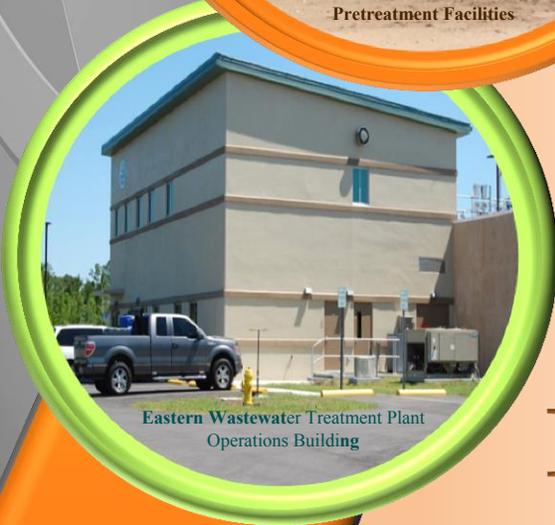
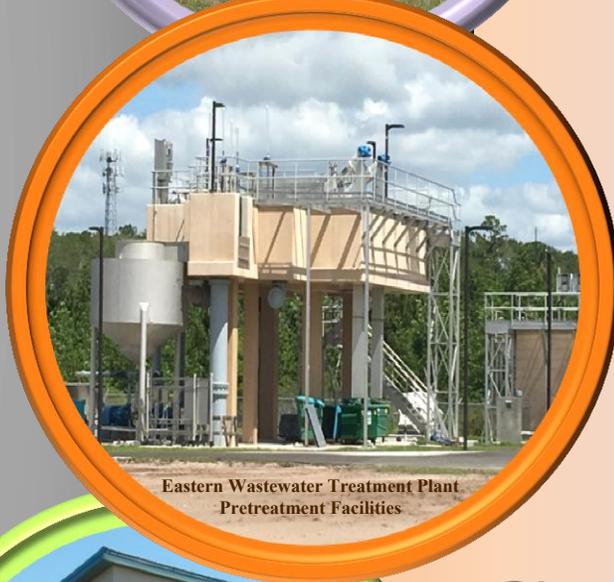


