Other post employment benefits	(1,525,140)	
Compensated absences	(2,255,694)	
Bonds and loans payable	(18,464,541)	
Accrued interest Stormwater loan	(114,428)	
Premium on bonds payable	(185,300)	
Unearned revenue - Debt Service Deposit Agreement	(200,209)	
Bond and loan issue costs	<u>83,699</u>	
		<u>(22,661,613)</u>

Net position of governmental activities		<u><u>\$137,583,734</u></u>
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The notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended September 30, 2014

	General Fund	Stormwater Utility Fund	Solid Waste Fund	Transportation Fund	Neighborhood Stabilization Grant Funds	Capital Projects - Municipal Complex(es) Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>								
Property taxes	\$ 11,968,962	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,968,962
Franchise fees	3,794,039	-	-	-	-	-	-	3,794,039
Public service tax	7,374,907	-	-	-	-	-	-	7,374,907
State revenue sharing	3,282,682	-	-	-	-	-	-	3,282,682
Intergovernmental	4,606,701	-	-	2,079,370	791,750	-	705,425	8,183,246
Charges for services	1,561,304	2,924,907	5,684,709	-	-	-	160,638	10,331,558
Fines and forfeitures	278,252	-	-	-	-	-	-	278,252
Impact fees	-	-	-	-	-	-	207,732	207,732
Interest income	138,572	15,557	18,481	1,746	(187)	10,420	5,356	189,945
Miscellaneous	270,349	8,460	4,490	-	356,261	-	66,578	706,138
Total revenues	<u>33,275,768</u>	<u>2,948,924</u>	<u>5,707,680</u>	<u>2,081,116</u>	<u>1,147,824</u>	<u>10,420</u>	<u>1,145,729</u>	<u>46,317,461</u>
<b>EXPENDITURES</b>								
Operating:								
General government	7,456,419	-	-	-	119,952	-	78,281	7,654,652
Public safety	17,980,929	-	-	-	-	-	-	17,980,929
Highways and streets	1,753,989	-	-	104,733	-	-	136,451	1,995,173
Culture and recreation	2,114,798	-	-	-	-	-	-	2,114,798
Economic environment	-	-	-	-	1,027,872	-	207,712	1,235,584
Physical environment	-	1,950,780	5,670,515	-	-	-	129,053	7,750,348
Debt service:								
Interest	-	286,761	-	661,575	-	-	-	948,336
Principal retirement	-	239,231	-	795,000	-	-	-	1,034,231
Capital outlay:								
General government	404,295	-	-	-	-	9,488	-	413,783
Public safety	649,025	-	-	-	-	728	-	649,753
Highways and streets	152,786	-	-	1,838,436	-	-	-	1,991,222
Culture and recreation	459,344	-	-	-	-	4,393	211,412	675,149
Physical environment	6,827	1,612,974	-	-	-	-	208,033	1,827,834
Total expenditures	<u>30,978,412</u>	<u>4,089,746</u>	<u>5,670,515</u>	<u>3,399,744</u>	<u>1,147,824</u>	<u>14,609</u>	<u>970,942</u>	<u>46,271,792</u>
Excess (deficiency) of revenues over expenditures	<u>2,297,356</u>	<u>(1,140,822)</u>	<u>37,165</u>	<u>(1,318,628)</u>	<u>-</u>	<u>(4,189)</u>	<u>174,787</u>	<u>45,669</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfer(s) in	23,000	-	-	111,495	-	-	13,500	147,995
Transfer(s) out	(13,500)	-	-	-	-	-	(134,495)	(147,995)
Total other financing source (uses)	<u>9,500</u>	<u>-</u>	<u>-</u>	<u>111,495</u>	<u>-</u>	<u>-</u>	<u>(120,995)</u>	<u>-</u>
Net change in fund balances	2,306,856	(1,140,822)	37,165	(1,207,133)	-	(4,189)	53,792	45,669
Fund balances - beginning	21,451,144	3,890,960	600,032	3,894,605	-	1,762,425	663,543	32,262,709
Fund balances - ending	<u>\$ 23,758,000</u>	<u>\$ 2,750,138</u>	<u>\$ 637,197</u>	<u>\$ 2,687,472</u>	<u>\$ -</u>	<u>\$ 1,758,236</u>	<u>\$ 717,335</u>	<u>\$ 32,308,378</u>

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

**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, 2014**

<b>Net change in fund balances of Governmental Funds</b>	<b>\$45,669</b>
<b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>	
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 \$6,439,445 exceeded the total of capital purchases of \$5,045,979 less the book value of transfers and disposals of \$260.	(1,393,206)
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. This reconciling item is the cost of assets considered obsolete and therefore written off and removed from the Statement of Net Position	(478,576)
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 Statement of Net Position 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 were in inventory at year-end.	(51,497)
Revenue deferred last year in the Statement of Net Position 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	1,034,231
Amortization of transportation bond premium	15,442
Amortization of bond and bank loan issue costs	(6,972)
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	4,991
Increase in net pension asset	35,131
Increase in compensated absences	(218,918)
Increase in other post employment benefits	(179,777)
<b>Change in net position of governmental activities</b>	<b><u>(\$1,176,800)</u></b>

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

Statement of Net Position

Statement of Net Position  
Proprietary Funds  
September 30, 2014

	<u>Business-type Activities</u> Water and Sewer Utility Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 8,488,952
Restricted assets available for current liabilities	5,019,606
Receivables (net of allowance for uncollectibles)	1,851,016
Due from other governments	638,095
Inventory	470,523
Total current assets	<u>16,468,192</u>
Noncurrent assets:	
Restricted assets	
Sinking fund - Revenue bonds payable	3,239,616
Renewal and replacement account	845,000
Customer deposits	1,779,990
Less: current portion	<u>(5,019,606)</u>
Total Restricted Assets	<u>845,000</u>
Capital assets	
Intangible assets	361,960
Land	3,150,692
Improvements other than buildings	81,905,365
Buildings	3,320,320
Equipment	16,124,837
Construction in progress	20,678,863
(Accumulated depreciation)	<u>(29,081,271)</u>
Total capital assets - cost less depreciation	<u>96,460,766</u>
Prepaid bond insurance	293,426
Total noncurrent assets	<u>97,599,192</u>
Total assets	<u>114,067,384</u>
<b>DEFERRED OUTFLOWS</b>	
Deferred charges on refunding	<u>\$ 14,154,653</u>

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

## Statement of Net Position

Statement of Net Position  
Proprietary Funds  
September 30, 2014  
(Concluded)

	<u>Business-type Activities</u> <u>Water and Sewer</u> <u>Utility Fund</u>
<b>LIABILITIES</b>	
Current liabilities payable from current assets:	
Accounts and retainages payable	\$ 3,730,326
Accrued expenses	109,630
Compensated absences - current portion	111,969
Accrued interest-BAN	2,200
Bond Anticipation Note	7,000,000
Total current liabilities payable from current assets	<u>10,954,125</u>
Current liabilities payable from restricted assets:	
Deposits	1,779,990
Accrued interest payable	1,949,616
Revenue bonds current portion	1,290,000
Total current liabilities payable from restricted assets	<u>5,019,606</u>
Total current liabilities payable from current and restricted assets	<u>15,973,731</u>
Long-term liabilities:	
Revenue bonds payable (net of related premium) - long-term portion	80,299,822
FDEP State Revolving Fund loan - long-term portion	9,039,412
Compensated absences	98,885
Other post employment benefits obligation	179,860
Total long-term liabilities	<u>89,617,979</u>
Total liabilities	<u>105,591,710</u>
<b>NET POSITION</b>	
Net investment in capital assets	20,279,612
Restricted for:	
Renewal and Replacement	845,000
Debt service	1,290,000
Unrestricted	215,715
Total net position	<u>\$ 22,630,327</u>

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

Statement of Revenues, Expenses, and Changes in Net Position

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended September 30, 2014

	Business-Type Activities
	Water and Sewer Utility Fund
<b>Operating Revenues:</b>	
Charges for services - Water	\$ 9,947,411
Charges for services - Waste Water	5,772,488
Connection fees	266,720
Other miscellaneous revenues	863,034
<b>Total operating revenues</b>	<b>16,849,653</b>
<b>Operating expenses:</b>	
Personal services	3,912,583
Operating expenses	3,616,665
Professional services	70,400
Depreciation	2,902,120
Insurance	102,534
<b>Total operating expenses</b>	<b>10,604,302</b>
<b>Operating income (loss)</b>	<b>6,245,351</b>
<b>Nonoperating revenues (expenses)</b>	
Investment Income:	
Interest earnings	38,539
Grant revenue	1,189,433
Gain (loss) on sale of capital assets	(400,322)
Interest expense and issue cost amortization	(4,686,741)
<b>Total nonoperating revenues (expenses)</b>	<b>(3,859,091)</b>
Income (loss) before contributions	2,386,260
<b>Capital contributions - water and wastewater</b>	<b>145,734</b>
<b>Change in net position</b>	<b>2,531,994</b>
<b>Net position:</b>	
Beginning of year (as restated)	20,098,333
<b>End of year</b>	<b>\$ 22,630,327</b>

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

Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended September 30, 2014

	<b>Business-Type Activities</b>
	<b>Water and Sewer System Fund</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 16,840,148
Cash payments to suppliers for goods and services	(1,918,024)
Cash payments for employee services	(3,805,156)
<b>Net cash provided by operating activities</b>	<u>11,116,968</u>
<b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of capital assets	(17,333,629)
Proceeds from sale of capital assets	7,530
Proceeds from borrowing - State Revolving Fund & Bond Anticipation Note	14,992,545
Revenue bond interest payments	(2,209,520)
Capital Grants	551,338
Proceeds from capital contributions	145,734
<b>Net cash used in capital and related financing activities</b>	<u>(3,846,002)</u>
<b>Cash flows from investing activities</b>	
Interest	38,539
<b>Net cash provided by investing activities</b>	<u>38,539</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	7,309,505
<b>Cash and cash equivalents, beginning of year</b>	<u>7,044,053</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 14,353,558</u>

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, 2014  
 (Concluded)

	<b>Business-Type Activities</b>
	<b>Water and Sewer System Fund</b>
<b><u>Reconciliation of cash and cash equivalents to balance sheet</u></b>	
Total unrestricted cash and investments per the balance sheet	\$ 8,488,952
Total restricted cash and investments per the balance sheet :	
Sinking fund - Revenue bonds payable	3,239,616
Renewal and replacement account	845,000
Customer deposits	<u>1,779,990</u>
Proceeds from borrowing - State Revolving Fund & Bond Anticipation Note	14,353,558
Less investments not meeting the definition of cash equivalents	<u>-</u>
Capital Grants	
<b>Cash and cash equivalents, end of year</b>	<b><u><u>\$ 14,353,558</u></u></b>
<b><u>Reconciliation of operating income to net cash provided by operating activities</u></b>	
Operating income	\$ 6,245,351
Adjustments to reconcile operating Income to cash provided by operating activities:	
Depreciation	2,902,120
Provision for uncollectible accounts	63,145
(Increase) decrease in assets:	
Accounts receivable	(190,713)
Inventories	(35,936)
Increase (decrease) in liabilities:	
Accounts payable	1,907,511
Utility deposits	118,063
Accrued expenses	25,067
Compensated absences	59,135
Other post employment benefits obligation	<u>23,225</u>
<b>Net cash provided by operating activities</b>	<b><u><u>\$ 11,116,968</u></u></b>

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

**STATEMENT OF FIDUCIARY NET POSITION  
PENSION TRUST FUNDS  
SEPTEMBER 30, 2014**

	Employee Retirement Funds
<b>Assets</b>	
Cash and Investments	\$ 23,648,930
Pre-paid Items	3,621
Due From Other Funds	46,398
<b>Total Assets</b>	<u>23,698,949</u>
<b>Liabilities</b>	
Accounts payable	35,154
Due to Members - DROP Payments	-
Due to other funds	15,967
<b>Total liabilities</b>	<u>51,121</u>
<b>Net position</b>	
Reserved for employees' pension benefits	23,647,828
<b>Total net position</b>	<u><u>\$ 23,647,828</u></u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PENSION TRUST FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Employee Retirement Funds
<b>Additions</b>	
Contributions:	
Employer	\$ 911,599
Transfer from General Fund - insurance premium surcharges received from the State of Florida	435,643
Employee	368,597
Employee Roll-ins	-
Total Contributions	1,715,839
Investment income	2,332,332
<b>Total additions</b>	<b>4,048,171</b>
<b>Deductions</b>	
Benefit payments	956,556
Refunds to employees	6,154
DROP plan payments	-
Administration	147,913
Forfeitures	-
Total deductions	(1,110,623)
Change in net assets	2,937,548
Net position - beginning	20,710,280
Net position - ending	<b>\$ 23,647,828</b>

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

**Notes to the Financial Statements  
September 30, 2014**

**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 utility 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, 2014, 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 Activities) 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.

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, comingled 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 \$1,402,362. Of this, \$1,380,000 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, 2014. The remaining \$22,362 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 \$948,336 and \$4,686,741 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 \$67,265 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, 2014 and 2013 are \$2,466,550 and \$2,188,497 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 \$435,643 for the fiscal year ended September 30, 2014. 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 of restricted funds for future projects.
- 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 an ordinance. Commitment fund balances may be changed or lifted only by the City Commission with a rescinding or revised ordinance.
- 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. The City's General Fund is the on fund that reports a positive unassigned fund balance amount.

#### 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 charges, 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 fund balance 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. In January, 2014 the City Commission authorized the use of \$10,600 of the Infrastructure fund balance, leaving a remaining balance of \$989,400 as of FYE September 30, 2014.

On September 3, 2014 the City adopted Resolution 2014-30 establishing a Grants Match fund balance reserve of \$500,000. The purpose of this reserve is to provide funding for grant matches that staff was not aware of during the annual budget process.

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 capital and operating budget for the fiscal year commencing the following October 1<sup>st</sup>. Public hearings are held to obtain taxpayer comments. Prior to October 1<sup>st</sup>, 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.

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, 2014, the City had the following investments:

Investment	Maturities	Ratings	Fair Value
State Board of Administration Local Government Surplus Funds Trust Fund	1 Day	AAAm	\$ 28,423
Florida Surplus Asset Trust Fund	1 Day	AAAm	7,024,212
Certificates of Deposit	192 – 1,320 Day Range	N/A	6,968,746
Wells Fargo Money Market Funds	1 Day Average	AAAm	219,794
Wells Fargo Government Obligations (Federal Agency Coupon Securities and Corporate Coupon Securities)	99 - 1,061 Day Range	A-1 to AA+	9,122,117
Wells Fargo Commercial Paper	Less than 1 year	A-1	1,028,180
Wells Fargo Municipals	883-1036 days	Aa1/AA+ - Aaa/AAA	2,973,861
Firefighters' Pension Investments			
Cash & Short Term Investments	N/A	N/A	601,571
U.S. Treasury Obligations	1 – 30 Years	Aaa	1,351,971
Mortgage/Asset Backed Securities	15 - 30 Years	N/A	598,939
Corporate Bonds	1 – 30 Years	A1 – Baa2	2,356,198
Common & Foreign Stock	N/A	N/A	7,611,696
Equity Mutual Funds	N/A	N/A	5,229,896
Fixed Income Mutual Funds	1 Day or Less	N/A	1,511,598
Real Estate Funds			1,022,402
Unit Investment Trusts			22,546
General Employees' Pension Investments			
Stable Value/Money Market Funds	N/A	N/A	395,927
Bond Funds	1 – 40 Years	BBB or better	104,444
Balanced /Asset Allocation Funds	N/A	N/A	2,209,311
U.S. Stock Funds	N/A	N/A	518,525
International Stock Funds	N/A	N/A	104,728
Specialty – Real Estate Secs	N/A	N/A	9,178
Total Investments			51,014,263
Cash Deposits			18,413,685
<b>Total Deposits and Investments</b>			<b>69,427,948</b>
Shown in the accompanying combined balance sheet as follows:			
Entity wide – Deposits and Investments			45,779,018
Fiduciary Funds–Deposits and Investments			23,648,930
<b>Total</b>			<b>\$69,427,948</b>

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	\$ -	\$ 1,735,312	\$ 1,735,312
Unbilled	-	880,101	880,101
Services tax	838,448	-	838,448
Franchise fees	554,323	-	554,323
Business Tax	96,991	-	96,991
Miscellaneous	67,594	10,199	77,793
Gross receivables	1,557,356	2,625,612	4,182,968
Less: allowance for uncollectibles	-	(774,596)	(774,596)
Net total receivables	\$ 1,557,356	\$ 1,851,016	\$ 3,408,372

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 9/30/14
Uncollectible related to water sales	\$ 309,838
Uncollectible related to sewer sales	464,758
Total uncollectible in the current fiscal year	\$ 774,596

Receivables due from other governments as of year-end shown on the Statement of Net Position for the City's Governmental Activities and Business-Type Activities are as follows:

	Governmental Activities	Business-type Activities	Total
State of Florida - 5 & 6 Cent Gas Tax	\$ 343,550	\$ -	\$ 343,550
State of Florida - 1/2 Cent Sales Tax	653,377	-	653,377
State of Florida - Communications Tax	427,361	-	427,361
State of Florida - Dept. of Environmental Protection		19,468	19,468
U.S. Department of Housing and Urban Development	53,541	-	53,541
St. John's River Water Management District		618,627	618,627
Miscellaneous	25,351		25,351
Total due from other governments	\$ 1,503,180	\$ 638,095	\$ 2,141,275

Notes to the Financial Statements

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:

	<b>Unearned</b>
SHIP Grant funds advanced by grant authority	
Prior to meeting all eligibility requirements	\$ 153,653
NSP Program Revenue but not expended	775
Total	\$ 154,428

**C. Capital assets**

Capital asset activity for the year ended September 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 13,810,289	\$ 512,751	\$ (678)	\$ 14,322,362
Infrastructure right of way	4,372,500	-	-	4,372,500
Construction in progress	4,478,222	3,417,701	(6,523,705)	1,372,218
Total capital assets, not being depreciated	<u>22,661,011</u>	<u>3,930,452</u>	<u>(6,524,383)</u>	<u>20,067,080</u>
Capital assets, being depreciated:				
Buildings and improvements	68,917,181	3,139,576	-	72,056,757
Machinery and equipment	20,305,202	1,619,232	(264,090)	21,660,344
Infrastructure (roads and streets)	105,689,795	2,401,847	-	108,091,642
Total capital assets, being depreciated	<u>194,912,178</u>	<u>7,160,655</u>	<u>(264,090)</u>	<u>201,808,743</u>
Less accumulated depreciation for:				
Buildings and improvements	(33,470,832)	(3,255,047)	-	(36,725,879)
Machinery and equipment	(16,079,351)	(1,038,113)	265,028	(16,852,436)
Infrastructure (roads and streets)	(40,545,854)	(2,146,285)	-	(42,692,139)
Total accumulated depreciation	<u>(90,096,037)</u>	<u>(6,439,445)</u>	<u>265,028</u>	<u>(96,270,454)</u>
Total capital assets, being depreciated, net	<u>104,816,141</u>	<u>721,210</u>	<u>938</u>	<u>105,538,289</u>
<b>Governmental activities capital asset, net</b>	<u>\$ 127,477,152</u>	<u>\$ 4,651,662</u>	<u>\$ (6,523,445)</u>	<u>\$ 125,605,369</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 3,150,693	\$ -	\$ -	\$ 3,150,693
Construction in progress	7,355,505	16,884,122	(3,560,764)	20,678,863
Total capital assets, not being depreciated	<u>10,506,198</u>	<u>16,884,122</u>	<u>(3,560,764)</u>	<u>23,829,556</u>
Capital assets, being depreciated:				
Water rights - consumptive use permit	-	361,959	-	361,959
Buildings and improvements	3,242,913	94,662	(17,255)	3,320,320
Improvements other than buildings	80,354,722	2,046,940	(496,297)	81,905,365
Machinery and equipment	14,878,865	1,506,711	(260,738)	16,124,838
Total capital assets, being depreciated	<u>98,476,500</u>	<u>4,010,272</u>	<u>(774,290)</u>	<u>101,712,482</u>
Less accumulated depreciation for:				
Buildings and improvements	(812,069)	(127,225)	4,673	(934,621)
Improvements other than buildings	(15,524,899)	(1,962,360)	129,019	(17,358,240)
Machinery and equipment	(10,208,623)	(812,535)	232,746	(10,788,412)
Total accumulated depreciation	<u>(26,545,591)</u>	<u>(2,902,120)</u>	<u>366,438</u>	<u>(29,081,273)</u>
Total capital assets, being depreciated, net	<u>71,930,909</u>	<u>1,108,152</u>	<u>(407,852)</u>	<u>72,631,209</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 82,437,107</u>	<u>\$ 17,992,274</u>	<u>\$ (3,968,616)</u>	<u>\$ 96,460,765</u>

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

<b>Governmental Activities:</b>	
General government and administration	\$ 1,129,725
Public safety	525,960
Highways and streets	2,862,347
Culture and recreation	322,457
Physical environment	1,598,956
<b>Total depreciation expense - governmental activities</b>	<b>\$ 6,439,445</b>
<b>Business-type activities:</b>	
Water and sewer utility - total depreciation expense	\$ 2,902,120
<b>Total additions to accumulated depreciation - business-type activities</b>	<b>\$ 2,902,120</b>

**Construction commitments**

The City has active construction projects as of September 30, 2014. 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:

<b>Projects</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Stormwater	\$ 939,511	\$ 183,953
NSP Housing Grants	-	4,622
Water and waste water	15,629,916	22,922,402
<b>Total</b>	<b>\$ 15,659,427</b>	<b>\$ 23,110,977</b>

The commitment for water and sewer facilities is being financed by a variety of revenue sources including the State Revolving Fund (SRF) loan, Series 2013 Bond proceeds, grant proceeds, 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. The commitment for NSP Housing Grant costs is being finance by proceeds from the Department of Housing and Urban Development and/or program revenue.