City of Deltona, Florida



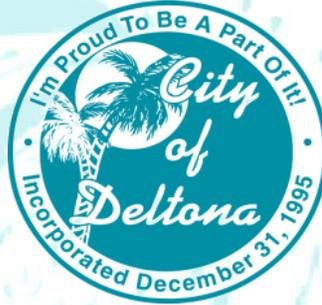
Comprehensive Annual

Financial Report

for the fiscal year ended September 30, 2015

City of Deltona, Florida

Building Deltona's Future Through Continued Efficiencies and Effectiveness

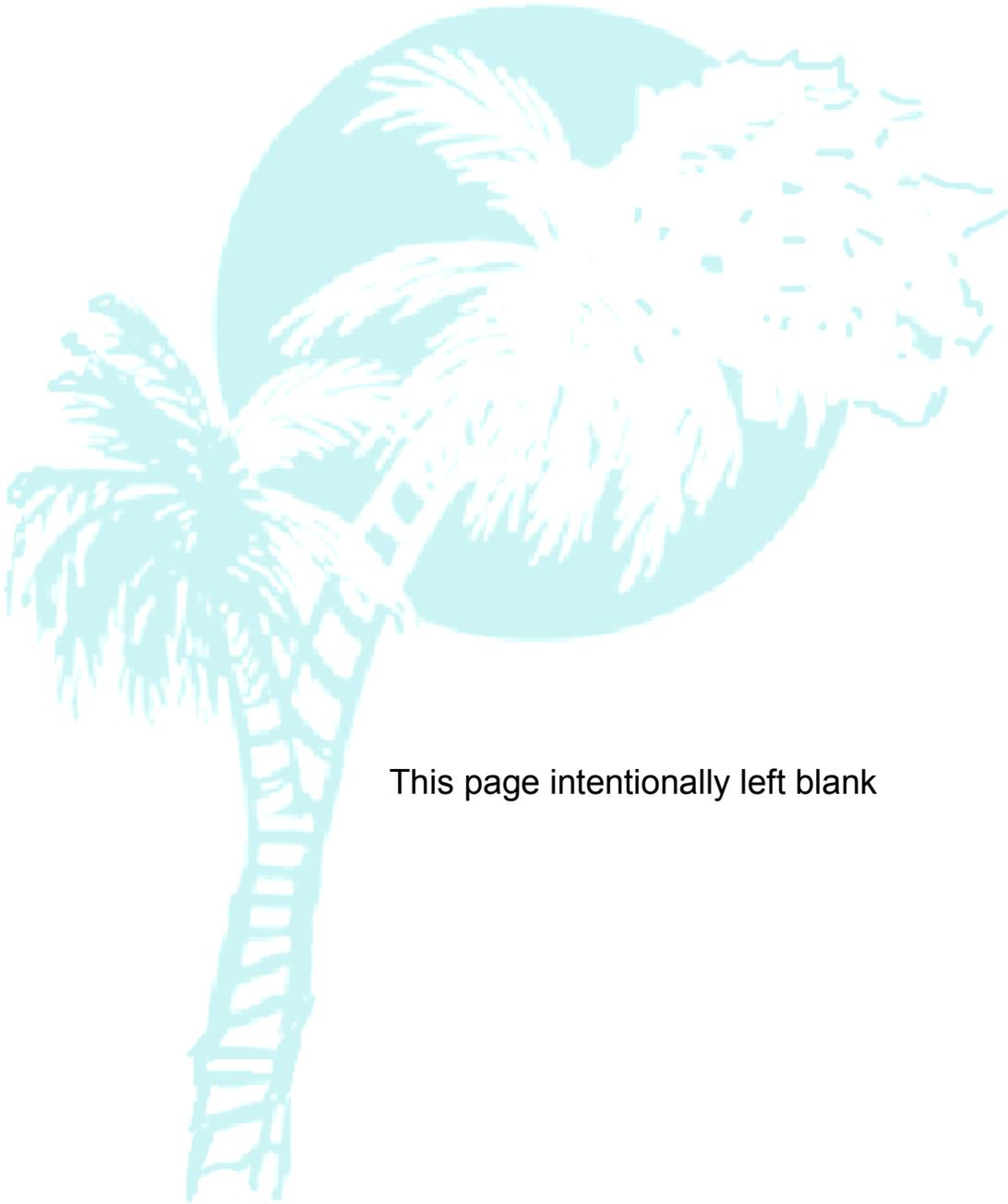


Comprehensive Annual Financial Report

For the year ended
September 30, 2015

Prepared By:
Finance Department

Submitted By:
Jane K. Shang
City Manager



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CITY OF DELTONA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Table of Contents

Introductory Section

Letter of Transmittal	i
Certificate of Achievement	xiii
Organizational Chart	xiv
Elected Officials	xv
Other Officials	xvi

Financial Section

Independent Auditors' Report	1
Management's Discussion and Analysis	4

Basic Financial Statements

Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – All Governmental Funds	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Funds.....	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.....	24
Statement of Net Position – Proprietary Funds	25
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	27
Statement of Cash Flows – Proprietary Funds.....	28
Statement of Fiduciary Net Position – Pension Trust Funds	30
Statement of Changes in Fiduciary Net Position – Pension Trust Funds.....	31
Notes to Financial Statements	32

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund	77
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Stormwater Utility Fund.....	78
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Solid Waste Fund	79

CITY OF DELTONA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Table of Contents
(Continued)

Required Supplementary Information (Concluded)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Transportation Fund	80
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Neighborhood Stabilization Program Fund	81
Schedules of Funding Progress and Contributions from Employer and Others	82
Schedules of Changes in Net Position Liability and Related Ratios	83
Schedules of Contributions and Investments Returns	84
Schedules of Proportionate Share of Net Pension Liability	86
Notes to the Required Supplementary Information	87