**Impairment Loss**

Transportation expenditures in the Statement of Activities include an impairment loss of \$478,573 for the write-off of design expenditures incurred for projects that will not be completed.

**D. Interfund receivable, payables and transfers**

The composition of inter-fund balances as of September 30, 2014, is as follows:

Due from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	General Employees' Pension Plan	\$ 15,967
General Fund	CDBG Fund	21,778
General Fund	NSP I Fund	15,516
<b>Total</b>		<u>\$ 53,261</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 I) Fund amount due to the General Fund represents the amount not yet reimbursed to the NSP I Fund from the U.S. Department of Housing and Urban Development under the terms of the NSP I grant.

The composition of interfund transfers for the year ended September 30, 2014 is:

<b>Interfund transfers:</b>	<b>Transfers in:</b>			
	General Fund	Transportation Fund	Non-Major Governmental Funds	Total
Transfer out:				
General Fund	\$ -	\$ -	\$ 13,500	\$ 13,500
Non-major governmental funds	23,000	111,495	-	134,495
<b>Total</b>	<u>\$23,000</u>	<u>\$ 111,495</u>	<u>\$ 13,500</u>	<u>\$ 147,995</u>

Transfers are used to move either restricted amounts or unrestricted amounts 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 planned and 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 \$257,032 for the year ended September 30, 2014. 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>
2015	\$ 255,028
2016	251,220
2017	250,000
2018	250,000
2019	250,000
<u>Total</u>	<u>\$ 1,256,248</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 \$2,079,370 for the fiscal year ending September 30, 2014, and transportation impact fees which were \$111,495 for the fiscal year ending September 30, 2014. 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 \$795,000 and \$661,575 respectively.

<b>Transportation - Debt Service to Maturity Schedule</b>			
<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 830,000	\$ 627,425	\$ 1,457,425
2016	870,000	585,925	1,455,925
2017	915,000	544,575	1,459,575
2018	955,000	504,544	1,459,544
2019	995,000	462,762	1,457,762
2020 – 2024	5,710,000	1,578,683	7,288,683
2025 – 2026	2,705,000	209,612	2,914,612
<u>Total</u>	<u>\$ 12,980,000</u>	<u>\$ 4,513,526</u>	<u>\$ 17,493,526</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 makes level monthly payments of approximately \$121,400 to a trustee. The trustee, in turn, makes 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 \$2,924,907 in stormwater utility assessments in the fiscal year ended September 30, 2014. Principal and interest payments for the year were \$239,231 and \$286,761 respectively.

<b>Stormwater - Debt Service to Maturity Schedule</b>			
<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 251,524	\$ 274,776	\$ 526,300
2016	264,449	262,174	526,623
2017	278,038	248,925	526,963
2018	292,326	234,996	527,322
2019	307,348	220,350	527,698
2020 – 2024	1,790,517	854,330	2,644,847
2025 – 2029	2,300,339	357,278	2,657,617
Total	<u>\$ 5,484,541</u>	<u>\$ 2,452,829</u>	<u>\$ 7,937,370</u>

**Business-type Activity Liabilities**

The following is a summary of long-term liabilities of the proprietary fund at September 30, 2014:

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 on April 1 and October 1, with annual principal payments due on October 1 of each year. The purpose of the Series 2013 bonds was to refund, in whole, the Series 2003 bonds which were defeased on September 10, 2013, 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.

<b>Utility System - Debt Service to Maturity Schedule – Series 2013 Bonds</b>			
<b>Fiscal Years</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	1,955,000	3,617,081	5,572,081
2020 – 2024	11,205,000	16,584,069	27,789,069
2025 – 2029	14,125,000	13,601,638	27,726,638
2030 – 2034	18,015,000	9,589,738	27,604,738
2035 - 2039	22,835,000	4,398,403	27,233,403
2040	5,290,000	135,557	5,425,557
<b>Total</b>	<b>\$ 79,745,000</b>	<b>\$ 63,121,035</b>	<b>\$ 142,866,035</b>

**Bond Anticipation Note**

On August 22, 2014 the City obtained a Utility System Bond Anticipation Note (BAN), Series 2014 in the amount of \$7,000,000. The BAN was issued as part of the process of issuing the Utility System Revenue Bonds, Series 2014 and was, as intended, paid off upon the closing of the Utility System Revenue Bonds, Series 2014, in December 2014. The interest rate was variable and averaged just under .81% on an annual basis.

**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.

On April 5, 2013 the City executed an amendment to this agreement to include financing for construction related costs of the treatment and reuse facility. The agreement was amended again on October 10, 2014 to the current revised the amount of \$29,381,545 which extended the due date of the semiannual loan payments to begin on June 15, 2016 in the amount of \$913,476. The facility is anticipated to be operational in September of 2015.

The loan balance as of September 30, 2014 was \$8,934,678. No principal payment was made in 2014; capitalized interest through the year ended September 30, 2014 was \$104,734.

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 \$1,456,575 and gas tax revenue and impact fees totaled \$2,190,865. The principal and interest payments on the bonds consumed approximately 66.5% of pledged revenues. At year end, pledged future revenues totaled \$17,493,526 which was the amount of the remaining principal and interest on the bonds as of September 30, 2014.

A Local Option Gas Tax agreement exists between all the cities within Volusia County as well as Volusia County. On June 3, 2013 the Commission approved a five year renewal of the existing contract from September 1, 2013 to 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 \$525,992. Stormwater utility assessments for the current year totaled \$2,924,907. At year end, pledged future revenues totaled \$7,937,370 which was the amount of the remaining principal and interest on the Note as of September 30, 2014.

#### **Business-type Activities – Water/Wastewater Utility**

The City has pledged future water and sewer customer *Net Revenues* to repay the Utility System Refunding Revenue Bonds, Series 2013, which are payable through 2039. *Net Revenues* are gross revenues less operating expenses as defined in the bond covenants. *Net Revenues* totaled \$9,259,510 for the current year. Only interest was paid in the current year because the first principal payment was due in FY 2014/2015. Interest expense for the current year was \$4,686,741 including \$754,273 of amortization of the loss on the refinancing of the 2003 bonds. Going forward it is expected that the percentage of Net Revenues consumed by debt service for the Series 2013 bonds will average about 60.5%, substantially equivalent to what it was with the 2003 bonds and in compliance with the debt coverage requirements in the bond covenants. At year end, pledged future revenues totaled \$142,866,035, which was the total amount of principal and interest on the Series 2013 bonds as of September 30, 2014.

The City has also pledged future water and sewer customer Net Revenues to repay the Florida Department of Environmental Protection State Revolving Funds Loan (SRF). The SRF loan had an outstanding balance of \$9,039,412 at September 30, 2014. Repayment is scheduled to begin when the project is completed which is expected to be in September of 2015.

#### **Debt Service Reserve Funds**

In June of 2008, MBIA, the surety (bond insurer) for the Transportation Capital Improvement 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 the bonds. The total reserve funding requirement for the Transportation bond is \$1,486,000 and is fully funded. There is no such requirement on the Utility System Refunding Revenue Bonds, Series 2013 or the Stormwater Bank Note.

Notes to the Financial Statements

Funding the debt service reserve does not require the City to actually expend the funds, however, it does move available fund balance funds from unrestricted to restricted so that those funds cannot 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.

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Transportation Capital Imp.					
Revenue Bonds Series 2006	\$ 13,775,000	\$ -	\$ 795,000	\$ 12,980,000	\$ 830,000
Add: Unamortized Premium	200,742	-	15,442	185,300	-
Deferred Revenue, Debt Service	216,890	-	16,682	200,208	-
Stormwater Bank Note	5,723,772	-	239,231	5,484,541	251,524
OPEB Obligation	1,345,365	179,775	-	1,525,140	79,000
Compensated Absences	2,036,778	1,504,925	1,286,007	2,255,696	1,073,518
<b>Total Governmental Activities</b>	<b>\$ 23,298,547</b>	<b>\$ 1,684,700</b>	<b>\$ 2,352,362</b>	<b>\$ 22,630,885</b>	<b>\$ 2,234,042</b>
<b>Business-type Activities</b>					
Utility System Revenue Bonds					
Series 2013	\$ 79,745,000	\$ -	\$ -	\$ 79,745,000	\$ 1,290,000
Add: Unamortized Premium	1,918,779	-	73,957	1,844,822	-
Fair Value - Swaption	-	-	-	-	-
Swaption	-	-	-	-	-
Subtotal	81,663,779	-	73,957	81,589,822	1,290,000
FDEP State Revolving Fund Loan	979,602	8,059,810	-	9,039,412	-
2014 Bond Anticipation Note	-	7,000,000	-	7,000,000	7,000,000
OPEB Obligation	156,635	23,225	-	179,860	-
Compensated Absences	151,719	234,279	175,144	210,854	111,969
<b>Total Business-type Activities</b>	<b>\$ 82,951,735</b>	<b>\$ 15,317,314</b>	<b>\$ 249,101</b>	<b>\$ 98,019,948</b>	<b>\$ 8,401,969</b>

The Bond Anticipation Note is being included in the above table even though it was not technically long-term at September 30, 2014 because it was paid off by long-term debt, the proceeds from the 2014 bond issue, which was completed in December 2014 and discussed in Note G.

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, Employee Crime 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 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 20% retention. 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, 2014.

**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 \$21,000 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 was approximately \$9.6 million for FYE September 30, 2014 payable from the City's General Fund. Total staffing includes 76 sworn officers and 3 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 was approximately \$5.7 million for FYE September 30, 2014 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 suit by a *pro se* plaintiff who claims that Volusia County Deputy Sheriffs working in Deltona allegedly wrongfully arrested the plaintiff and he also blames them for causing him to lose custody of his children. The case was dismissed with prejudice against the Mayor, and the plaintiff filed an amended complaint against the City and the City Commission. He also sued the Volusia County Sheriff, claiming him to be the "Chief of Police of Deltona". The case was transferred to a Duval County judge because a circuit court judge from Volusia County was also sued in the same case. The risk of loss to the City posed by the case is minimal. The City is vigorously defending the lawsuit.

**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 \$1,705,000. Of the 281 total active members, 73 members are in the City's Firefighters retirement plan with a total liability of \$742,000. There were 51 members in the City's General Employees' retirement plan with a total liability of \$181,000. The remaining 157 members were in the Florida Retirement System (FRS) retirement plan with a total liability of \$782,000. All active members are active employees. There are four inactive members who are retired employees. All four of these inactive members are in the City's Firefighters retirement plan and are included in the OPEB liability figures shown above.

**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 ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The 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 09/30/14
Annual Required Contribution	\$ 263,000
Interest on Net OPEB Obligation	60,000
Prior Net OPEB Obligation Adjustment	(63,000)
Annual OPEB Cost (Expense)	260,000
Employer Contributions Made	(57,000)
Increase (Decrease) in Net OPEB Obligation	203,000
Net OPEB Obligation at Beginning of Year	1,502,000
Net OPEB Obligation at End of Year	\$ 1,705,000

This amount is allocated as follows:

Governmental Activities	\$ 1,525,140
Business-type Activities	179,860
Total OPEB Obligation	\$ 1,705,000

The City's annual OPEB cost, the percentage of annual expected employer contribution toward OPEB cost, and the net OPEB obligation for 2014, 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
09/30/12	\$ 402,000	\$ 84,000	20.9%	\$ 1,288,000
09/30/13	\$ 248,000	\$ 34,000	13.7%	\$ 1,502,000
09/30/14	\$ 260,000	\$ 57,000	21.9%	\$ 1,705,000

**Funding Status and Funding Progress**

As of September 30, 2014, using the most recent actuarial valuation dated October 1, 2012, the Plan was unfunded. The actuarial accrued liability for benefits was \$1,705,000 and the actuarial value of assets was \$0.00, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,705,000. The covered payroll (annual payroll of active employees covered by the Plan) was \$12,317,000 and the ratio of the UAAL 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 9.0%, reduced annually to an ultimate rate of 5.0%. 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 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. The Plan is administered 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 residents of the City appointed by the City Commission; the fifth member is elected by a majority of the other four Board members.

**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 for in the Florida Legislature, under which the Plan was created, including subsequent amendments.

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 which is recorded as an additional pension contribution.

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

**Membership**

As of the actuarial valuation dated October 1, 2014, there are 72 active members in the Plan and 12 retirees, 3 disabled retirees and 6 vested terminated members.

For the fiscal year ended September 30, 2014, the City's total covered payroll for employees eligible to participate in the Plan was \$4,028,573 compared with a total covered payroll for the City of \$13,104,625.

**Benefits**

The Plan provides retirement, termination, disability and survivor benefits to all full-time certified firefighters. Members are vested after 10 years of creditable service. Benefits, as established by the City Commission, are determined by length of service and average final compensation. Benefits of the Plan are recognized when due and payable in accordance with the terms of the Plan. Average final compensation (AFC) is the average of the employee's highest 5 years of the previous 10 years of compensation.

**Normal Retirement**

Normal retirement is at age 55 and 10 years Credited Service or 25 years of creditable service, regardless of age. Members 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 increase of their past service credit from 2% to 3% provided that the total benefit percent does not exceed 100%. There is an overall maximum benefit of 100% of the AFC.

**Early Retirement**

Early retirement is permitted at age 50 with 10 years of Creditable Service. The accrued benefit for early retirement is reduced by 3.0% for each year prior to the normal retirement age.

**Vesting**

Full vesting occurs with 10 years of Credited Service. Members who do not obtain 10 years of Credited Service are refunded their Member contributions when separated.

**Disability Benefit**

A disability retirement benefit of a minimum of 60% of AFC is provided to any Member injured in-the-line-of-duty. A disability retirement benefit is provided at the accrued normal retirement benefit, but shall not be less than 25% of AFC to Members who are disabled from a non-service connected injury who have more than 10 years of Credited Service.

**Pre-Retirement Death Benefit**

The pre-retirement death benefit is the benefit accrued to the date of death payable to designated beneficiary for 10 years at the normal or early retirement date (beneficiary's choice). In the case of a participants death prior to vesting, no retirement benefit shall be payable, the beneficiary will be entitled to a refund of the participants contributions.

**Cost of Living Allowance (COLA)**

All Retirees who have completed at least 21 years of Credited Service, and those Retirees who retire with an In-Line of Duty disability retirement, shall receive an automatic 2.35% COLA beginning on the later of the attainment of age 52 or three (3) years following benefit commencement. This benefit shall not be payable to terminated vested Members. Additionally, beneficiaries and joint annuitants of deceased Retirees shall receive COLA adjustments, based on the age or years of service of the deceased Retiree.

**Supplemental Benefit**

A supplemental benefit of \$10.00 times total years of service at retirement with a maximum of \$250 is provided.

**Deferred Retirement Option Plan (DROP)**

Eligibility into the Deferred Retirement Option Plan is upon satisfaction of normal retirement requirements. Participation is not to exceed 96 months and cannot exceed the earlier of the completion of 35 total years of service or the attainment of age 60. The DROP balance as of September 30, 2014 is \$0.00.

**Contributions**

The Plan, as approved by the City Commission, requires members to contribute 8% of their annualized compensation. City contributions are the remaining amount required to pay current costs and amortized unfunded past service cost, if any. The City contribution is offset by estimated insurance premium receipts. The contribution rate for fiscal year ended September 30, 2014 is 22.4% (18.6% by the City, 3.8% by insurance premium excise tax) of annual covered payroll based on an actuarial valuation dated January 14, 2013. The City set its actual contribution rate at 18.6% of covered payroll for the year ending September 30, 2014.

**Investments**

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.

Notes to the Financial Statements

The following asset allocation policy was adopted by the Board and was in effect as of the year ended September 30, 2014.

Asset Class	Target Allocation
Domestic Equity	50%
International Equity	10%
Broad Market Fixed Income	20%
TIPS	5%
Global Bond	5%
Real Estate	10%
<b>Total</b>	<b>100%</b>

**Concentrations**

The Plan did not hold investments in any one organization that represent 5% or more of the Plan’s fiduciary net position.

**Rate of Return**

For the year ended September 30, 2014 the annual money-weighted rate of return of Plan investments, net of Plan investment expense, was 11.27%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**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, 2014, the required annual pension cost was \$902,400 and the amount contributed by the City (including the Insurance Premium Tax of \$435,643) was \$1,190,097 or 29.5% of covered payroll. Member contributions for the year totaled \$322,286 or 8% of covered payroll. For the fiscal year ended September 30, 2014 the City continues to have a negative net pension obligation.

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, 2014
Actuarially Determined Contribution (ARC)	\$ 902,400
Interest on Net Pension Obligation (NPO)	(74,709)
Adjustment to (ARC)	56,979
Annual Pension Cost (APC) <sup>(1)</sup>	884,670
Contributions Made	902,400
Increase (Decrease) in NPO	(17,730)
NPO, Beginning of Year	(933,869)
NPO, End of Year	\$ (951,599)

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

**Net Pension Obligation**

The net pension obligation, 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 obligation as of September 30, 2014 was \$951,599.

**Net Pension Liability**

The actuarial valuation, dated October 1, 2014, 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.

The components of the net pension liability of the City on September 30, 2014 were as follows:

Total Pension Liability	\$ 26,971,856
Plan Fiduciary Net Position	<u>(20,304,917)</u>
City’s Net Pension Liability	<u>\$ 6,666,939</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.3%

It is noted that there is approximately a \$17,000 difference in the Firefighters’ Pension Plan Net Pension Position as presented in the Plan’s financial statements when compared to the actuarially prepared calculation of the Net Pension Position. This difference is a result of the difference in the booking of the accrued liabilities for investment and administrative expenses.

**Actuarial Assumptions**

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.50%
Salary Increases	5.00-8.00%
Investment Rate of Return	8.00%

Mortality rates were based on the RP-2000 Tables with no projection for Males and Females.

The long-term expected rate of return on Plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Notes to the Financial Statements

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.50%
International Equity	8.50%
Broad Market Fixed Income	2.50%
TIPS	2.50%
Global Bond	3.50%
Real Estate	4.50%

**Discount Rate**

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that City contribution rates will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plans fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The City's net pension liability using an 8.00% discount rate is \$6,666,939. The table below presents different scenarios if the discount rate were to be reduced or increased.

<b>Net Pension Liability Based on Discount Rate</b>			
1% Decrease in Discount Rate to 7.0%	Discount Rate Used at 8.0%	1% Increase in Discount Rate to 9.0%	
\$ 10,110,263	\$ 6,666,939	\$ 3,801,550	

**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, 2014, there were 44 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 and all participants are fully vested in 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, 2014, the City's total covered payroll for employees eligible to participate in the Plan was \$2,034,568 compared with a total payroll for the City of \$13,104,625. The required employer contribution and the contribution actually made amounted to \$203,457 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, 2014, there were 175 employees enrolled in FRS.

**Funding Policy**

The FRS has five classes of membership, of which four 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):

	<b>September 30,</b>		
	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
<u>Regular Class</u>	5.18%	6.95%	7.37%
Members who do not qualify for other classes			
<u>Senior Management Service Class</u>	6.30%	18.31%	21.14%
Members of senior management who do elect the optional annuity retirement program			
<u>FRS Report Only</u>	1.60%	3.39%	3.80%
Retiree not eligible for FRS retirement			
<u>DROP</u>	5.44%	12.84%	12.28%
Members who have entered the Deferred Retirement Option Program			

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.

For the fiscal year ended September 30, 2014, the City's total covered payroll for employees eligible to participate in the Plan was \$7,041,483 compared with a total covered payroll for the City of \$13,104,625. Employer contributions to the plan were \$593,141, \$407,841 and \$329,143 for the fiscal years ended September 30, 2014, 2013 and 2012, 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:

<b>SCHEDULE OF PENSION PLAN NET POSITION AS OF SEPTEMBER 30, 2014</b>			
	<b>Firefighters' Pension Trust Fund</b>	<b>General Employees' Pension Trust Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and Investments	\$ 20,306,817	\$ 3,342,113	\$ 23,648,930
Prepaid	3,621	-	3,621
Due From Other Funds	46,398	-	46,398
<b>Total Assets</b>	<u>20,356,836</u>	<u>3,342,113</u>	<u>23,698,949</u>
<b>Liabilities</b>			
Accounts Payable	35,154	-	35,154
Due to Other Funds	-	15,967	15,967
<b>Total Liabilities</b>	<u>35,154</u>	<u>15,967</u>	<u>51,121</u>
<b>Net Position</b>			
Reserved for Employees' Pension	<u>\$ 20,321,682</u>	<u>\$ 3,326,146</u>	<u>\$ 23,647,828</u>
<b>Additions</b>			
Contributions			
Employer	\$ 754,454	\$ 157,145	\$ 911,599
State of Florida	35,643	-	435,643
Employee	322,285	46,312	368,597
Total Contributions	<u>1,512,382</u>	<u>203,457</u>	<u>1,715,839</u>
Investment Income (Loss)	<u>2,086,678</u>	<u>245,654</u>	<u>2,332,332</u>
<b>Total Additions</b>	<u>3,599,060</u>	<u>449,111</u>	<u>4,048,171</u>
<b>Deductions</b>			
Benefit Payments – Retirement	538,114	301,284	839,398
Benefit Payments – Disability	102,308	-	102,308
Benefit Payments - Beneficiary	14,850	-	14,850
Refunds to Employees	6,154	-	6,154
Administration	144,018	734	144,752
Insurance Premium Payments	3,161	-	3,161
<b>(Total Deductions)</b>	<u>808,605</u>	<u>302,018</u>	<u>1,110,623</u>
<b>Net Increase (Decrease)</b>	2,790,455	147,093	2,937,548
<b>Net Position Reserved for Employees' Pension Benefits</b>			
Beginning of Year	<u>17,531,227</u>	<u>3,179,053</u>	<u>20,710,280</u>
End of Year	<u>\$ 20,321,682</u>	<u>\$ 3,326,146</u>	<u>\$ 23,647,828</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, 2014 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	2014	\$ 884,670	102%	\$ (951,599)
Firefighters	2013	\$ 870,836	102%	\$ (933,869)
Firefighters	2012	\$ 805,342	102%	\$ (916,468)

**Firefighters' Retirement Plan**

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Entry Age Normal Actuarial Accrued 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)
10/01/14	\$ 19,691,960	\$ 26,864,598	\$ 7,172,638	73.3%	\$ 4,188,029	171.30%

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 was required to implement GASB Statement No. 65 for the year ending September 30, 2014. GASB Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. In accordance with the implementation requirements of this Statement No. 65, “Items Previously Reported as Assets and Liabilities”, the City’s Net Position was restated to eliminate bond issue costs other than insurance as follows:

<b>GASB 65</b>			
<b>Restatement of Net Position as of September 30, 2013</b>			
	Governmental Activities	Business-Type Activities	Total
Net Position as previously reported	\$ 138,980,716	\$ 20,726,252	\$ 159,706,968
GASB 65 Implementation	(220,181)	(627,919)	(848,100)
Net Position as restated	<u>\$ 138,760,535</u>	<u>\$ 20,098,333</u>	<u>\$ 158,858,868</u>

The City was required to implement GASB Statement No. 67 for the year ending September 30, 2014. The objective of GASB Statement No. 67, “Financial Reporting for Pensions Plans

– An Amendment of GASB Statement No. 25”, is to improve financial reporting by state and local governmental pension plans.

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. The currently estimated financial impact will be to reduce the unrestricted net position of the City by approximately \$6.7 million for the Firefighter’s Pension Plan and an undetermined amount for the City’s pro-rata share of the unfunded liability from the Florida Retirement System.

**G. Subsequent Events**

**City Manager**

The City Manager resigned effective September 2, 2014 and the Deputy City Manager was named Acting City Manager. As of this writing, the City is actively recruiting for a new City Manager.

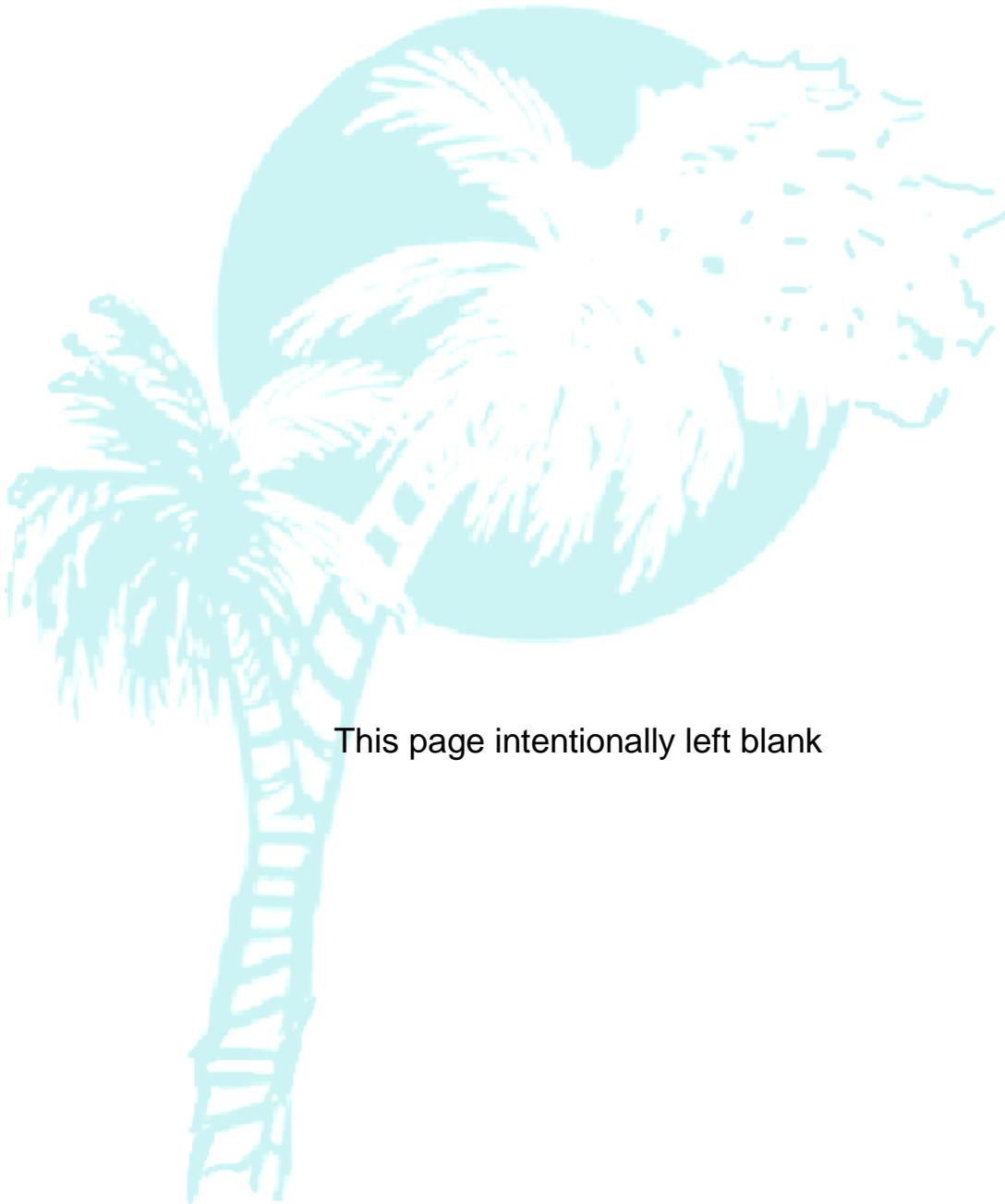
**City of Deltona Firefighters’ Pension Plan**

On January 20, 2015 the City adopted Ordinance 34-2014 which provided for significant changes to the City of Deltona’s Firefighters Pension Plan. These changes include:

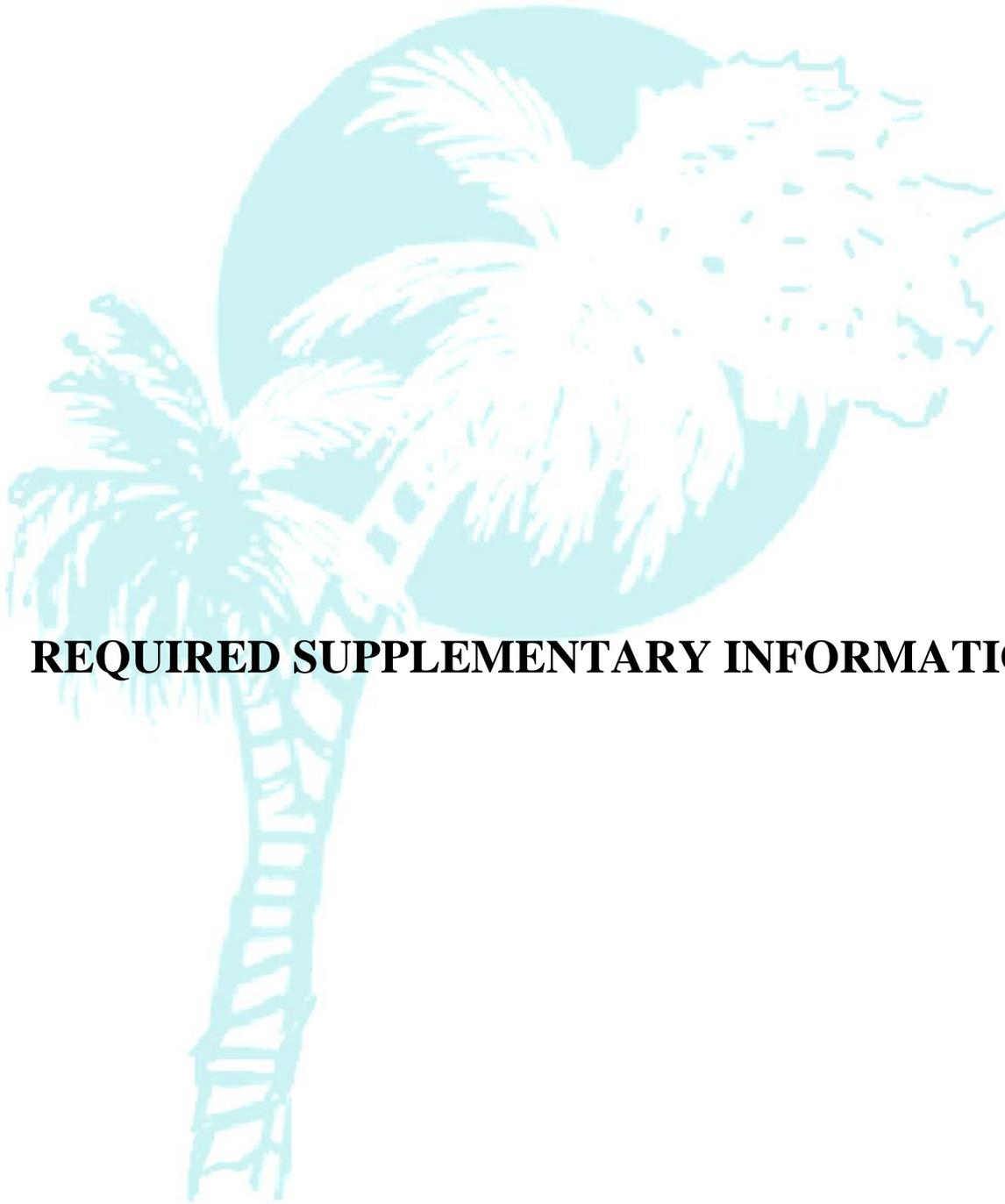
- A minimum City annual contribution of 16% of the salary of the Members
- Implementation of a Cost of Living (COLA) benefit for members with at least twenty-one (21) years of credited service as well as those who retire with an in-line-of-duty disability retirement
- Enhancement of the Deferred Retirement Option Plan (DROP) provisions of the Plan
- Providing for purchase of military service prior to employment and prior to fire service

**Utility System Revenue Bonds, Series 2014**

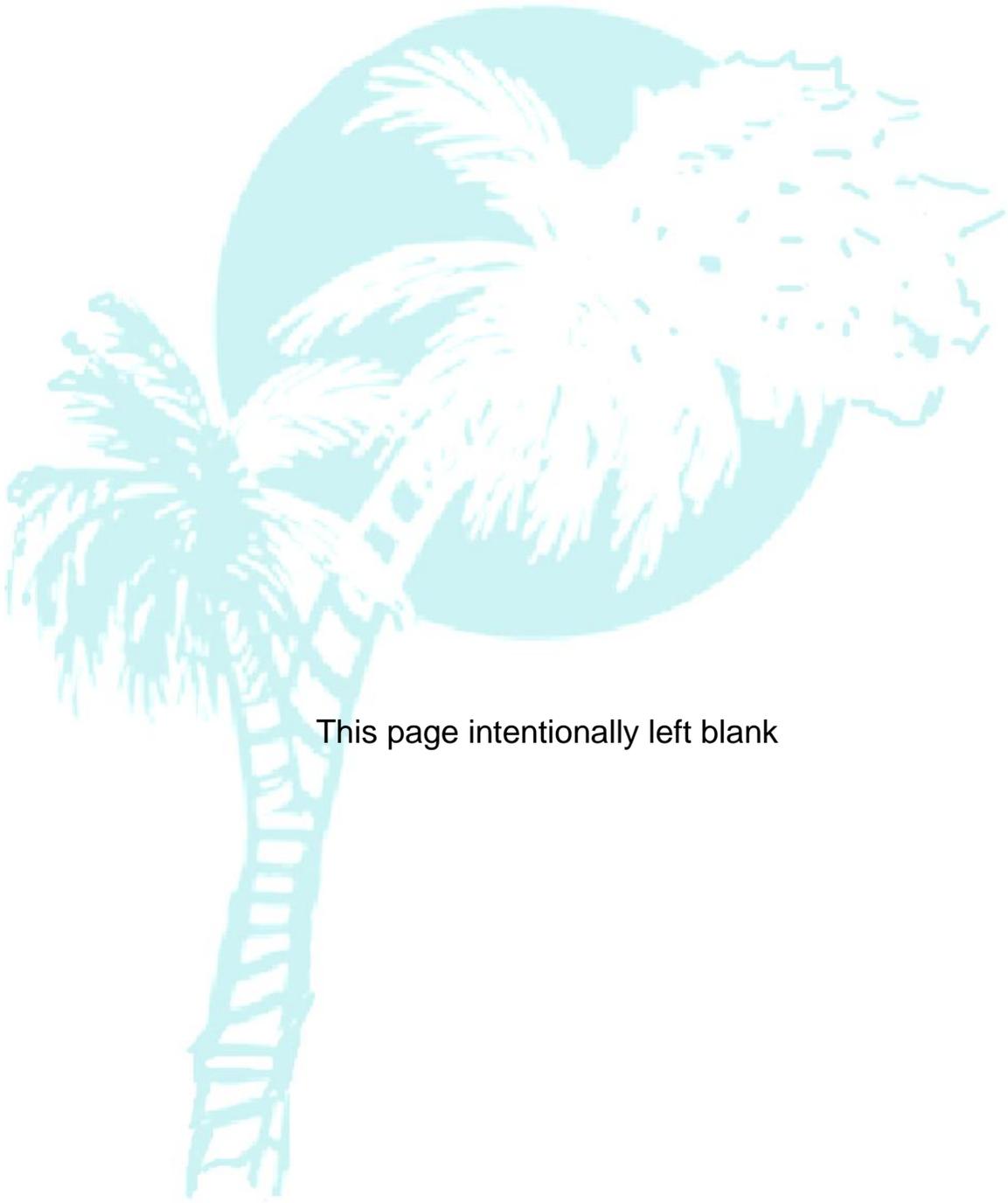
On December 13, 2014 the City issued Utility System Revenue Bonds, Series 2014 in the principal amount of \$22,215,000. The bonds bear interest at fixed rates from 3.00% to 5.00% and mature from October 1, 2017 to October 1, 2044. The bonds are collateralized by a pledge of the net revenues of the system. Interest is payable semi-annually at April 1, and October 1, with annual principal payments due on October 1. The purpose of the Series 2014 bonds was to 1) finance the costs of certain capital improvements to the System; 2) to retire the City’s outstanding Utility System Bond Anticipation Note, Series 2014; and 3) pay the costs of issuance associated with the Series 2014 bonds.



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**REQUIRED SUPPLEMENTARY INFORMATION**



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Schedule of Revenues, Expenditures, Changes in Fund Balance

General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 11,785,220	\$ 11,785,220	\$ 11,968,962	\$ 183,742
Franchise fees	3,518,167	3,518,167	3,794,039	275,872
Public service tax	7,003,833	7,003,833	7,374,907	371,074
State revenue sharing	2,884,800	2,884,800	3,282,682	397,882
Intergovernmental	4,319,500	4,257,165	4,606,701	349,536
Charges for services	1,599,700	1,599,700	1,561,304	(38,396)
Fines and forfeitures	187,000	187,000	278,252	91,252
Interest income	132,900	132,900	138,572	5,672
Miscellaneous	187,000	187,000	270,349	83,349
Total revenues	<u>31,618,120</u>	<u>31,555,785</u>	<u>33,275,768</u>	<u>1,719,983</u>
<b>EXPENDITURES</b>				
Operating:				
General government	7,980,100	7,954,200	7,456,419	497,781
Public safety	18,334,800	18,334,800	17,980,929	353,871
Highways and streets	1,883,700	1,883,700	1,753,989	129,711
Culture and recreation	2,287,900	2,287,900	2,114,798	173,102
Total operating	<u>30,486,500</u>	<u>30,460,600</u>	<u>29,306,135</u>	<u>1,154,465</u>
Capital outlay:				
General government	485,700	406,100	404,295	1,805
Public safety	219,500	650,030	649,025	1,005
Highways and streets	-	154,484	152,786	1,698
Culture and recreation	507,000	462,000	459,344	2,656
Physical environment	8,000	8,000	6,827	1,173
Total capital outlay	<u>1,220,200</u>	<u>1,680,614</u>	<u>1,672,277</u>	<u>8,337</u>
Total expenditures	<u>31,706,700</u>	<u>32,141,214</u>	<u>30,978,412</u>	<u>1,162,802</u>
Excess (deficiency) of revenues over expenditures	<u>(88,580)</u>	<u>(585,429)</u>	<u>2,297,356</u>	<u>2,882,785</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer(s) in	23,000	23,000	23,000	-
Transfer(s) out	-	(13,500)	(13,500)	-
Total other financing source (uses)	<u>23,000</u>	<u>9,500</u>	<u>9,500</u>	<u>-</u>
Net change in fund balances	(65,580)	(575,929)	2,306,856	2,882,785
Fund balances - beginning	<u>20,871,281</u>	<u>20,871,281</u>	<u>21,451,144</u>	<u>579,863</u>
Fund balances - ending	<u>\$ 20,805,701</u>	<u>\$ 20,295,352</u>	<u>\$ 23,758,000</u>	<u>\$ 3,462,648</u>

Required Supplementary Information

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

Schedule of Revenues, Expenditures, Changes in Fund Balance

Stormwater Utility Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 29,172	\$ 29,172	\$ -	\$ (29,172)
Charges for services	2,961,000	2,961,000	2,924,907	(36,093)
Interest income	3,700	3,700	15,557	11,857
Miscellaneous	500	500	8,460	7,960
Total revenues	<u>2,994,372</u>	<u>2,994,372</u>	<u>2,948,924</u>	<u>(45,448)</u>
<b>EXPENDITURES</b>				
Operating:				
Physical environment	<u>2,151,400</u>	<u>2,151,400</u>	<u>1,950,780</u>	<u>200,620</u>
Total operating	<u>2,151,400</u>	<u>2,151,400</u>	<u>1,950,780</u>	<u>200,620</u>
Debt service:				
Interest	<u>286,770</u>	<u>286,770</u>	<u>286,761</u>	<u>9</u>
Principal retirement	<u>239,230</u>	<u>239,230</u>	<u>239,231</u>	<u>(1)</u>
Total debt service	<u>526,000</u>	<u>526,000</u>	<u>525,992</u>	<u>8</u>
Capital outlay:				
Physical environment	<u>2,157,400</u>	<u>2,157,400</u>	<u>1,612,974</u>	<u>544,426</u>
Total capital outlay	<u>2,157,400</u>	<u>2,157,400</u>	<u>1,612,974</u>	<u>544,426</u>
Total expenditures	<u>4,834,800</u>	<u>4,834,800</u>	<u>4,089,746</u>	<u>745,054</u>
Excess (deficiency) of revenues over expenditures	<u>(1,840,428)</u>	<u>(1,840,428)</u>	<u>(1,140,822)</u>	<u>699,606</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Total other financing source (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,840,428)	(1,840,428)	(1,140,822)	699,606
Fund balances - beginning	1,525,059	1,525,059	3,890,960	2,365,901
Fund balances - ending	<u>\$ (315,369)</u>	<u>\$ (315,369)</u>	<u>\$ 2,750,138</u>	<u>\$ 3,065,507</u>

Required Supplementary Information

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

Schedule of Revenues, Expenditures, Changes in Fund Balance

Solid Waste Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 5,793,000	\$ 5,705,000	\$ 5,684,709	\$ (20,291)
Interest income	2,500	2,500	18,481	15,981
Miscellaneous	-	-	4,490	4,490
Total revenues	<u>5,795,500</u>	<u>5,707,500</u>	<u>5,707,680</u>	<u>180</u>
<b>EXPENDITURES</b>				
Operating:				
Physical environment	<u>5,589,800</u>	<u>5,671,800</u>	<u>5,670,515</u>	<u>1,285</u>
Total operating	<u>5,589,800</u>	<u>5,671,800</u>	<u>5,670,515</u>	<u>1,285</u>
Total expenditures	<u>5,589,800</u>	<u>5,671,800</u>	<u>5,670,515</u>	<u>1,285</u>
Excess (deficiency) of revenues over expenditures	<u>205,700</u>	<u>35,700</u>	<u>37,165</u>	<u>1,465</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Total other financing source (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	205,700	35,700	37,165	1,465
Fund balances - beginning	936,661	936,661	600,032	(336,629)
Fund balances - ending	<u>\$ 1,142,361</u>	<u>\$ 972,361</u>	<u>\$ 637,197</u>	<u>\$ (335,164)</u>

Required Supplementary Information

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

Schedule of Revenues, Expenditures, Changes in Fund Balance

Transportation Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
 For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 2,075,000	\$ 2,075,000	\$ 2,079,370	\$ 4,370
Interest income	10,000	10,000	1,746	(8,254)
Total revenues	<u>2,085,000</u>	<u>2,085,000</u>	<u>2,081,116</u>	<u>(3,884)</u>
<b>EXPENDITURES</b>				
Operating:				
Highways and streets	107,200	107,200	104,733	2,467
Total operating	<u>107,200</u>	<u>107,200</u>	<u>104,733</u>	<u>2,467</u>
Debt service:				
Interest	661,575	661,575	661,575	-
Principal retirement	795,000	795,000	795,000	-
Total debt service	<u>1,456,575</u>	<u>1,456,575</u>	<u>1,456,575</u>	<u>-</u>
Capital outlay:				
Highways and streets	2,825,000	2,825,000	1,838,436	986,564
Total capital outlay	<u>2,825,000</u>	<u>2,825,000</u>	<u>1,838,436</u>	<u>986,564</u>
Total expenditures	<u>4,388,775</u>	<u>4,388,775</u>	<u>3,399,744</u>	<u>989,031</u>
Excess (deficiency) of revenues over expenditures	<u>(2,303,775)</u>	<u>(2,303,775)</u>	<u>(1,318,628)</u>	<u>985,147</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer(s) in	175,000	175,000	111,495	(63,505)
Total other financing source (uses)	<u>175,000</u>	<u>175,000</u>	<u>111,495</u>	<u>(63,505)</u>
Net change in fund balances	(2,128,775)	(2,128,775)	(1,207,133)	921,642
Fund balances - beginning	2,042,575	2,042,575	3,894,605	1,852,030
Fund balances - ending	<u>\$ (86,200)</u>	<u>\$ (86,200)</u>	<u>\$ 2,687,472</u>	<u>\$ 2,773,672</u>

Required Supplementary Information

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

Schedule of Revenues, Expenditures, Changes in Fund Balance

Neighborhood Stabilization Grant Funds  
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
 For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,662,975	\$ 1,662,975	\$ 791,750	\$ (871,225)
Program Revenue	950,000	950,000	356,261	(593,739)
Interest income	-	-	(187)	(187)
Total revenues	<u>2,612,975</u>	<u>2,612,975</u>	<u>1,147,824</u>	<u>(1,465,151)</u>
<b>EXPENDITURES</b>				
Operating:				
General government	170,000	170,000	119,952	50,048
Economic environment	<u>2,442,975</u>	<u>2,442,975</u>	<u>1,027,872</u>	<u>1,415,103</u>
Total operating	<u>2,612,975</u>	<u>2,612,975</u>	<u>1,147,824</u>	<u>1,465,151</u>
Total expenditures	<u>2,612,975</u>	<u>2,612,975</u>	<u>1,147,824</u>	<u>1,465,151</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Required Supplementary Information

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

Schedule of Funding Progress  
From Employer and Others  
September 30, 2014

**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
9/30/2014	10/1/2012	260,000	57,000	21.9%	0.5%	1,705,000

\* 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.