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects – Municipal Complex(s) Fund	93
Combining Balance Sheet – Nonmajor Governmental Funds	94
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	95
Schedule of Revenues and Expenditures – Budget and Actual Fire/Rescue Service Impact Fees Fund	96
Schedule of Revenues and Expenditures – Budget and Actual State Housing Initiative Partnership	97
Schedule of Revenues and Expenditures – Budget and Actual Community Development Block Grant Fund	98
Schedule of Revenues and Expenditures – Budget and Actual Streetlighting Districts Fund	99
Schedule of Revenues and Expenditures – Budget and Actual Park Impact Fees Fund	100
Schedule of Revenues and Expenditures – Budget and Actual Tree Replacement Fees Fund	101
Schedule of Revenues and Expenditures – Budget and Actual Law Enforcement Impact Fees Fund	102
Schedule of Revenues and Expenditures – Budget and Actual Transportation Impact Fees Fund	103
Schedule of Revenues and Expenditures – Budget and Actual Capital Projects – Park Projects Fund	104
Notes to the Supplemental Information	105

Statistical Section (Unaudited)

Financial Trends:

Net Position by Component	110
Changes in Net Position	112
Fund Balances of Governmental Funds	116

CITY OF DELTONA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Table of Contents
(Concluded)

Financial Trends: (Concluded)

Changes in Fund Balances of Governmental Funds..... 118
Tax Revenues by Source, Governmental Funds 120

Revenue Capacity:

Assessed and Estimated Actual Value of Taxable Property 121
Direct and Overlapping Property Tax Rates 122
Principal Taxpayers..... 123
Property Tax Levies and Collections 124

Debt Capacity:

Ratios of Outstanding Debt by Type 125
Direct and Overlapping Governmental Activities Debt 126
Pledged-Revenue Coverage 127

Demographic and Economic Information:

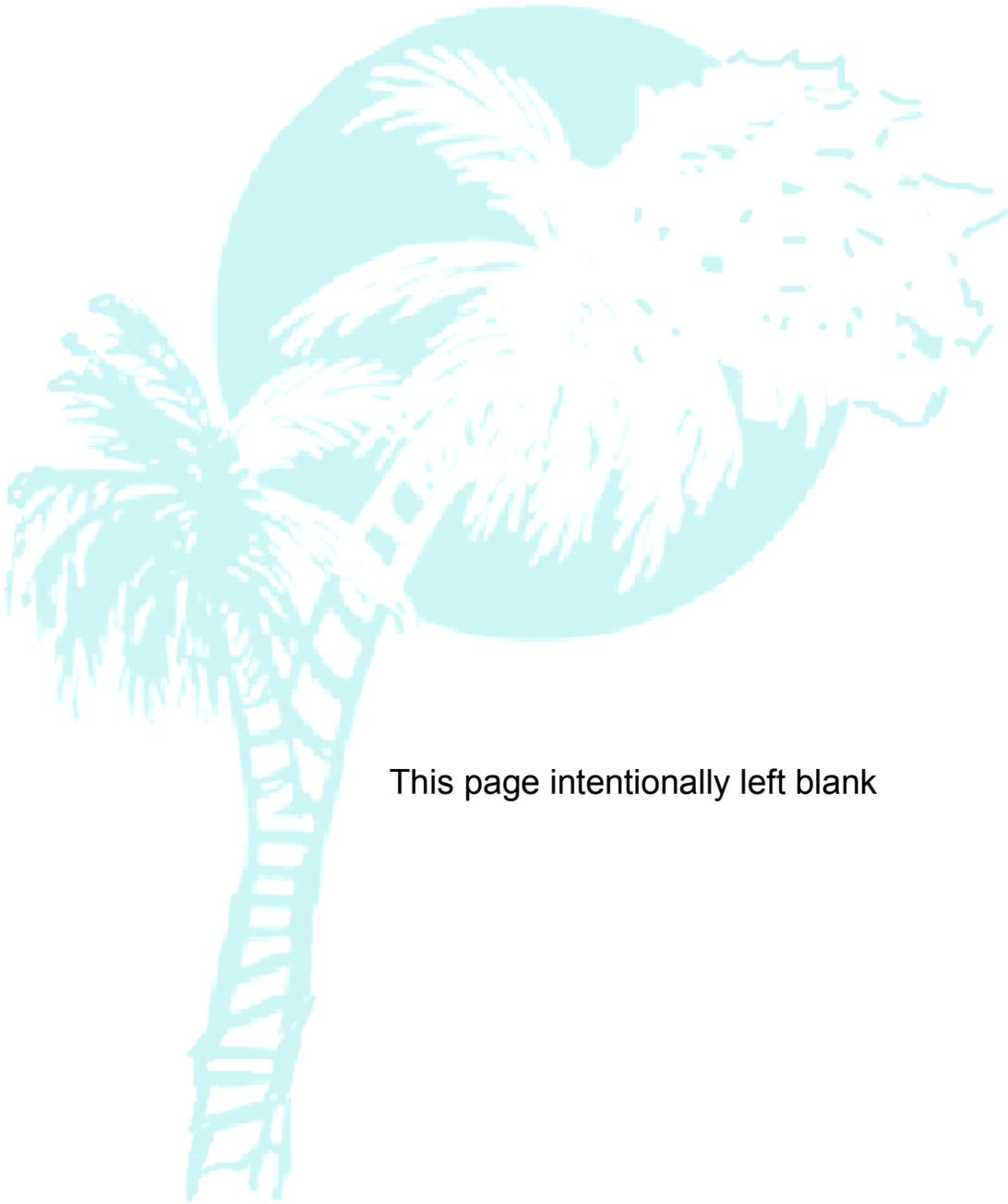
Demographic and Economic Statistics..... 129