**SCHEDULES OF FUNDING PROGRESS AND CONTRIBUTIONS  
FROM EMPLOYER AND OTHERS  
SEPTEMBER 30, 2014**

**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**

<b>Year Ended September 30,</b>	<b>Annual * Required Contribution</b>	<b>City Contrib.</b>	<b>State Contrib.</b>	<b>Total Employer Contrib.</b>	<b>Percentage Contrib.</b>	<b>Net Pension Obligation (Asset)</b>
2012	822,418	667,428	154,990	822,418	100%	(916,468)
2013	870,836	715,846	154,990	870,836	100%	(933,869)
2014	884,670	747,410	154,990	902,400	102%	(951,599)

\* Prior to year ended September 30, 2008, this column represented "Annual Pension Cost" as defined in GASB Statement No. 27

**Schedule of Funding Progress**

<b>Valuation Date October 1,</b>	<b>Actuarial Accrued Liability (AAL)*</b>	<b>Actuarial Value of Assets</b>	<b>Unfunded AAL (UAAL)</b>	<b>Percentage Funded</b>	<b>Annual Covered Payroll</b>	<b>UAAL as Percentage of Payroll</b>
2012	20,442,874	15,488,008	4,954,866	75.76%	4,127,685	120.04%
2013	22,622,086	17,384,698	5,237,388	76.85%	4,223,769	124.00%
2014	26,864,598	19,691,960	7,172,638	73.30%	4,188,029	171.27%

Required Supplementary Information

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
SEPTEMBER 30, 2014**

	Year Ended September 30, 2014 (1)
Total Pension Liability	
Service Cost	\$ 885,170
Interest	2,001,624
Change in Excess State Money	280,653
Benefit Payments, Incl. Refunds of EE Contributions	(661,426)
Net Change in Total Pension Liability	2,506,021
Total Pension Liability - Beginning	24,465,835
Total Pension Liability - Ending (a)	26,971,856
Plan Fiduciary Net Position	
Contributions - Employer	747,410
Contributions - State	435,643
Contributions - Employee	322,286
Net Investment Income	1,994,535
Employee Contributions	(661,426)
Administrative Expense	(53,091)
Net Change in Plan Fiduciary Net Position	2,785,357
Plan Fiduciary Net Position - Beginning	17,519,560
Plan Fiduciary Net Position - Ending (b)	20,304,917
Net Pension Liability - Ending (a) - (b)	\$ 6,666,939
Plan Fiduciary Net Position as a % of Total Pension Liability	75.28%
Covered Employee Payroll	4,028,572
Net Pension Liability as a % of Covered Employee Payroll	165.49%

(1) GASB 67 implemented FYE 9/30/14. Prior year information not available.

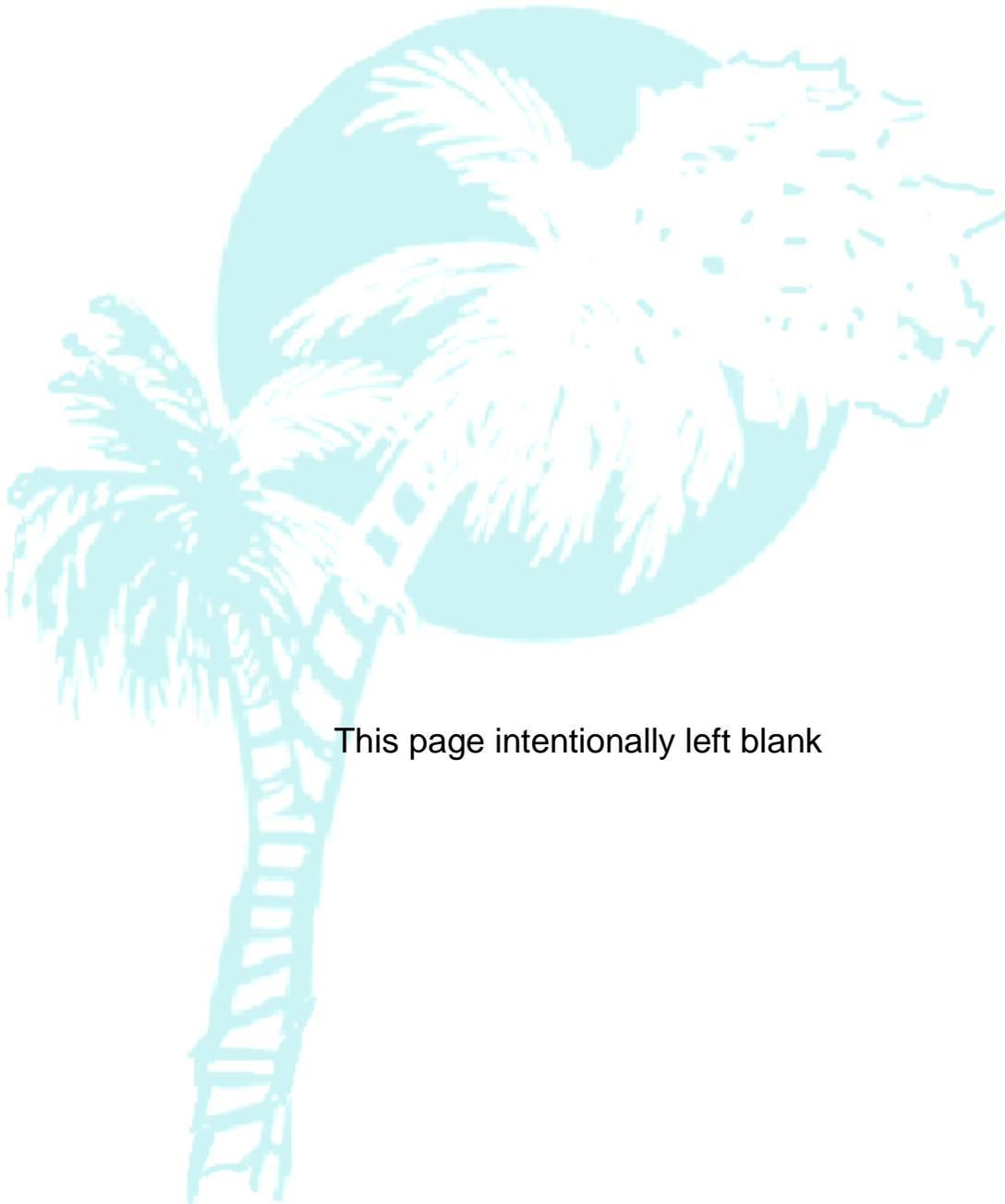
**SCHEDULE OF CONTRIBUTIONS  
SEPTEMBER 30, 2014**

	<b>Year Ended September 30, 2014 (1)</b>
Actuarially Determined Contribution	\$ 902,400
Contributions in Relation to the Actuarially Determined Contributions	902,400
Contribution Deficiency (Excess)	\$ -
Covered Employee Payroll	\$ 4,028,572
Contributions as a Percentage of Covered Employee Payroll	22.40%

**SCHEDULE OF INVESTMENT RETURNS  
SEPTEMBER 30, 2014**

	<b>Year Ended September 30, 2014 (1)</b>
Annual Money-Weighted Rate of Return Net of Investment Expense	11.27%

(1) GASB 67 implemented FYE 9/30/14. Prior year information not available.



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**Notes to the Required Supplementary Information  
September 30, 2014**

**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 1<sup>st</sup>. Public hearings are held to obtain taxpayer comments. Prior to October 1<sup>st</sup>, 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.

**Note 2****Firefighter Pension Insurance Premium**

The City received \$435,643 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.

**Note 3****Changes in Net Pension Liability and Related Ratios**

Valuation Date: October 1, 2012

The actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates are as follows:

Funding Method: Entry Age Normal Actuarial Cost Method

Amortization Method: Level Percentage of Pay, Closed

Remaining Amortization Period: 30 Years, as of 10/01/2012

Asset Valuation Method: All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five year period

**Required Supplementary Information**

Notes to the Required Supplementary Information

Inflation: 3.5% per year

Salary Increases:	<u>Age</u>	<u>Rate</u>
	<25	8.0%
	25-31	7.0%
	32-37	6.0%
	38+	5.0%

Interest Rate: 8.0% per year compounded annually, net of investment related expenses

Payroll Growth: 3.0% per year for amortization of UAAL

Retirement Age:	<u>Age</u>	<u>Years of Service:</u>			
		<u>&lt;10</u>	<u>10-24</u>	<u>25-29</u>	<u>30+</u>
	Under 52	0%	0%	30%	30%
	52-54	0%	0%	60%	100%
	55-59	0%	60%	60%	100%
	60 and over	0%	100%	100%	100%

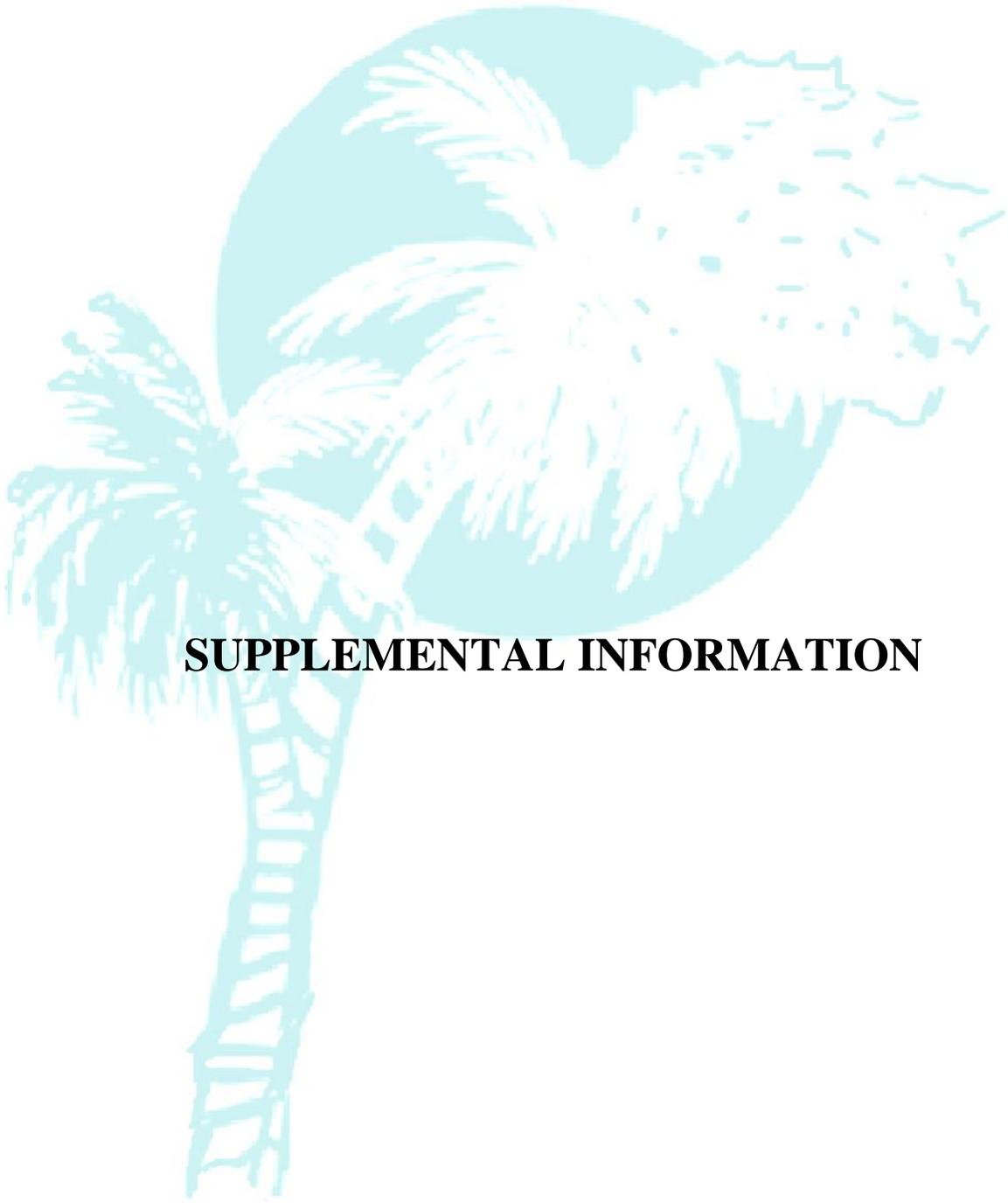
Termination Rate:	<u>Age</u>	<u>Years of Service:</u>					
		<u>0-1</u>	<u>1-2</u>	<u>2-3</u>	<u>3-4</u>	<u>4-5</u>	<u>5+</u>
	Under 35	10.0%	6.0%	5.0%	4.0%	3.0%	3.0%
	35-39	10.0%	6.0%	5.0%	4.0%	3.0%	2.5%
	40-44	10.0%	6.0%	5.0%	4.0%	3.0%	2.0%
	45-49	10.0%	6.0%	5.0%	4.0%	3.0%	1.5%
	50-54	10.0%	6.0%	5.0%	4.0%	3.0%	1.0%
	55 and over	10.0%	6.0%	5.0%	4.0%	3.0%	0.0%

Disability Rate: It is assumed that 75% of disablements and active member deaths are service related

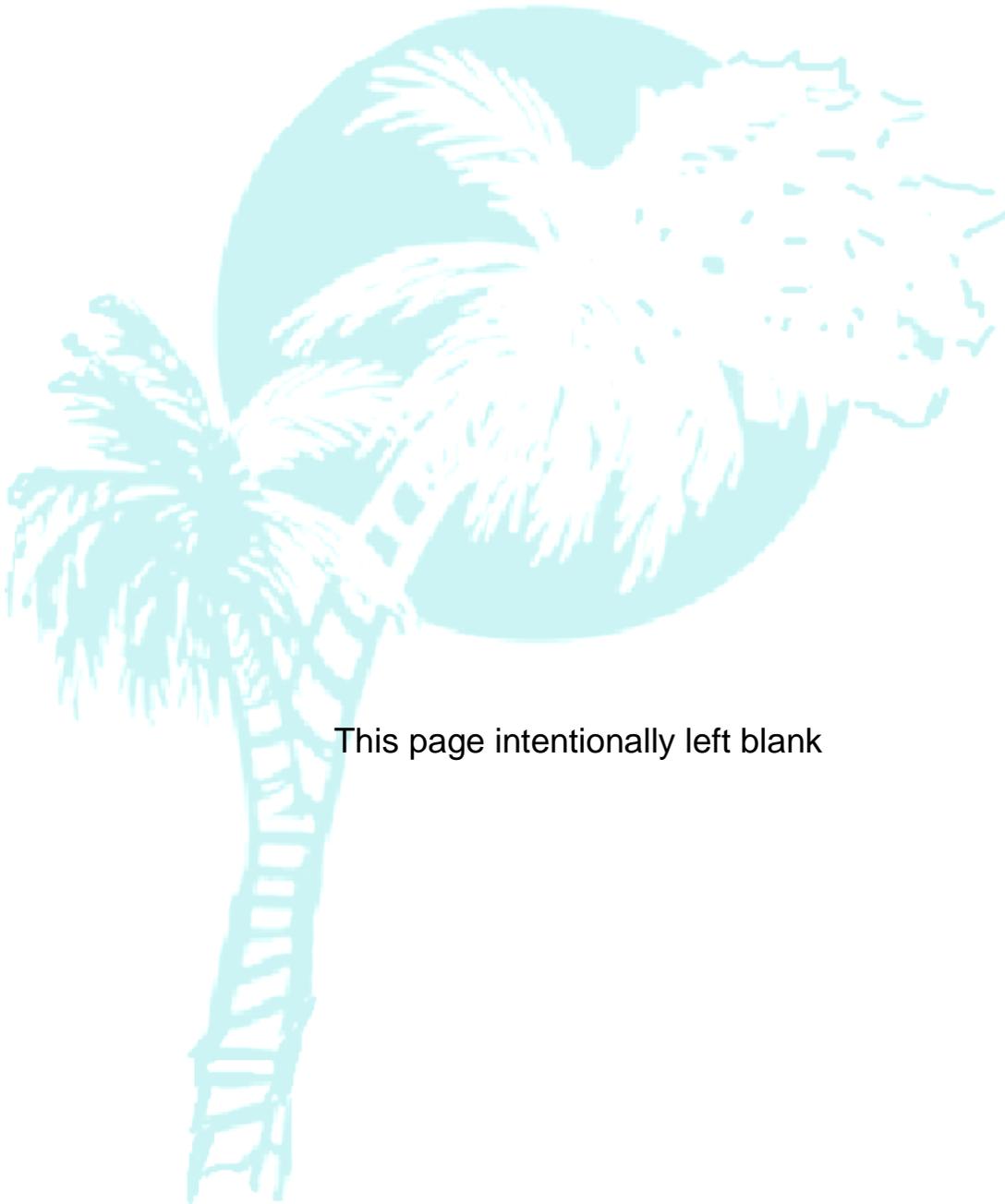
Mortality: RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

(Disabled lives set forward 5 years)

Required Supplementary Information



**SUPPLEMENTAL INFORMATION**



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Schedule of Revenues and Expenditures - Budget and Actual

Capital Projects - Municipal Complex(es) Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
 For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest income	\$ 5,000	\$ 5,000	\$ 10,420	\$ 5,420
Total revenues	5,000	5,000	10,420	5,420
<b>EXPENDITURES</b>				
Capital outlay:				
General government	-	-	9,488	(9,488)
Public safety	-	400,000	728	399,272
Culture and recreation	35,000	35,000	4,393	30,607
Total capital outlay	35,000	435,000	14,609	420,391
Total expenditures	35,000	435,000	14,609	420,391
Excess (deficiency) of revenues over expenditures	(30,000)	(430,000)	(4,189)	425,811
<b>OTHER FINANCING SOURCES (USES)</b>				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	(30,000)	(430,000)	(4,189)	425,811
Fund balances - beginning	1,323,912	1,323,912	1,762,425	438,513
Fund balances - ending	\$ 1,293,912	\$ 893,912	\$ 1,758,236	\$ 864,324

Required Supplementary Information

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

Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2014

	Special Revenue Funds								Capital Projects - Park Projects Fund	Total Nonmajor Special Revenue Funds
	Fire/Rescue Service Impact Fees Fund	State Housing Initiative Partnership Fund	Community Development Block Grant Fund	Streetlighting Districts Fund	Park Impact Fees Fund	Tree Replacement Fees Fund	Law Enforcement Impact Fees Fund	Transportation Impact Fees Fund		
<b>ASSETS</b>										
Cash and cash equivalents	\$ 23,395	\$ 153,728	\$ -	\$ 19,719	\$ 176,917	\$ 477,628	\$ 20,710	\$ -	\$ 10,118	\$ 882,215
Due from other governments	-	-	31,604	-	-	-	-	-	-	31,604
Total assets	23,395	153,728	31,604	19,719	176,917	477,628	20,710	-	10,118	913,819
<b>LIABILITIES</b>										
Accounts payable	-	75	9,826	11,152	-	-	-	-	-	21,053
Due to Other Funds	-	-	21,778	-	-	-	-	-	-	21,778
Unearned revenues	-	153,653	-	-	-	-	-	-	-	153,653
Total liabilities	-	153,728	31,604	11,152	-	-	-	-	-	196,484
<b>FUND BALANCES</b>										
<b>Restricted :</b>										
Public Safety	23,395	-	-	-	-	-	20,710	-	-	44,105
Highways & Streets	-	-	-	8,567	-	-	-	-	-	8,567
Culture & Recreation	-	-	-	-	176,917	-	-	-	-	176,917
Total restricted fund balances	23,395	-	-	8,567	176,917	-	20,710	-	-	229,589
<b>Committed:</b>										
Culture & Recreation	-	-	-	-	-	-	-	-	10,118	10,118
Physical environment	-	-	-	-	-	477,628	-	-	-	477,628
Total committed fund balances	-	-	-	-	-	477,628	-	-	10,118	487,746
<b>Unassigned</b>										
Total fund balances	23,395	-	-	8,567	176,917	477,628	20,710	-	10,118	717,335
<b>Total liabilities and fund balances (deficits)</b>	\$ 23,395	\$ 153,728	\$ 31,604	\$ 19,719	\$ 176,917	\$ 477,628	\$ 20,710	\$ -	\$ 10,118	\$ 913,819