Operating Information:

Full-time Equivalent City Government Employees by Function/Program 132
Various Indicators by Function/Program 134
Water Sold by Type of Customer 135
Wastewater Sold by Type of Customer 136
Principal Employers 137

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 140
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*..... 141
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..... 143
Schedule of Findings and Questioned Costs – Federal Award Programs..... 145
Independent Auditors' Report on Compliance with Section 218.415..... 147
Management Letter..... 149
Management Letter Comments 151
Responses to Management Letter Comments 153



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City of Deltona

May 12, 2016

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, 2015. The Comprehensive Annual Financial Report (CAFR) of the City of Deltona, for the fiscal year ended September 30, 2015, 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, 2015. The independent auditors' report is located at the front of the Financial Section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

DEPARTMENT OF FINANCE & INTERNAL SERVICES

2345 Providence Boulevard, Deltona, Florida 32725

(386) 878-8100 • Fax (386) 878-8551

Webpage: www.deltonafl.gov

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 87,497. The City started as a planned community by the Deltona Corporation in 1962 and was incorporated on December 31, 1995. The unhurried lifestyle, combined with its location, has made the City an ideal choice for living the affordable Florida lifestyle. In general, the population of the City is becoming younger and more diversified in ethnicity.

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



St. Johns River tourists, about 1890

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

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

Southwest Volusia remained quiet from the turn of the century until 1962 when the Mackle Brothers – Elliott, Robert and Frank, Jr. - bought 17,203 acres, filed a planned unit development plan for a community of 35,143 lots and named the area Deltona. The community was based



on the idea of a retirement community for Northern workers. Construction started almost immediately and the first Deltonans took up residence in April of 1963. By the end of 1963, Deltona 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.

The Mackle Brothers

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

Letter of Transmittal

to incorporate as the City of Deltona in 1995. A seven member Commission was elected. 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 320 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

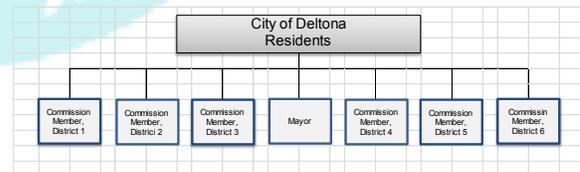
The City of Deltona operates under a Commission-Manager form of government consisting of a seven member Commission. Residents elect, through non-partisan elections, a Mayor who represents the City at large and six Commissioners who each represent a specific district of the City.



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.