Supplemental Information

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

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental funds  
 For the Year Ended September 30, 2014

	Special Revenue Funds								Capital Projects - Park Projects Fund	Total Nonmajor Special revenue funds
	Fire/Rescue Service Impact Fees Fund	State Housing Initiative Partnership Fund	Community Development Block Grant Fund	Streetlighting Districts Fund	Park Impact Fees Fund	Tree Replacement Fees Fund	Law Enforcement Impact Fees Fund	Transportation Impact Fees Fund		
<b>REVENUES</b>										
Intergovernmental	\$ -	\$ 151,703	\$ 553,722	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 705,425
Charges for services	-	-	-	160,638	-	-	-	-	-	160,638
Impact fees	10,939	-	-	-	79,367	-	5,931	111,495	-	207,732
Interest income	152	1,108	-	321	685	2,716	141	-	233	5,356
Miscellaneous	-	-	-	-	-	66,578	-	-	-	66,578
Total revenues	11,091	152,811	553,722	160,959	80,052	69,294	6,072	111,495	233	1,145,729
<b>EXPENDITURES</b>										
Operating:										
General government	-	11,098	67,183	-	-	-	-	-	-	78,281
Highways and streets	-	-	-	136,451	-	-	-	-	-	136,451
Economic environment	-	141,713	65,999	-	-	-	-	-	-	207,712
Physical environment	-	-	68,910	-	-	60,143	-	-	-	129,053
Debt service:										
Capital outlay:										
Culture and recreation	-	-	143,597	-	-	-	-	-	67,815	211,412
Physical environment	-	-	208,033	-	-	-	-	-	-	208,033
Total expenditures	-	152,811	553,722	136,451	-	60,143	-	-	67,815	970,942
Excess (deficiency) of revenues over expenditures	11,091	-	-	24,508	80,052	9,151	6,072	111,495	(67,582)	174,787
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfer(s) in	-	-	-	-	-	-	-	-	13,500	13,500
Transfer(s) out	-	-	-	(23,000)	-	-	-	(111,495)	-	(134,495)
Total other financing source (uses)	-	-	-	(23,000)	-	-	-	(111,495)	13,500	(120,995)
Net change in fund balances	11,091	-	-	1,508	80,052	9,151	6,072	-	(54,082)	53,792
Fund balances - beginning	12,304	-	-	7,059	96,865	468,477	14,638	-	64,200	663,543
Fund balances - ending	\$ 23,395	\$ -	\$ -	\$ 8,567	\$ 176,917	\$ 477,628	\$ 20,710	\$ -	\$ 10,118	\$ 717,335

Supplemental Information

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

Schedule of Revenues and Expenditures - Budget and Actual

Fire/Rescue Service Impact Fees Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
 For the Year Ended September 30, 2014

	Actual	Budgeted Amounts Final	Variance with Final Budget
<b>REVENUES</b>			
Impact fees	\$ 10,939	\$ 3,210	\$ 7,729
Interest income	152	100	52
Total revenues	<u>11,091</u>	<u>3,310</u>	<u>7,781</u>
<b>EXPENDITURES</b>			
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	<u>11,091</u>	<u>3,310</u>	<u>7,781</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Total other financing source (uses)	-	-	-
Net change in fund balances	11,091	3,310	7,781
Fund balances - beginning	12,304	15,357	(3,053)
Fund balances - ending	<u>\$ 23,395</u>	<u>\$ 18,667</u>	<u>\$ 4,728</u>

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

Schedule of Revenues and Expenditures - Budget and Actual

State Housing Initiative Partnership Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
 For the Year Ended September 30, 2014

	Actual	Budgeted Amounts Final	Variance with Final Budget
<b>REVENUES</b>			
Intergovernmental	\$ 151,703	\$ 179,397	\$ (27,694)
Interest income	1,108	1,000	108
Total revenues	<u>152,811</u>	<u>180,397</u>	<u>(27,586)</u>
<b>EXPENDITURES</b>			
Operating:			
General government	11,099	4,566	(6,533)
Economic environment	141,712	175,831	34,119
Total operating	<u>152,811</u>	<u>180,397</u>	<u>27,586</u>
Total expenditures	<u>152,811</u>	<u>180,397</u>	<u>27,586</u>
Excess (deficiency) of revenues over expenditures	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Total other financing source (uses)	-	-	-
Net change in fund balances	-	-	-
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Supplemental Information

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

Schedule of Revenues and Expenditures - Budget and Actual

Community Development Block Grant Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
 For the Year Ended September 30, 2014

	Actual	Budgeted Amounts Final	Variance with Final Budget
<b>REVENUES</b>			
Intergovernmental	\$ 553,722	\$ 751,813	\$ (198,091)
Total revenues	<u>553,722</u>	<u>751,813</u>	<u>(198,091)</u>
<b>EXPENDITURES</b>			
Operating:			
General government	67,183	90,786	23,603
Economic environment	65,999	66,000	1
Physical environment	68,910	214,127	145,217
Total operating	<u>202,092</u>	<u>370,913</u>	<u>168,821</u>
Capital outlay:			
Culture and recreation	143,597	151,500	7,903
Physical environment	208,033	229,400	21,367
Total capital outlay	<u>351,630</u>	<u>380,900</u>	<u>29,270</u>
Total expenditures	<u>553,722</u>	<u>751,813</u>	<u>198,091</u>
expenditures	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Total other financing source (uses)	-	-	-
Net change in fund balances	-	-	-
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Supplemental Information

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

Schedule of Revenues and Expenditures - Budget and Actual

Streetlighting Districts Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
 For the Year Ended September 30, 2014

	Actual	Budgeted Amounts Final	Variance with Final Budget
<b>REVENUES</b>			
Charges for services (Special Assessments)	\$ 160,638	\$ 159,422	\$ 1,216
Interest income	321	200	121
Total revenues	<u>160,959</u>	<u>159,622</u>	<u>1,337</u>
<b>EXPENDITURES</b>			
Operating:			
Highways and streets	136,451	136,200	(251)
Total operating	<u>136,451</u>	<u>136,200</u>	<u>(251)</u>
Total expenditures	<u>136,451</u>	<u>136,200</u>	<u>(251)</u>
Excess (deficiency) of revenues over expenditures	<u>24,508</u>	<u>23,422</u>	<u>1,086</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer out	(23,000)	(23,000)	-
Total other financing source (uses)	<u>(23,000)</u>	<u>(23,000)</u>	<u>-</u>
Net change in fund balances	1,508	422	1,086
Fund balances - beginning	7,059	9,331	(2,272)
Fund balances - ending	<u>\$ 8,567</u>	<u>\$ 9,753</u>	<u>\$ (1,186)</u>

Supplemental Information

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

Schedule of Revenues and Expenditures - Budget and Actual

Park Impact Fees Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
 For the Year Ended September 30, 2014

	Actual	Budgeted Amounts Final	Variance with Final Budget
<b>REVENUES</b>			
Impact fees	\$ 79,367	\$ 23,340	\$ 56,027
Interest income	685	420	265
Total revenues	<u>80,052</u>	<u>23,760</u>	<u>56,292</u>
<b>EXPENDITURES</b>			
Total expenditures	-	-	-
expenditures	<u>80,052</u>	<u>23,760</u>	<u>56,292</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Total other financing source (uses)	-	-	-
Net change in fund balances	80,052	23,760	56,292
Fund balances - beginning	96,865	117,672	(20,807)
Fund balances - ending	<u>\$ 176,917</u>	<u>\$ 141,432</u>	<u>\$ 35,485</u>

Supplemental Information

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

Schedule of Revenues, Expenditures, Changes in Fund Balance

Tree Replacement Fees Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
 For the Year Ended September 30, 2014

	Actual	Budgeted Amounts Final	Variance with Final Budget
<b>REVENUES</b>			
Tree Replacement Fees	\$ 66,578	\$ 2,500	\$ 64,078
Interest income	2,716	1,600	1,116
Total revenues	<u>69,294</u>	<u>4,100</u>	<u>65,194</u>
<b>EXPENDITURES</b>			
Operating:			
Physical environment	60,143	150,000	89,857
Total operating	<u>60,143</u>	<u>150,000</u>	<u>89,857</u>
Total expenditures	<u>60,143</u>	<u>150,000</u>	<u>89,857</u>
Excess (deficiency) of revenues over expenditures	<u>9,151</u>	<u>(145,900)</u>	<u>155,051</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Total other financing source (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	9,151	(145,900)	155,051
Fund balances - beginning	468,477	329,156	139,321
Fund balances - ending	<u>\$ 477,628</u>	<u>\$ 183,256</u>	<u>\$ 294,372</u>

Supplemental Information

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

Schedule of Revenues and Expenditures - Budget and Actual

Law Enforcement Impact Fees Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
 For the Year Ended September 30, 2014

	Actual	Budgeted Amounts Final	Variance with Final Budget
<b>REVENUES</b>			
Impact fees	\$ 5,931	\$ 1,740	\$ 4,191
Interest income	141	100	41
Total revenues	<u>6,072</u>	<u>1,840</u>	<u>4,232</u>
<b>EXPENDITURES</b>			
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	<u>6,072</u>	<u>1,840</u>	<u>4,232</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Total other financing source (uses)	-	-	-
Net change in fund balances	6,072	1,840	4,232
Fund balances - beginning	14,638	16,225	(1,587)
Fund balances - ending	<u>\$ 20,710</u>	<u>\$ 18,065</u>	<u>\$ 2,645</u>

Supplemental Information

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

Schedule of Revenues and Expenditures - Budget and Actual

Transportation Impact Fees Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
 For the Year Ended September 30, 2014

	Actual	Budgeted Amounts Final	Variance with Final Budget
<b>REVENUES</b>			
Impact fees	\$ 111,495	\$ 175,000	\$ (63,505)
Total revenues	<u>111,495</u>	<u>175,000</u>	<u>(63,505)</u>
<b>EXPENDITURES</b>			
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	<u>111,495</u>	<u>175,000</u>	<u>(63,505)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer(s) out	<u>(111,495)</u>	<u>(175,000)</u>	<u>63,505</u>
Total other financing source (uses)	<u>(111,495)</u>	<u>(175,000)</u>	<u>63,505</u>
Net change in fund balances	-	-	-
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Supplemental Information

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

Schedule of Revenues and Expenditures - Budget and Actual

Capital Projects - Park Projects Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
 For the Year Ended September 30, 2014

	Actual	Budgeted Amounts Final	Variance with Final Budget
<b>REVENUES</b>			
Interest income	\$ 233	\$ 200	\$ 33
Total revenues	<u>233</u>	<u>200</u>	<u>33</u>
<b>EXPENDITURES</b>			
Capital outlay:			
Culture and recreation	67,815	73,500	5,685
Total capital outlay	<u>67,815</u>	<u>73,500</u>	<u>5,685</u>
Total expenditures	<u>67,815</u>	<u>73,500</u>	<u>5,685</u>
expenditures	<u>(67,582)</u>	<u>(73,300)</u>	<u>5,718</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer(s) in	13,500	13,500	-
Total other financing source (uses)	<u>13,500</u>	<u>13,500</u>	<u>-</u>
Net change in fund balances	(54,082)	(59,800)	5,718
Fund balances - beginning	64,200	8,957	55,243
Fund balances - ending	<u>\$ 10,118</u>	<u>\$ (50,843)</u>	<u>\$ 60,961</u>

Supplemental Information

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

**Notes to the Supplemental Information  
September 30, 2014****Note 1****Budgetary information**

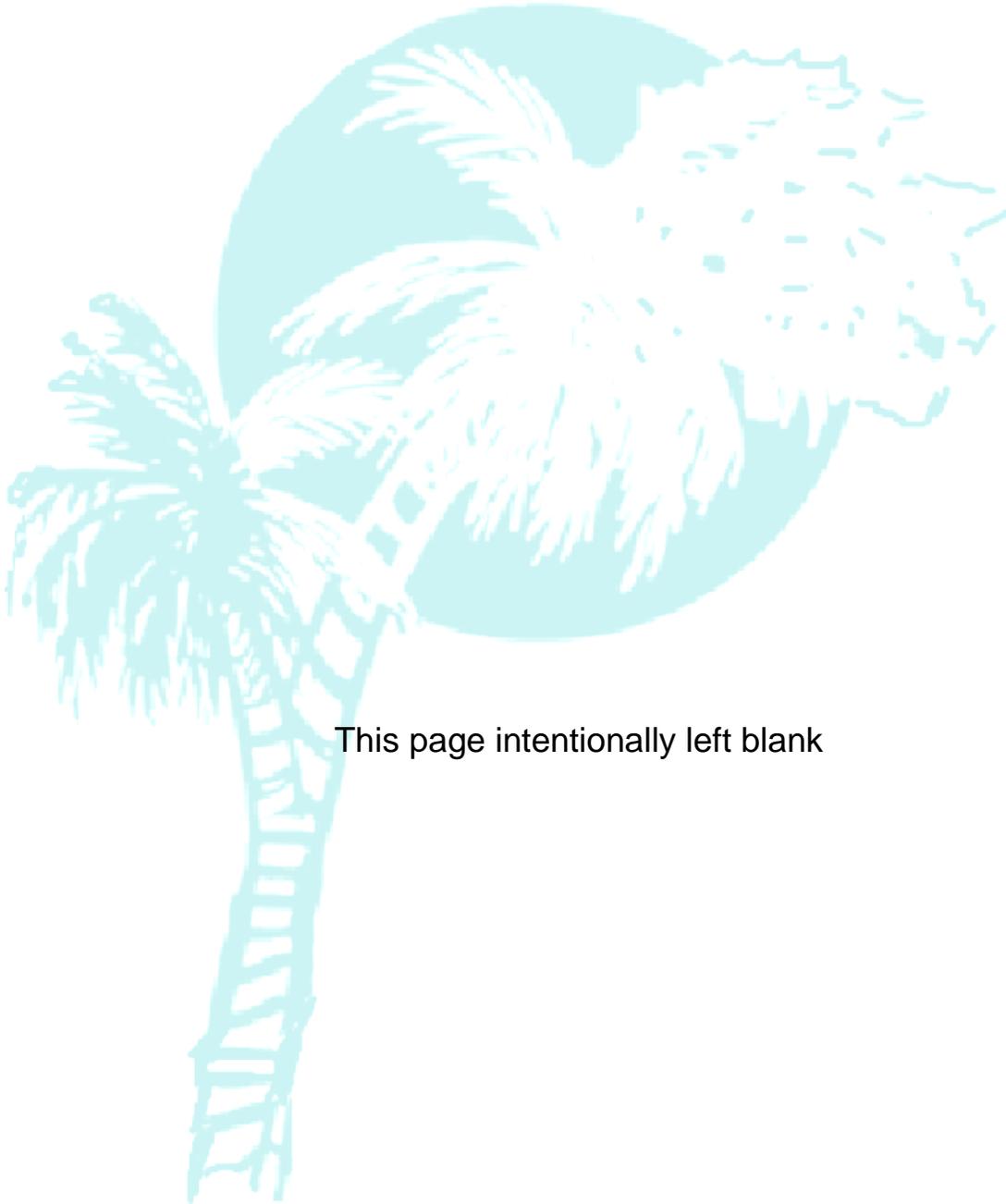
Budgetary comparisons are presented as part of the Supplemental Information and the basis of budgeting is the same as GAAP.

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 1<sup>st</sup>. Public hearings are held to obtain taxpayer comments. Prior to October 1<sup>st</sup>, 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 .....	104
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Fund Balances of Governmental Funds .....	110
Changes in Fund Balances of Governmental Funds .....	112
Tax Revenues by Source, Governmental Funds.....	114

**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 .....	115
Direct and Overlapping Property Tax Rates.....	116
Principal Taxpayers .....	117
Property Tax Levies and Collections.....	118

**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 .....	119
Direct and Overlapping Governmental Activities Debt.....	120
Pledged-Revenues Coverage .....	121

**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.*

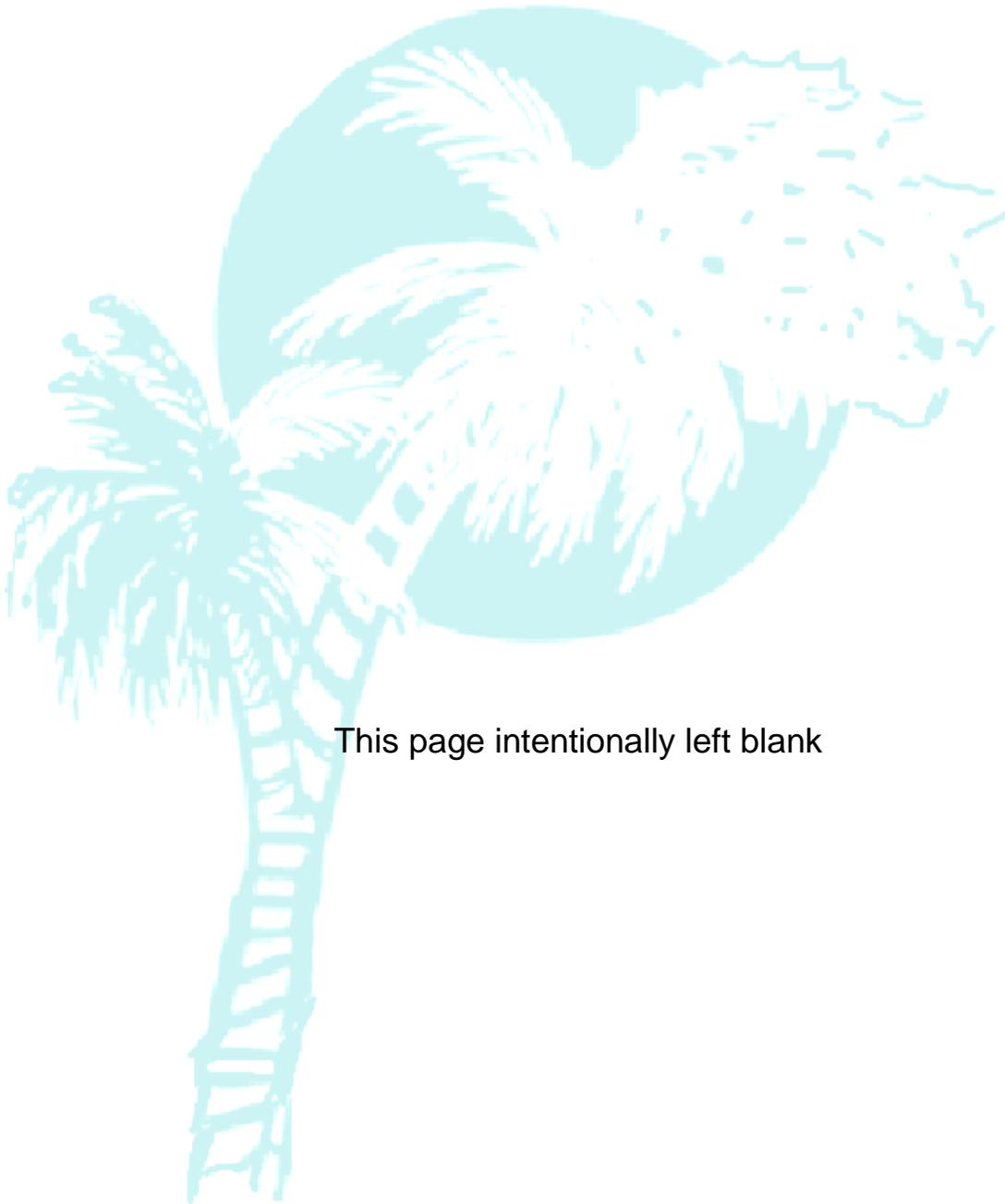
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**Operating Information**

*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 .....	126
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Water Sold by Type of Customer .....	129
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Principal Employers .....	131

*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 (1)**

	Fiscal Year Ending			
	9/30/2005	9/30/2006	09/30/07	09/30/08
<b>Governmental activities</b>				
Net invested in capital assets	\$ 98,180,028	\$ 98,811,959	\$ 98,227,017	\$ 100,154,051
Restricted	97,088	12,884,043	17,624,008	21,608,876
Unrestricted	14,010,005	20,869,676	22,912,202	13,505,647
Total governmental activities net position	121,898,785	132,565,678	138,763,227	135,268,574
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	(2,268,990)	(1,110,093)	687,601	(4,554,058)
Restricted	3,777,106	5,084,342	5,756,187	6,027,627
Unrestricted	3,289,974	3,194,364	2,400,615	7,555,896
Total business-type activities net position	4,798,090	7,168,613	8,844,403	9,029,465
<b>Primary government</b>				
Invested in capital assets, net of related debt	95,911,038	97,701,866	98,914,618	95,599,993
Restricted	13,485,858	17,968,385	23,380,195	27,636,503
Unrestricted	17,299,979	24,064,040	25,312,817	21,061,543
Total primary government net position	<u>\$ 126,696,875</u>	<u>\$ 139,734,291</u>	<u>\$ 147,607,630</u>	<u>\$ 144,298,039</u>

(1) The City implemented GASB 65, *Items Previously Reported as Assets and Liabilities*, during fiscal year 2014, resulting in a retroactive restatement of net position. Years shown prior to 2014 do not reflect this restatement.

9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014
\$ 112,872,553	\$ 116,238,698	\$ 117,988,044	\$ 116,190,035	\$ 114,171,165	\$ 110,706,931
7,985,972	5,178,367	2,079,749	2,064,877	2,216,898	6,189,970
16,604,347	21,116,209	20,736,737	20,590,277	22,592,653	20,686,833
<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>	<u>137,583,734</u>
(4,539,555)	(2,093,842)	(813,553)	5,519,770	15,641,068	19,986,187
7,389,375	6,551,855	7,860,401	8,487,663	849,581	2,794,616
6,053,916	6,161,665	6,505,664	5,150,512	4,235,603	(150,476)
<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>	<u>22,630,327</u>
108,332,998	114,144,856	117,174,491	121,709,805	129,812,233	130,693,118
15,375,347	11,730,222	9,940,150	10,552,540	3,066,479	8,984,586
22,658,263	27,277,874	27,242,401	25,740,789	26,828,256	20,536,357
<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>	<u>\$ 160,214,061</u>

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

	Fiscal Years Ending			
	9/30/2005	9/30/2006	9/30/2007	9/30/2008
<b>Expenses</b>				
Governmental activities:				
General government	\$ 7,511,985	\$ 7,934,679	\$ 9,703,442	\$ 11,343,784
Public safety	11,976,999	12,556,076	15,601,863	18,291,690
Highways and Streets	7,625,589	6,256,676	6,752,773	7,402,043
Culture and recreation	1,872,250	2,292,825	2,785,735	5,386,966
Economic environment	609,644	2,287,563	1,363,432	563,904
Physical environment	5,702,314	5,727,828	5,969,928	6,790,848
Interest on long-term debt	-	190,410	854,963	838,806
Total governmental activities	<u>35,298,781</u>	<u>37,246,057</u>	<u>43,032,136</u>	<u>50,618,041</u>
Business-type activities: *				
Personal services	2,351,334	2,690,157	3,065,373	3,065,599
Operating expenses	3,519,953	3,519,637	3,810,492	3,897,427
Professional services	231,610	129,704	78,425	145,653
Depreciation	2,264,714	2,511,124	2,560,312	2,731,455
Insurance	123,838	78,754	170,521	175,812
Bad debts	95,000	61,000	58,000	85,000
Total business-type activities	<u>8,586,449</u>	<u>8,990,376</u>	<u>9,743,123</u>	<u>10,100,946</u>
Total primary government expenses	<u>43,885,230</u>	<u>46,236,433</u>	<u>52,775,259</u>	<u>60,718,987</u>
<b>Program revenues</b>				
Governmental activities:				
Charges for services:				
General government	3,493,022	3,522,887	2,211,608	1,628,906
Public safety	296,238	404,301	321,400	393,525
Transportation	-	-	-	-
Culture and recreation	-	220,045	239,614	152,592
Physical environment	3,722,521	3,799,283	3,851,466	3,940,709
Operating grants and contributions	4,327,207	2,292,489	1,668,575	1,394,733
Capital grants and contributions	4,275,697	5,332,206	4,913,892	5,681,697
Total governmental activities program revenues	<u>16,114,685</u>	<u>15,571,211</u>	<u>13,206,555</u>	<u>13,192,162</u>
Business-type activities: **				
Charges for services:				
Water	7,995,028	8,558,812	8,528,101	8,172,325
Wastewater	4,373,292	4,266,858	4,295,944	4,182,987
Connection fees	108,299	102,420	88,815	88,515
Operating grants and contributions	277,746	-	-	-
Capital grants and contributions	2,042,282	1,097,791	542,629	420,686
Total business-type activities program revenues	<u>14,796,647</u>	<u>14,025,881</u>	<u>13,455,489</u>	<u>12,864,513</u>
Total primary government program revenues	<u>30,911,332</u>	<u>29,597,092</u>	<u>26,662,044</u>	<u>26,056,675</u>
<b>Net (expenses) revenues</b>				
Governmental activities	(19,184,096)	(21,674,846)	(29,825,581)	(37,425,879)
Business-type activities **	6,210,198	5,035,505	3,712,366	2,763,567
Total primary government net (expenses) revenues	<u>\$ (12,973,898)</u>	<u>\$ (16,639,341)</u>	<u>\$ (26,113,215)</u>	<u>\$ (34,662,312)</u>

	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014
\$	8,403,728	\$ 8,608,657	\$ 7,970,347	\$ 8,618,729	\$ 8,246,984	\$ 8,861,121
	18,356,301	18,442,646	18,946,170	18,000,160	18,605,589	18,739,948
	6,927,195	5,333,601	5,544,071	5,209,626	5,358,992	5,854,936
	2,713,803	2,626,028	2,577,658	2,726,161	2,616,214	2,460,610
	593,424	1,069,663	4,341,857	2,491,265	1,525,531	1,287,852
	6,804,695	6,982,097	6,920,661	7,560,685	8,989,720	9,371,600
	973,351	1,115,716	1,074,661	1,031,328	984,252	918,193
	<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>	<u>47,494,260</u>
	3,046,606	3,011,767	3,413,640	3,564,796	3,770,221	3,912,583
	3,818,513	3,692,854	4,015,494	3,805,695	3,796,756	3,553,520
	146,095	84,869	55,909	41,722	61,931	70,400
	3,166,475	3,399,136	2,854,935	2,980,008	3,069,245	2,902,120
	163,405	175,458	133,395	114,552	112,871	102,534
	118,032	57,812	60,690	97,790	152,195	63,145
	<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>10,604,302</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>	<u>58,098,562</u>
	1,708,691	1,492,531	1,434,657	1,386,206	1,590,260	1,416,182
	101,073	104,092	123,265	46,263	59,113	63,588
	145,595	139,905	-	-	-	-
	141,669	129,885	112,156	96,620	83,075	81,534
	7,212,206	7,230,865	7,225,345	7,212,472	8,642,155	8,641,978
	1,105,105	2,055,276	1,923,505	2,736,446	3,887,399	2,957,233
	3,631,902	4,950,675	4,013,670	1,482,553	1,334,533	660,950
	<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>	<u>13,821,465</u>
	9,108,281	8,921,006	10,021,881	10,548,127	9,843,484	9,947,411
	4,648,838	5,185,602	5,992,664	7,028,123	5,832,025	5,772,488
	208,335	261,670	242,000	245,670	264,560	266,720
	102,179	-	-	-	-	-
	229,554	22,839	157,152	43,178	125,704	1,335,167
	<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>17,321,786</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>	<u>31,143,251</u>
	(30,726,256)	(28,075,179)	(32,542,827)	(32,677,394)	(30,730,747)	(33,672,795)
	3,838,061	3,969,221	5,879,634	7,260,535	5,102,554	6,717,484
\$	<u>(26,888,195)</u>	<u>(24,105,958)</u>	<u>(26,663,193)</u>	<u>(25,416,859)</u>	<u>(25,628,193)</u>	<u>(26,955,311)</u>

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

	Fiscal Year Ending			
	9/30/2005	9/30/2006	9/30/2007	9/30/2008
<b>General revenues &amp; other changes in net assets</b>				
<b>Governmental activities:</b>				
Taxes:				
Property taxes	\$ 8,394,332	\$ 9,878,462	\$ 12,782,901	\$ 12,106,012
Franchise fees	3,168,855	3,963,179	3,788,900	3,788,670
Public service tax	6,874,286	7,360,867	7,567,153	7,437,523
Sales tax	4,594,128	4,397,122	4,263,700	3,935,428
Local Option Gas Taxes	2,322,563	2,164,256	2,194,708	2,072,286
State revenue sharing	2,212,888	2,606,365	2,523,853	2,306,647
Investment earnings	531,582	1,627,596	3,086,818	2,083,996
Miscellaneous income	279,929	343,892	318,426	200,664
Total governmental activities	<u>28,378,563</u>	<u>32,341,739</u>	<u>36,526,459</u>	<u>33,931,226</u>
<b>Business-type activities: **</b>				
Investment earnings	460,360	716,327	990,594	683,262
Gain on sale of capital assets	32,536	9,505	9,358	16,466
Changes in FV of Derivative Instruments	-	-	-	-
Grant reimbursements	-	-	-	(133,416)
Interest expense and issue costs	(3,949,749)	(3,926,081)	(3,557,293)	(3,734,622)
Miscellaneous income	658,367	535,267	520,764	589,805
Total business-type activities	<u>(2,798,486)</u>	<u>(2,664,982)</u>	<u>(2,036,577)</u>	<u>(2,578,505)</u>
Total primary government	<u>25,580,077</u>	<u>29,676,757</u>	<u>34,489,882</u>	<u>31,352,721</u>
<b>Change in net position</b>				
Governmental activities	9,194,467	10,666,893	6,700,878	(3,494,653)
Business-type activities	3,411,712	2,370,523	1,675,789	185,062
Total primary government	<u>\$ 12,606,179</u>	<u>\$ 13,037,416</u>	<u>\$ 8,376,667</u>	<u>\$ (3,309,591)</u>

9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014
\$ 12,346,188	\$ 12,568,945	\$ 11,673,440	\$ 11,856,683	\$ 11,405,246	\$ 11,968,962
4,040,268	4,106,081	3,924,731	3,474,383	3,436,887	3,794,039
7,823,723	8,059,245	7,556,782	7,111,064	7,315,776	7,374,907
3,562,838	3,462,212	3,491,307	3,728,339	3,921,434	4,137,246
2,113,741	2,089,575	2,064,317	2,087,788	2,069,784	2,079,370
2,019,205	2,006,079	1,512,497	1,668,923	2,141,004	2,428,680
459,819	270,540	92,463	137,133	148,554	189,946
554,772	582,904	498,546	653,740	427,589	522,845
<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>	<u>32,495,995</u>
192,620	135,643	30,493	94,272	102,890	38,539
(758)	(106,296)	(3,764)	68,754	35,313	(400,322)
(1,031,911)	813,169	(7,852)	1,004,679	(778,085)	-
-	-	-	-	-	-
(3,827,369)	(3,829,885)	(3,784,384)	(3,721,731)	(3,743,715)	(4,686,741)
831,501	734,090	818,707	898,924	849,350	863,034
<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>(4,185,490)</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>	<u>28,310,505</u>
2,194,298	5,070,402	(1,728,744)	(1,959,341)	135,527	(1,176,800)
2,144	1,715,942	2,932,834	5,605,433	1,568,307	2,531,994
<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>	<u>\$ 1,355,194</u>

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

	Fiscal Years Ending September 30			
	2005	2006 (1)	2007	2008
<b>General fund</b>				
Reserved	\$ -	\$ 430,894	\$ 226,372	\$ 707,308
Non-spendable / prepaid items	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unreserved	11,407,512	17,526,869	21,077,058	12,977,046
Total general fund	<u>11,407,512</u>	<u>17,957,763</u>	<u>21,303,430</u>	<u>13,684,354</u>
<b>All other governmental funds</b>				
Reserved	9,708,752	31,112,787	32,482,443	28,811,589
Non-spendable / prepaid items				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Restricted				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Committed				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Assigned				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Unreserved reported in:				
Special revenue funds	1,913,789	2,842,489	2,744,876	1,180,305
Capital projects funds	-	-	-	-
Total all other governmental funds	<u>\$ 11,622,541</u>	<u>\$ 33,955,276</u>	<u>\$ 35,227,319</u>	<u>\$ 29,991,894</u>

(1) 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.

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

2009	2010	2011 (2)	2012	2013	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	468,556	22,362
-	-	-	-	-	-
-	-	10,948,884	12,931,713	40,518	40,812
-	-	2,584,986	2,827,899	15,802,496	16,020,014
<u>16,615,905</u>	<u>17,738,795</u>	<u>4,434,397</u>	<u>3,748,032</u>	<u>5,139,574</u>	<u>7,674,812</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>	<u>23,758,000</u>
26,435,446	19,737,565	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	15,321,931	10,711,371	8,516,463	6,304,396
-	-	-	-	-	-
-	-	502,754	478,532	468,477	477,628
-	-	269,531	76,507	64,200	10,118
-	-	-	-	-	-
-	-	1,919,495	1,945,122	1,762,425	1,758,236
2,027,508	1,645,254	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u>\$ 8,550,378</u>

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

	Fiscal Years Ending September 30			
	2005	2006 (1)	2007	2008
<b>Revenues:</b>				
Property taxes	\$ 8,394,332	\$ 9,878,462	\$ 12,782,897	\$ 12,106,008
Franchise fees	3,168,855	3,963,179	3,788,900	3,788,670
Public service tax	6,874,286	7,360,867	7,567,153	7,437,523
State revenue sharing	2,473,587	2,591,215	2,506,737	1,669,778
Intergovernmental	15,887,440	10,424,400	9,625,961	9,963,668
Charges for services	9,262,321	9,709,730	8,509,902	8,042,841
Fines and forfeitures	296,238	335,093	257,189	279,582
Impact fees	1,523,928	1,804,404	1,115,958	683,751
Interest income	531,582	1,627,596	3,086,818	2,083,996
Miscellaneous	670,429	569,030	491,499	431,696
Total revenues	<u>49,082,998</u>	<u>48,263,976</u>	<u>49,733,014</u>	<u>46,487,513</u>
<b>Expenditures:</b>				
General government	6,759,888	7,018,478	8,988,364	10,155,007
Public safety	11,597,713	12,676,423	14,801,650	17,678,858
Highways and Streets	4,516,203	3,213,677	4,316,879	5,139,946
Culture/Recreation	1,853,925	1,837,059	2,231,633	4,737,322
Economic environment	609,644	2,287,563	1,363,432	561,005
Physical environment	5,418,280	5,317,395	5,557,871	6,189,967
Capital outlay	7,014,743	5,912,901	6,398,640	13,424,641
Debt service				
Interest	-	-	1,056,835	850,268
Principal	-	-	400,000	605,000
Total expenditures	<u>37,770,396</u>	<u>38,263,496</u>	<u>45,115,304</u>	<u>59,342,014</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>11,312,602</u>	<u>10,000,480</u>	<u>4,617,710</u>	<u>(12,854,501)</u>
<b>Other financing sources (uses):</b>				
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	4,103,887	2,677,711	2,863,153	6,065,594
Transfers to other funds	<u>(4,103,887)</u>	<u>(2,677,711)</u>	<u>(2,863,153)</u>	<u>(6,065,594)</u>
Total other financing sources (uses)	<u>-</u>	<u>18,882,506</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ 11,312,602</u>	<u>\$ 28,882,986</u>	<u>\$ 4,617,710</u>	<u>\$ (12,854,501)</u>
<b>* Debt service as a percentage of noncapital expenditures</b>	<u>0.0%</u>	<u>0.0%</u>	<u>3.8%</u>	<u>3.2%</u>

(1) 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

2009	2010	2011	2012	2013	2014
\$ 12,346,188	\$ 12,568,945	\$ 11,673,440	\$ 11,856,683	\$ 11,405,246	\$ 11,968,962
4,040,268	4,106,081	3,924,731	3,474,383	3,436,887	3,794,039
7,823,723	8,059,245	7,556,782	7,111,064	7,315,776	7,374,907
2,001,350	2,006,079	2,145,303	2,330,382	2,929,631	3,282,682
10,777,651	12,154,051	9,903,521	8,746,907	8,502,417	8,183,246
9,309,234	9,097,278	9,019,674	8,859,307	10,461,589	10,331,558
299,570	235,849	286,221	148,511	225,204	278,252
264,741	412,079	76,160	170,831	219,094	207,732
459,819	270,539	92,462	137,136	148,556	189,945
280,790	338,663	968,387	843,409	1,711,954	706,138
<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>	<u>46,317,461</u>
7,291,358	7,287,498	6,884,007	7,336,540	7,582,046	7,654,652
17,520,030	17,605,770	18,234,722	17,343,256	17,353,913	17,980,929
4,574,797	2,921,960	2,222,222	1,974,706	1,966,205	2,492,186
2,031,772	2,008,762	1,942,278	2,041,728	1,917,002	2,114,798
592,309	4,326,670	3,166,069	1,265,821	2,096,336	1,235,584
6,092,548	6,106,061	6,141,542	6,176,954	7,581,645	7,750,348
13,211,803	12,944,077	8,211,947	8,821,414	6,330,400	5,060,728
825,451	855,779	895,839	1,044,579	997,736	948,336
630,000	1,149,477	1,087,691	936,417	987,538	1,034,231
<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>	<u>46,271,792</u>
<u>(5,166,734)</u>	<u>(5,957,245)</u>	<u>(3,139,636)</u>	<u>(3,262,802)</u>	<u>(456,467)</u>	<u>45,669</u>
6,569,345	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,765,396	2,992,756	1,817,385	509,577	165,699	147,995
<u>(1,765,396)</u>	<u>(2,992,756)</u>	<u>(1,817,385)</u>	<u>(509,577)</u>	<u>(165,699)</u>	<u>(147,995)</u>
<u>6,569,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>\$ 45,669</u>
<u>3.7%</u>	<u>4.7%</u>	<u>4.8%</u>	<u>5.1%</u>	<u>4.8%</u>	<u>4.7%</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	Other	Electric	Telecom- munication	Gas	
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
2014	11,947	3,742	52	4,617	2,642	116	23,116
Change 2004-2013	42.3%	20.1%	-1.9%	29.5%	-17.4%	5.5%	25.4%

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

<b>Fiscal Year Beginning</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Total Assessed Valuation</b>	<b>Total Direct Rate</b>	<b>Total Estimated Actual Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
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	2,568,002	119,558	2,687,560	7.9900	2,779,525	96.7%
2014	2,740,703	113,504	2,854,207	7.9900	3,129,914	91.2%

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	
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
2014	7.99000	7.27090	7.33600	0.31640	0.03450	1.92370	24.87150

\* 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, 2005			September 30, 2014		
	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
Duke Energy Florida, Inc. (formerly Florida Power Corp.)	\$ 5,549	7	0.2%	\$ 26,210	1	1.6%
Florida Power & Light Company	13,500	1	0.5%	18,056	2	1.1%
Wal-Mart Stores East LP			0.0%	12,797	3	0.8%
Federal National Mortgage Assoc.			0.0%	11,078	4	0.7%
IH2 Property Florida LP			0.0%	9,219	5	0.6%
Lowe's Home Centers, Inc.			0.0%	8,677	6	0.5%
Bright House Networks, LLC	8,841	3	0.4%	8,256	7	0.5%
Publix Super Markets, Inc.	10,660	2	0.4%	7,370	8	0.4%
D O T Properties N V			0.0%	6,941	9	0.4%
EPIC Properties			0.0%	6,221	10	0.4%
Albertson's, Inc.	5,314	8	0.2%			0.0%
Bellsouth Telecommunication, Inc.	7,651	4	0.3%			0.0%
Sprint Florida, Inc.	6,810	5	0.3%			0.0%
Deltona Associates, LTD	6,680	6	0.3%			0.0%
Tiger Partner, LLC	5,278	9	0.2%			0.0%
Storaway Self Storage Deltona	5,012	10	0.2%			0.0%
All Other	2,389,867		96.9%	1,546,587		93.1%
	<u>\$ 2,465,162</u>		<u>100.0%</u>	<u>\$ 1,661,412</u>		<u>100.0%</u>

Source: County of Volusia Property Appraiser.

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

<b>Fiscal Year Ended</b>	<b>Total Tax Levy</b>	<b>Current Levy Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Percent Total Collections To Levy</b>
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%
2014	12,340,545	11,947,445	96.8%	21,517	11,968,962	97.0%

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 Ended	Governmental Activities		Business-Type Activities	Total Primary Government Debt	Per Capita Debt	Debt as a Percentage of Personal Income (1)
	Revenue Bonds (2)	Stormwater Bank Note	Utility System Revenue Bonds (2)			
2005	-	-	82,492,198	82,492,198	994	4.02%
2006	18,548,836	-	81,796,941	100,345,777	1,174	4.68%
2007	18,133,394	-	81,001,684	99,135,078	1,160	4.44%
2008	17,512,952	-	80,106,426	97,619,378	1,136	4.35%
2009	16,867,510	6,569,345	79,111,169	102,548,024	1,217	4.29%
2010	16,192,068	6,373,566	77,965,912	100,531,546	1,191	4.02%
2011	15,486,626	6,167,727	76,520,655	98,175,008	1,153	3.79%
2012	14,751,184	5,951,310	74,768,230	95,470,724	1,119	3.49%
2013	13,975,742	5,723,772	81,663,779	101,363,293	1,186	3.70%
2014	13,165,300	5,484,541	81,589,822	100,239,663	1,161	3.60%

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

(2) Figures include relevant premiums.

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF SEPTEMBER 30, 2014**

<b>Taxing Authority</b>	<b>Debt Outstanding</b>	<b>Percentage Applicable to Deltona</b>	<b>Amount Applicable to Deltona</b>
City of Deltona (1)	\$ 18,649,841	100%	\$ 18,649,841
County of Volusia (2)	23,025,000	6.47%	1,489,718
Volusia County School Board (3)	-	0%	-
<b>Total Direct and Overlapping Debt</b>	<b>\$ 41,674,841</b>		<b>\$ 20,139,559</b>

(1) Governmental debt only; excludes business-type activities debt.

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

(3) Source: Volusia County School Board.

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

<b>Water and Sewer Revenue Bonds</b>						
<b>Fiscal Year Ended</b>	<b>(1)</b>	<b>(2)</b>	<b>Net Available Revenue</b>	<b>Revenue Bonds</b>		<b>Coverage</b>
	<b>Utility Revenues</b>	<b>Less Operating Expenses</b>		<b>Principal</b>	<b>Interest</b>	
2012 (3)	18,720,844	6,427,814	12,293,030	1,700,000	3,700,436	2.28
2013 (3)	16,789,419	8,416,974	8,372,445	1,290,000	3,886,331	1.62
2014 (3)	16,849,653	7,590,143	9,259,510	-	2,177,071	4.25

<b>Transportation Capital Improvement Revenue Bonds</b>						
	<b>Gas Tax Revenues</b>	<b>Impact Fee Revenues</b>	<b>Net Available Revenue</b>	<b>2006 Transportation Bonds</b>		<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
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
2014	2,190,865	11,495	2,202,360	795,000	661,575	1.51

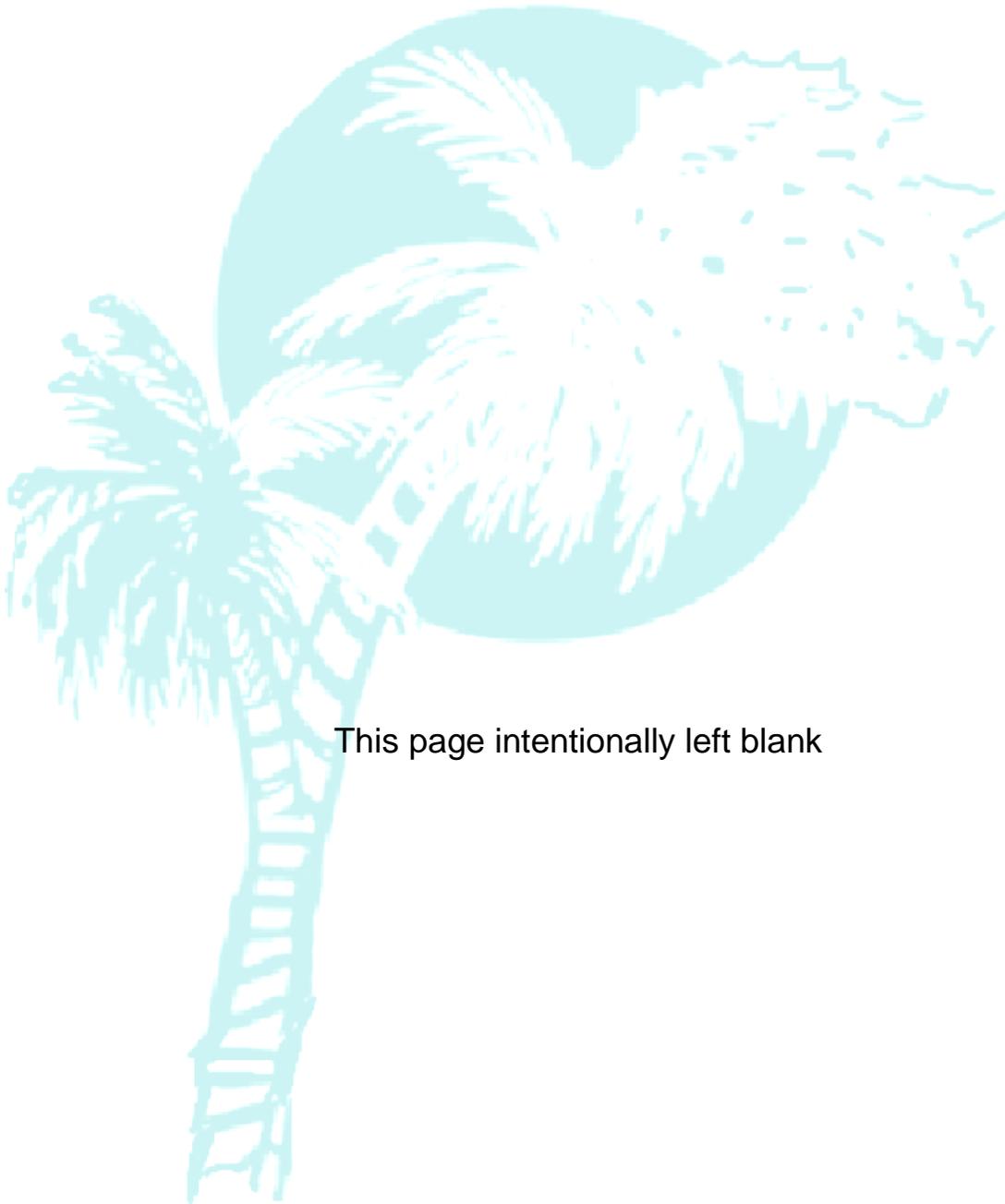
<b>Stormwater Bank Note</b>						
	<b>Stormwater Assessments</b>		<b>Net Available Revenue</b>	<b>2009 Bank Note</b>		<b>Coverage</b>
	<b>Improved</b>	<b>Unimproved</b>		<b>Principal</b>	<b>Interest</b>	
2012	2,678,658	240,008	2,918,666	216,417	309,003	5.55
2013	2,682,165	243,566	2,925,731	227,538	298,161	5.57
2014	2,683,426	241,481	2,924,907	239,231	286,791	5.56

(1) For purposes of debt coverage the following revenues are included: All water and sewer revenues and water and sewer impact fees are excluded. Interest income is included.

(2) Direct operating expenses does not include depreciation.

(3) 2012 calculation based on 2003 bonds; 2013 and 2014 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
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
2013-14	41,497	34,782	37,844	42,986	37,206	34,437	34,530

Year	Median Household Income (2)						
	Florida	Lake	Orange	Seminole	Sumter	Marion	Volusia
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
2013-14	45,872	44,510	46,416	55,846	47,766	37,986	40,461

(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)**

<b>Cost of Living Index Volusia and Surrounding Counties (1)</b>						
<b>Year</b>	<b>Volusia</b>	<b>Lake</b>	<b>Orange</b>	<b>Seminole</b>	<b>Sumter</b>	<b>Marion</b>
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
2013-14	98.25	97.02	100.49	99.17	95.45	94.97

<b>Unemployment Volusia and Surrounding Counties (2)</b>					
<b>Year</b>	<b>Volusia</b>	<b>Lake</b>	<b>Orange</b>	<b>Seminole</b>	<b>Marion</b>
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
2013-14	7.30	7.50	6.80	6.40	8.30

(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 / Daytona Beach / Ormond Beach (thousands of dollars)	
	Deltona	County	% of City		Enrollment	Attendance		
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
2014	86,360	503,851	17.14%	6.1%	12,330	96.3%	\$	20,966,259

(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				
	2005	2006	2007	2008	2009
City Commission	1.0	1.0	1.0	1.0	1.0
City Manager	3.0	3.0	4.0	4.0	4.0
City Clerk	6.0	7.5	8.0	6.0	5.0
Finance	14.0	17.5	17.5	19.0	12.0
Information Technology Services	-	-	-	-	5.0
City Attorney	6.0	7.0	6.0	6.0	4.5
Planning & Development Services	18.0	21.5	25.0	15.0	10.0
Building & Zoning Services	21.0	24.0	24.0	11.0	9.0
Human Resources	3.5	6.0	7.5	4.5	4.5
General Government	-	-	-	-	1.0
Enforcement Services	12.0	15.0	19.0	19.0	15.0
Parks & Recreation	29.0	32.0	37.5	43.5	30.0
Total general government	113.5	134.5	149.5	129.0	101.0
*Police Officers	72.0	72.0	72.0	77.0	69.0
Fire & Rescue:					
Firefighters	54.0	66.0	69.0	69.0	69.0
Administration & Communication	20.5	21.5	24.5	26.0	26.0
Total Fire & Rescue	74.5	87.5	93.5	95.0	95.0
Total public safety	146.5	159.5	165.5	172.0	164.0
Public Works	31.5	28.0	30.5	39.5	30.5
Storm Water	23.0	23.0	25.0	21.0	26.0
Grant funded positions	-	-	-	-	3.0
Total public services	54.5	51.0	55.5	60.5	59.5
Water/Sewer utility	58.0	65.0	68.5	68.5	65.0
Solid Waste	1.0	1.0	1.0	2.0	2.0
Total public services	59.0	66.0	69.5	70.5	67.0
Total government employees	373.5	411.0	440.0	432.0	391.5

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

Source: City Finance Department

2010	2011	2012	2013	2014
1.0	0.5	1.0	1.0	1.0
4.0	6.5	6.5	6.5	7.5
5.0	5.5	5.5	5.5	5.5
11.0	11.0	11.0	12.0	12.0
5.0	5.0	5.0	5.5	6.0
4.0	5.0	2.0	2.0	2.0
7.0	8.0	8.0	8.0	8.0
9.0	8.0	10.5	10.5	10.5
4.5	4.5	4.5	4.5	4.5
1.0	-	-	-	-
15.0	13.0	14.0	16.0	16.0
30.0	26.0	25.0	25.0	26.0
96.5	93.0	93.0	96.5	99.0
69.0	73.0	76.0	76.0	76.0
69.0	69.0	69.0	69.0	69.0
25.0	24.0	9.5	8.0	8.0
94.0	93.0	78.5	77.0	77.0
163.0	166.0	154.5	153.0	153.0
31.0	27.0	27.0	28.0	28.0
26.0	26.0	26.0	26.0	26.0
2.0	1.5	2.5	2.5	3.0
59.0	54.5	55.5	56.5	57.0
65.0	64.0	64.0	64.0	67.0
2.0	2.0	2.0	2.0	2.0
67.0	66.0	66.0	66.0	69.0
385.5	379.5	369.0	372.0	378.0

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	
<b>General</b>										
Last charter amendment	November 4, 2014									
Number of Commissioners	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	
<b>Police</b>										
Number of stations	1	1	1	1	1	1	1	1	1	
Number of Police officers	72	72	69	69	73	76	76	76	76	
Number of patrol vehicles	40	40	69	69	73	73	76	76	76	
Number of arrests	6,544	3,435	3,879	3,229	4,091	4,131	3,947	4,108	3,986	
<b>Fire</b>										
Number of stations	4	4	4	4	4	5	5	5	5	
Number of vehicles(engines)	6	6	6	6	8	8	8	8	9	
Number of calls	7,804	8,180	7,087	7,872	8,134	8,311	8,844	9,101	9,074	
<b>Building</b>										
Building permits issued	5,857	5,062	3,787	3,216	3,551	3,143	3,022	3,174	3,877	
Average price of single family Residential construction	204,176	243,510	238,640	222,361	209,572	295,597	281,498	223,738	321,660	
Value of permits issued (\$1,000's of dollars)	211,986	97,110	55,653	50,534	30,894	32,549	24,893	39,892	66,653	
<b>Recreation</b>										
Number of parks	15	15	16	16	19	19	19	20	20	
Acres maintained	216	216	226	226	230	244	304	314	314	
Number of buildings	15	15	16	16	17	29	29	30	30	
Number of people served	223,533	235,105	220,122	238,521	223,882	250,000	260,000	265,000	265,000	
<b>Library</b>										
Number of libraries	1	1	1	1	1	1	1	1	1	
<b>Public Works</b>										
Miles of streets	423.54	423.54	423.54	423.54	423.54	423.54	423.54	423.54	423.54	
Number of street lighting districts	29	31	37	41	40	40	40	40	40	
Number of city maintained traffic signals	5	7	9	9	12	16	16	16	16	
Number of school signals	25	25	37	38	35	35	35	35	35	
Number of buildings	1	1	1	1	1	1	1	1	2	
<b>Water (3)</b>										
Number of units served	31,811	32,419	31,778	31,610	31,731	31,195	31,250	31,599	33,515	
Average daily flow (2)	12.71	12.94	11.90	10.89	9.59	9.59	8.41	8.01	9.11	
Miles of water main	480	500	500	500	500	500	500	501	501	
Number of plants	17	17	17	17	17	17	17	17	17	
Number of vehicles	22	34	34	34	34	34	34	34	34	
Number of buildings	28	28	28	28	28	28	28	28	29	
<b>Wastewater (3)</b>										
Miles of sanitary sewers	75	75	93	93	93	93	93	93	93	
Number of vehicles	9	15	15	15	15	15	15	15	15	
Number of buildings	4	4	4	4	4	4	4	4	4	
Number of plants	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	
	2012	2013
Single / Multi Family Residences	\$ 2,457.20	\$ 2,263.21
Commercial / Multi Family Commercial	88.81	88.60
Hydrant	3.92	4.13
Bulk	55.91	64.43
Irrigation	30.47	54.85
<b>Totals</b>	<b>\$ 2,636.31</b>	<b>\$ 2,475.22</b>

Type of Customer	Fiscal Year	
	2012	2013
<b>Water Rates (Per 1,000 gallons consumed)</b>		
<b>Residential</b>		
0 - 6,000	\$ 1.65	\$ 1.40
6,000 - 12,000	2.31	2.81
12,000 - 18,000	4.03	4.91
over 18,000	8.06	9.83
<b>Commercial</b>		
Rates apply to all usage - no cap	\$ 2.31	\$ 2.69
<b>All Customers</b>		
Rates apply to all usage - no cap	\$ 2.31	\$ 2.69

Type of Customer	Fiscal Year (1)	
	2014	2014
<b>Water Rates (Per 1,000 gallons consumed)</b>		
	Inside City Limits	Outside City Limits
<b>Residential</b>		
0 - 5,000	\$ 1.50	\$ 1.87
5,000 - 10,000	3.01	3.76
10,001 - 20,000	5.26	6.57
over 20,001	10.53	13.17
<b>Commercial</b>		
Rates apply to all usage - no cap	\$ 2.88	\$ 3.59
<b>Irrigation Rates (Per 1,000 gallons consumed)</b>		
0 - 10,000	\$ 3.01	\$ 3.76
10,001 - 20,000	5.26	6.57
over 20,001	10.53	13.17

(1) The City had both a rate structure and a rate change effective with bills dated on or after November 1, 2014.

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

Type of Customer	Fiscal Year	
	2012	2013
Single / Multi Family Residences	\$ 206.71	\$ 236.94
Multi Family Residences		
Commercial / Multi Family Commercial	67.20	67.97
Bulk	21.80	22.81
Reclaimed - Residential & Commercial		
<b>Totals</b>	<b>\$ 295.71</b>	<b>\$ 327.72</b>

Type of Customer	Fiscal Year	
	2012	2013
<b>Sewer Rates (Per 1,000 gallons consumed)</b>		
<b>Residential</b>		
0 - 6,000	\$ 14.83	\$ 12.31
over 6,000 (no charge)	-	16.00
<b>Commercial</b>		
Rates apply to all usage - no cap	\$ 17.79	\$ 13.28
<b>Bulk</b>		
0 - 1,800,000	\$ 10.31	\$ 10.31
over 1,800,000 (no cap)	11.34	11.34

Type of Customer	Fiscal Year (1)	
	2014	2014
<b>Sewer Rates (Per 1,000 gallons consumed)</b>		
	Inside City Limits	Outside City Limits
<b>Residential</b>		
0 - 5,000	\$ 13.31	\$ 16.64
5,001 - 10,000	17.30	21.63
over 6,000 (no charge)	-	-
<b>Commercial</b>		
Rates apply to all usage - no cap	\$ 14.36	\$ 17.96
<b>Bulk - determined by contract</b>		
<b>Reclaimed Rates (Per 1,000 gallons consumed)</b>	\$ 1.35	\$ 1.69

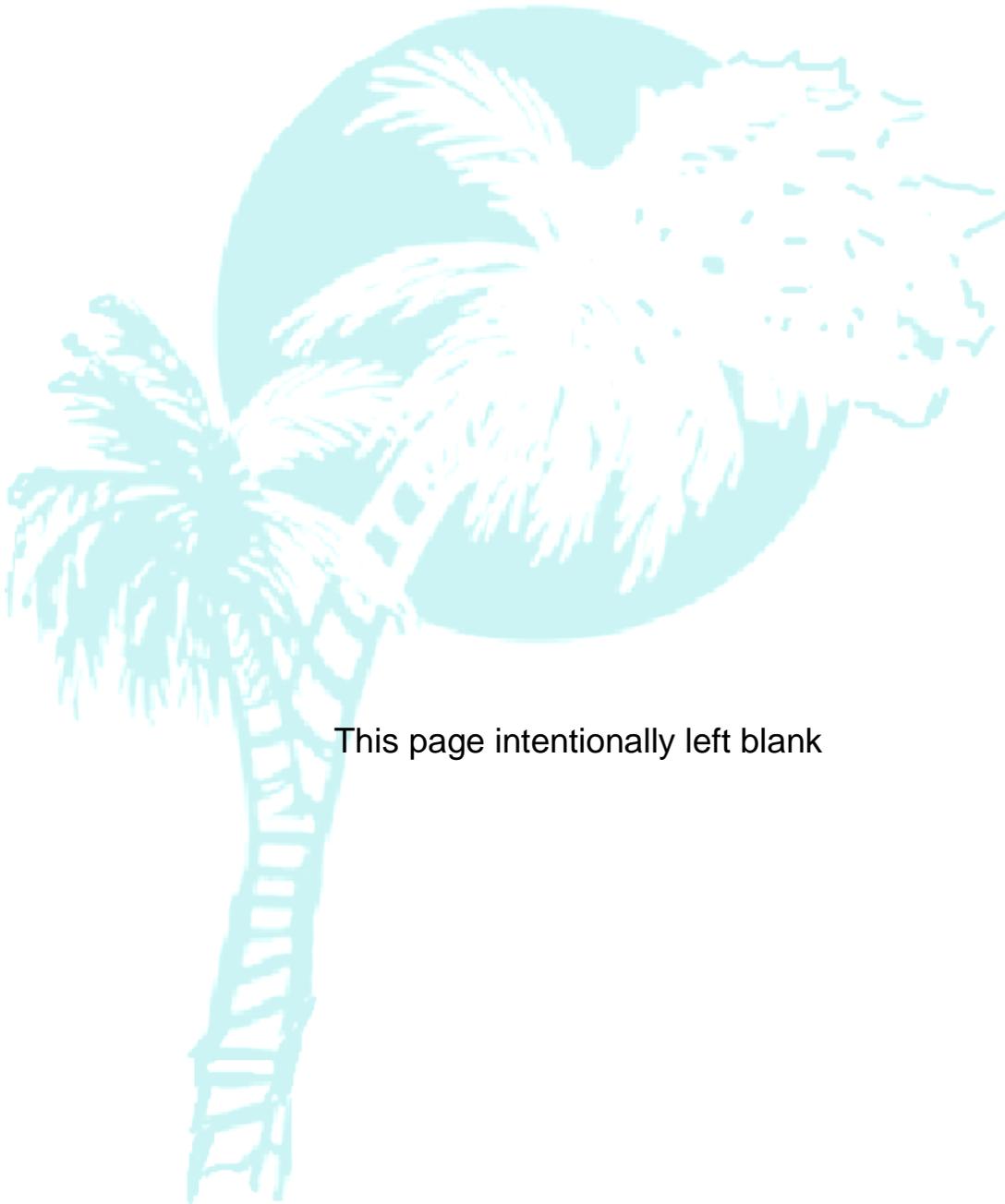
(1) The City had both a rate structure and a rate change effective with bills dated on or after November 1, 2014.

**PRINCIPAL EMPLOYERS  
CURRENT AND TEN YEARS AGO**

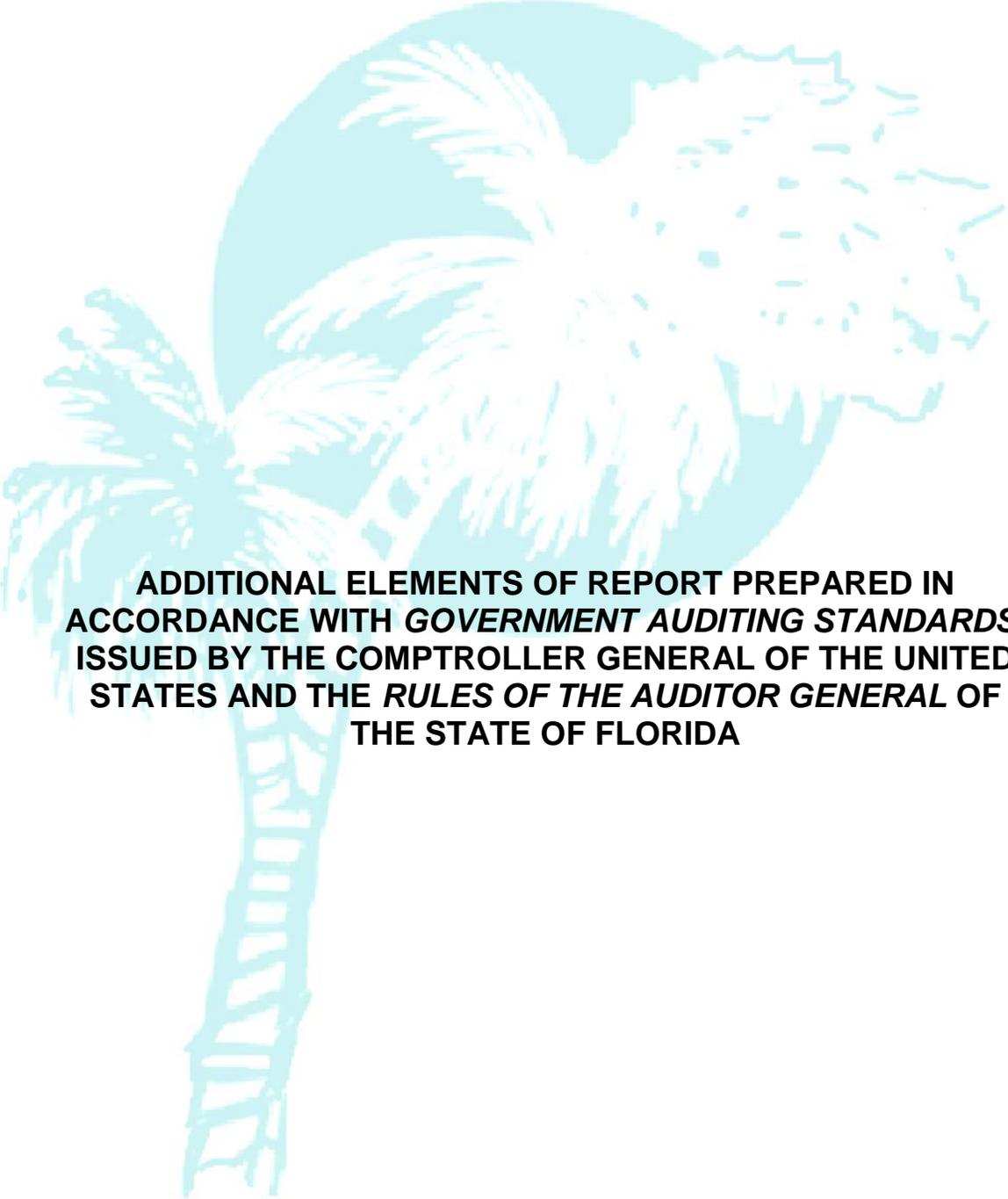
Employer	2014			2008 *		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Daytona State College	1,256	1	12.12%	N/A		N/A
Publix Supermarkets	563	2	5.43%	314	3	2.96%
Wal-Mart	350	3	3.38%	220	5	2.08%
City of Deltona	304	4	2.93%	383	2	3.59%
Pine Ridge High School	250	5	2.41%	250	4	2.36%
Methodist Children's Home	180	6	1.74%	N/A		N/A
McDonalds	177	7	1.71%	N/A		N/A
Winn Dixie Stores	170	8	1.64%	390	1	3.68%
Galaxy Middle School	160	9	1.54%	160	8	1.51%
Deltona Middle School	153	10	1.48%	200	7	1.89%
Albertson's			0.00%	200	6	1.89%
Friendship Elementary			0.00%	150	10	1.42%
<b>Total</b>	<b>3,563</b>		<b>34.39%</b>	<b>2,267</b>		<b>21.38%</b>

Source: InfoGroup Employer Database 2014 ed.2

\* NOTE: The City does not have Principal Employer information further back than 2008;  
Source - City's Comprehensive Annual Financial Report for FYE 09/30/08



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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***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Grantor/Pass-Through Grantor/Program Title	Grant Number	CFDA/ CSFA Number	Program or Award Amount	Expenses	Subrecipient Award Amount
<b><u>FEDERAL AWARDS</u></b>					
<b>U.S. Department of Housing and Urban Development</b>					
Community Development Block Grant	B-12-MC-12-0049	14.218	441,819	297,884	65,999
Community Development Block Grant	B-13-MC-12-0049	14.218	453,929	255,839	-
Community Development Block Grant - NSP	B-08-MN-12-0006	14.218	6,635,909	590,803	-
Community Development Block Grant - NSP #3	B-11-MN-12-0006	14.218	1,964,066	557,022	-
Total Community Development Block Grant				1,701,548	65,999
<b>U.S. Department of Transportation</b>					
Highway Planning & Construction	AR228	20.205	42,165	42,165	-
<b>TOTAL FEDERAL AWARDS</b>				<u>1,743,713</u>	<u>65,999</u>
<b><u>STATE FINANCIAL ASSISTANCE</u></b>					
<b>Florida Department of Environmental Protection</b>					
Statewide Surface Water Restoration and Wastewater Projects	S0262	37.039	1,113,724	2,508	-
Statewide Surface Water Restoration and Wastewater Projects	WW641800	37.077	29,381,545	9,849,102	-
State Appropriation	LP64181	37.039	500,000	259,595	-
<b>Total Florida Department of Environmental Protection</b>				<u>10,111,205</u>	<u>-</u>
<b>Florida Housing Finance Corporation</b>					
State Housing Initiatives Partnership Program	FY12/13	52.901	33,534	28,610	-
State Housing Initiatives Partnership Program	FY13/14	52.901	135,350	124,201	-
<b>Total Florida Housing Finance Corporation</b>				<u>152,811</u>	<u>-</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>				<u>10,264,016</u>	<u>-</u>
<b>TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>				<u>12,007,729</u>	<u>65,999</u>

**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, 2014, 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 2, 2015.

**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 2, 2015.

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 2, 2015  
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133; AND  
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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 the Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Project Compliance Supplement* that could have a direct and material effect on the each of the City's major federal programs and state projects for the year ended September 30, 2014. 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 and state projects.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects 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*, and Chapter 10.550, *Rules of the Auditor General*. Those standards and OMB Circular A-133, and Chapter 10.550, *Rules of the Auditor General*, 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 or state project 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 and state project. 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 and state project for the year ended September 30, 2014.

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Honorable Mayor and City Commissioners  
City of Deltona  
Deltona, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133; AND  
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL  
(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 types of requirements that could have a direct and material effect on each major federal program or state project 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 state project and to test and report on internal control over compliance in accordance with OMB Circular A-133, and Chapter 10.550, *Rules of the Auditor General*, 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 or state project 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 or state project 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 and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

*Purvis, Gray and Company, LLP*

March 2, 2015  
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD PROGRAMS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
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 and state projects are reported in the report on compliance with requirements applicable to each major federal program on internal control over compliance in accordance with Office of Management and Budget (OMB) Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.
5. The auditors' report on compliance for the major federal programs and state projects 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, or did our audit disclose any findings related to State projects required to be disclosed under Chapter 10.557.
7. The programs tested as major programs/projects included the following:
  - **Federal Program**
    - U.S. Department of Housing and Urban Development:
      - ▶ Community Development Block Grant; CFDA No. 14.218
  - **State Projects**
    - Florida Department of Environmental Protection
      - ▶ Statewide Surface Water Restoration and Wastewater Projects; CSFA No. 37.077
8. The threshold for distinguishing Type A and Type B projects was \$300,000 for major federal programs and \$307,921 for state projects.
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.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD PROGRAMS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
CITY OF DELTONA, FLORIDA  
(Concluded)**

**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 or state projects.
2. No Corrective Action Plan is required because there were no findings required to be reported under the *Federal* or Florida *Single Audit Act*.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH SECTION 218.415, FLORIDA STATUTES**

Honorable Mayor and City Commissioners  
City of Deltona  
Deltona, Florida

**Report on Compliance**

We have examined City of Deltona, Florida (the City) compliance with requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2014, as required by Section 10.556(10)(a), *Rules of the Auditor General*.

**Management's Responsibility**

Management is responsible for the City's compliance with those requirements.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the City's compliance based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, including 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specific requirements.

**Opinion**

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

**Restriction on Use**

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

*Purvis, Gray and Company, LLP*

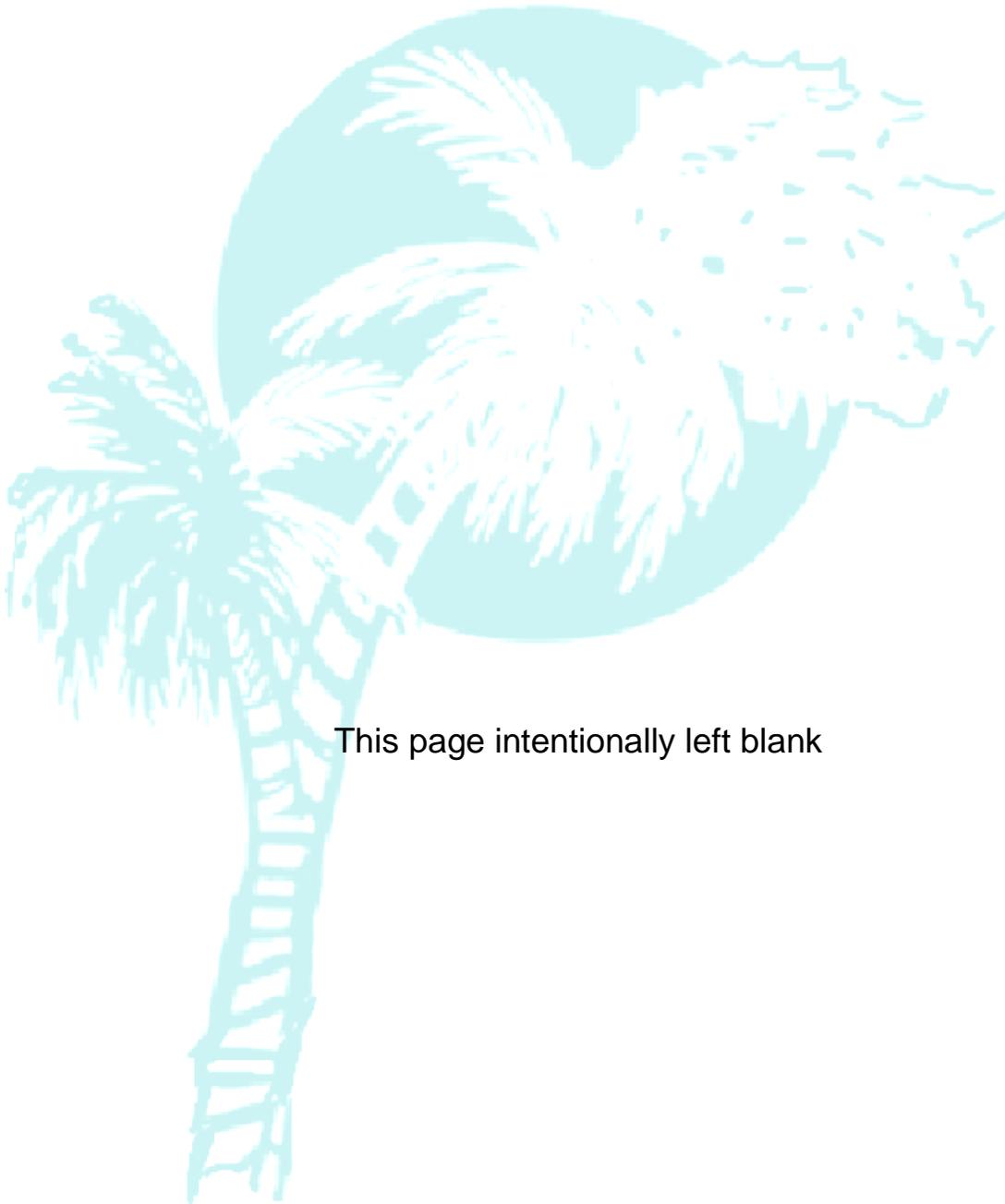
March 2, 2015  
Ocala, Florida

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## MANAGEMENT LETTER

Honorable Mayor and City Commissioners  
City of Deltona  
Deltona, Florida

### Report on the Financial Statements

We have audited the financial statements of the City of Deltona, Florida (the City) as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 2, 2015.

### Auditors' Responsibility

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; Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*.

### Other Reports and Schedule

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 Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for each Major Federal Program and State Project and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, Independent Auditors' Report on Compliance with Section 218.415, Florida Statutes, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 2, 2015, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, 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, 2014 for this information).

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Honorable Mayor and City Commissioners  
City of Deltona  
Deltona, Florida

**MANAGEMENT LETTER**  
*(Concluded)*

**Financial Condition**

Section 10.554(1)(i)5.a., *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the City 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *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.

**Annual Financial Report**

Section 10.554(1)(i)5.b., *Rules of the Auditor General*, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

**Other Matters**

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. Current year findings are included in the management letter comments as reference numbers 2014-1 through 2014-5.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

**Purpose of this Letter**

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 2, 2015  
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, 2014, 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 2, 2015, on the basic financial statements of the City.

Our comments are summarized as follows:

### **Current Year Recommendations**

#### **2014-1—Process of Approving Journal Entries in a Timely Manner**

During our review of journal entries, we noted that journal entries made by Deltona Water are entered and posted to the general ledger by a single individual prior to being approved by the Finance Department. The Finance Department has indicated that backup documentation of all journal entries are supposed to be sent to the Finance Department for review and approval as soon as possible after posting. However, there appears to be no formally documented journal entry policy and procedures that describe the process and procedures that journal entries are required to go through, including documentation, review, and approval.

A lack of timely review of journal entries creates a segregation of incompatible duties at Deltona Water. Poorly segregated duties and ineffective detection controls could result in errors or irregularities that will not be prevented or detected on a timely basis.

Management is aware of this issue and mentioned that they were considering an automated journal entry workflow process that would allow for journal entries to be reviewed and approved in a timelier manner. We recommend that all journal entries from Deltona Water be reviewed and approved by a member of the Finance Department prior to posting or as soon as possible thereafter. Additionally, we recommend that management formally document journal entry policy and procedures that describe the process and procedures that journal entries are required to go through, including documentation, review, and approval and communicate the policy and procedure to all employees with access to make journal entries.

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Honorable Mayor and City Commissioners  
City of Deltona  
Deltona, Florida

**MANAGEMENT LETTER COMMENTS**  
*(Continued)*

**Current Year Recommendations** *(Continued)*

**2014-2—Reimbursement Grant Accounting and Reporting**

The City is the beneficiary of many federal and state grants that benefit the City in many ways. A summary of which can be found in the City's Schedule of Expenditures of Federal Awards and State Financial Assistance (SEFA) for which we have issued an unmodified "in relation to" audit opinion. All grants are required to have their expenditures and associated revenues reported in the City's financial statements, and most grants are subject to the Federal and State Single Audits for internal control and compliance testing and reporting as a part of the City's audit.

Most of the City's grants are administered centrally by the City's Grants Coordinator; however, Deltona Water/Public Works administer grants related to specific projects within their department. This dichotomy of decentralized management and monitoring with centralized accounting and financial reporting often creates communication issues between departments, grantors, and the accounting department over grant terms, extensions, reimbursement requests, project costs, compliance issues, and overall grant management. This presents risks that the City may not properly report grants in the City's financial statements, comply with grant agreements, or put in place proper internal controls over grants.

During our audit of grants, we noted the following isolated instances that are indicative of these risks. These instances were primarily due to communication issues between Deltona Water and Finance and Accounting Departments related to:

- When retainage on construction contracts is reported on the SEFA.
- When reimbursement revenue for retainage on construction contracts is recorded in the general ledger.
- Maintenance of a reconciliation of grant billing expenditures to accrual basis accounting expenditures.

We believe that improved communication between decentralized department grant administrators and accounting could improve the accounting and reporting.

We recommend that the City develop a process to improve communication between the departments grant administrators and accounting to ensure that all information is complete and accurate. A periodic review of grant accounts should be performed to improve the timeliness and accuracy of grant accounting and reporting.

**2014-3—Timely Capitalization of Construction in Progress of Depreciable Assets**

During our audit, we noted multiple completed projects totaling \$1,168,320 (\$806,360 of Public Works projects in Governmental Activities and \$361,960 for Deltona Water projects in Business-type Activities) that had not been reclassified from Construction In Progress to Depreciable Capital Assets timely. A journal entry was required to reclassify these projects in the financial statements.

Additionally, we noted multiple projects that started in previous years that had little to no current year activity, but remained in Construction in Progress as of September 30, 2014. Management determined that these projects would not be completed and wrote off the project costs totaling \$552,076 (\$478,576 of Public Works projects in Governmental Activities and \$73,500 for Deltona Water projects in Business-type Activities).

Although the City appears to have some procedures in place to ensure that completed projects are transferred to the capital assets or that projects that will not be completed are written-off on a timely basis, we offer the following suggestions to strengthen the City's procedures:

Honorable Mayor and City Commissioners  
City of Deltona  
Deltona, Florida

**MANAGEMENT LETTER COMMENTS**  
*(Continued)*

**Current Year Recommendations** *(Continued)*

**2014-3—Timely Capitalization of Construction in Progress of Depreciable Assets** *(Concluded)*

- We recommend that the City clearly identify whether the Finance Department or Deltona Water/Public Works Department is responsible for deciding: 1) whether a Deltona Water/Public Works project is completed and capitalizable; and 2) whether a Deltona Water/Public Works project will not be completed and will be written off.
- We recommend that the City ensure that the employee or department that is tasked with the project capitalization/write-off decision, making sure authority has appropriate training and education to make the judgment calls that may be necessary.
- We recommend that City ensure that all departments involved in capital projects share information, as requested by the employees or department that is tasked with the capitalization/write-off decision making authority.

**2014-4—Fuel Management System**

During 2014, the City implemented a fuel management system (Fuel Master) administered by Deltona Water/Public Works, to track fuel purchased and pumped to/from the diesel and gas fuel tanks at Fire Station 65 and Public Works. As fuel is purchased, invoices are coded to the fuel inventory accounts in the accounting application (Munis) and recorded in the fuel management system.

Fuel pumped is tracked in the fuel management system. Each City vehicle is assigned a pro-key/card that is associated with the vehicle, and each vehicle is associated with a department within the fuel management system. Designated supervisors are assigned a spare pro-key/card (not assigned to a vehicle) to allow employees to pump gas to fill up the pumper truck, gas cans, lawn maintenance equipment, and other power tools for which fuel is required. Each employee is assigned a unique pin code which must be entered each time a pro-key/card is used. When an employee pumps gas for a City vehicle, they must also enter the vehicle's odometer reading. Usage is reviewed by Public Works/Utilities for reasonableness.

A monthly journal entry is prepared by the Deltona Water/Public Works Accountant based on transactions reported from the fuel management system to record the monthly fuel usage and allocate the expense amongst the departments.

There have been certain difficulties implementing the new system, for example, while closing the September 30, 2014 year-end, management discovered that the general ledger inventory account balances for the fuel were overstated by \$12,707 (\$2,887 attributable to the Public Works tanks and \$9,820 attributable to the Fire Station 65 tanks). At this time, management has been unable to determine reason(s) for these differences, and these differences were allocated to departments based on their usage of fuel.

Because of the difference described above and the fact that this inventory item (fuel) can be used for personal use, there is a risk that such usage is not currently being detected or that actual usage of fuel is not being properly allocated to departments. Additionally, because of system difficulties we noted that management has started to require that fuel pumped from the Fire Station 65 be manually logged.

Honorable Mayor and City Commissioners  
City of Deltona  
Deltona, Florida

**MANAGEMENT LETTER COMMENTS**  
*(Concluded)*

**Current Year Recommendations** *(Concluded)*

**2014-4—Fuel Management System** *(Concluded)*

Management is in the process of comparing these manual logs against the fuel management system transaction to determine if the fuel management system is recording all transactions.

We recommend that management continue to review its processes and procedures to ensure that both the general ledger and fuel management system are tracking all purchase and usage activities, by implementing a monthly reconciliation process.

**2014-5—Required Affordable Care Act Reporting to the Internal Revenue Service (IRS) in January 2016**

Beginning in 2016, the City (like other employers) will be required to provide Form 1095-C (*Employer-Provided Health Insurance Offer and Coverage*) to all employees by January 31<sup>st</sup> of each year and file these forms along with Form 1094-C (*Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns*) with the IRS by February 28<sup>th</sup> of each year. There are significant penalties for incomplete or late filing of these IRS forms. To be able to prepare and file these forms, monthly tracking of health care provided to employees and employees' covered spouses and dependents is required.

Although it is clear that all large employers will have to report such information, it appears to be unclear who is or will be responsible for tracking this information and preparing the forms. During our meeting with the City's Finance and Human Resources (HR) Departments, it appeared unclear whether the City or the City's insurance agent or insurance provider is or will be tracking the required information. Additionally, it was unclear whether the City's HR/Payroll application is or will be capable of tracking and/or reporting such information.

We recommend that the City work with their insurance agent and provider to determine who is or will be responsible for tracking the required information and who will be preparing the required forms. If the City is or will be responsible for tracking the information and preparing the required forms, the City will need to design and put in place processes and procedures to track such information to ensure that the information is tracked completely and accurately. Additionally, the City will need to consult with its software vendor to determine if the City's HR/Payroll application is capable of tracking and reporting such information.

*Purvis, Gray and Company, LLP*

March 2, 2015  
Ocala, Florida



# City of Deltona

## RESPONSES TO MANAGEMENT LETTER COMMENTS

Honorable Mayor and City Commissioners  
City of Deltona  
Deltona, Florida

### **Current Year Recommendations:**

#### **2014-1 – Process of Approving Journal Entries in a Timely Manner**

Finance is currently in the process of implementing additional internal controls in regards to approving and posting of journal entries. Currently, some staff members outside of Finance have system permission to enter and post journal entries which are then to be forwarded to Finance for final review, after having been posted. However, the current manual process is not working since journal entries and supporting documentation have not been received by Finance in a timely manner. Therefore, in order for Finance to be able to timely review journal entries, this access will be removed allowing for posting of all journal entries by Finance management personnel only, after appropriate review. The City's current financial system has a "work flow" process which will be implemented and will require all journal entries to pass through the "work flow" approval process before being posted.

#### **2014-2 – Reimbursement Grant Accounting and Reporting**

In combination with 2014-1 above, Finance will perform periodic meetings during the year with all appropriate grant accounting personnel including those not in the Finance Department. The purpose of these meetings will be to review in depth journal entries prepared up to that point as well as to determine any journal entries that need to be prepared.

#### **2014-3 – Timely Capitalization or Write-off of Construction in Progress**

Deltona Water/Public Works has the most relevant and intimate knowledge of the status of capital projects within their area so it is logical that they have primary responsibility for notifying Finance when a project is completed or when a given project has become such that it will not be completed and therefore should be written off. Finance in turn will be responsible for determining the proper accounting treatment and for recording the transaction in the accounting system.

### **DEPARTMENT OF FINANCE & INTERNAL SERVICES**

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**2014-3 – Timely Capitalization or Write-off of Construction in Progress (continued)**

Finance will attempt to facilitate periodic meetings during the year to enhance communication and coordination and identify these issues earlier in the accounting cycle.

**2014-4 – Fuel Management System**

The City has implemented the use of manual logs at both fueling locations to track all usage activities at the fueling sites. These transactions are then reconciled with the system transactions to ensure accuracy of recording by the software. This process will continue until management deems that all transactions are recording accurately for a minimum of 90 days. The system keys which open the physical cabinet have also been pulled from the sites so that the system cannot be placed into override without management's knowledge.

**2014-5 – Required Affordable Care Act Reporting to IRS in January 2016**

The City will work with the insurance agent and once a new City Manager and Human Resources Director are on board this issue will be addressed.

March 10, 2014  
Deltona, FL