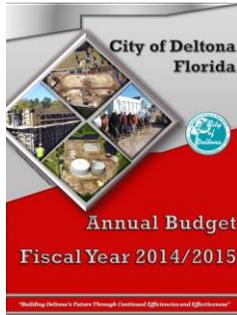


The City of Deltona provides a full range of services including law enforcement and fire/rescue protection, solid waste management, storm water management, water and sewer service, construction and maintenance of road and street facilities, planning and development services, recreational and cultural 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), Component units are legally separate entities for which a city is financially accountable. Currently, there are no entities outside the primary government that meet the definition of a component unit of the City of Deltona and

therefore, none are presented in this financial report.

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

Local economy

The City 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,

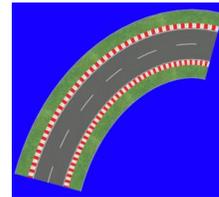


FY 2015/2016 is becoming a year of growth and development. For vacant land, master planned residential projects that were dormant in past years have been

brought forward. Lake Baton Estates is rapidly being built-out, Fernanda Landings added land for a total of ±142-acres to construct 284 homes. Arbor Ridge Phase 5 will be starting construction. These and continual construction of residential homes on Deltona Lakes platted lots will 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. As of 2015, the City has increased its population to 87,497, which is over a 2.5% increase from the 2010 U.S. Census population of 85,182. This added population growth has resulted in a growing desire of residents to have employment, shopping, recreational facilities, and educational facilities in close proximity to their homes.

As the City physically grows, the demand for reduced drive times to off-set increased traffic volumes, with improved public facilities is a direct result of the growth. In response, FDOT has invested over \$110-million in the expansion of SR 415 along the



City's eastern side to create a four-lane roadway. Volusia County is investing in the widening of Howland Blvd. to four-lanes from Courtland Blvd. to SR 415 and has placed the segment of Howland Blvd. between Providence Blvd. and Elkcam Blvd. on the Long Range Transportation Plan for widening. The City is investing over \$25.5-million in the Eastern Wastewater Reclamation Facility, Phase I of which was opened in 2015.

Additionally, the City is in the process of obtaining Capital Improvement Bonds, Series 2016 in order to refinance the Transportation Capital Improvement Revenue Bonds, Series 2006 as well as to

Letter of Transmittal

obtain +/- \$16,000,000 in additional bond proceeds in order to fund a portion of the City's transportation needs. Funds will be used for road reconstruction, widening, repaving, and sidewalk improvement projects. Some of the projects to be funded with the bond proceeds are improvements to Tivoli Drive, reconstruction of a segment of Normandy Boulevard, and adding a turn-lane at the intersection of Catalina Boulevard and Howland Boulevard. Sidewalks will be added to complete a minimum of one side along collector roads as well as additional areas near elementary schools.

The City is also moving forward with a myriad of stormwater management projects to accommodate population growth.

The City is also focused on the expansion of parks and recreation facilities to accommodate an increased youth population and their activities, the planning and construction of an over \$8-million Senior Community Center, the creation of a City Center, and the focus of Howland Blvd. as the commercial gateway to the City Center.

Along the Howland Blvd. corridor, land entitlements are changing from a less-intensive office orientation to a commercial-orientation. The construction of the EPIC Theaters, Dunkin Donuts, and Racetrac led to a new architectural standard along the corridor and a more modern building stock. This has stimulated the desire for more development within the Deltona Activity Center, with the closing on ±31-acres inside of the Halifax Crossings project for a Halifax Health multi-building project. Phase I of the project includes a ±20,000 SF building housing a variety of services and Phase II is a proposed regional hospital. With this economic engine being constructed, the area will become an

employment center resulting in ancillary-oriented uses, such as restaurants, shops, convenience stores, and offices. As is desired, multi-family residential development will also be constructed, so that a diverse housing program is available and adds to the convenience of the work force.

Central Florida Regional Hospital, a Hospital Corporation of America provider, has announced the development of a free-standing emergency room at the corner of Graves Avenue and Howland Boulevard.

As part of the development of the Deltona Activity Center area the Gold Choice Assisted Living Facility will be constructed to add to the existing long-term care facilities in Deltona. The facility will ultimately be accompanied by a self-storage complex that will also serve the 48 unit facility.

Florida Hospital Fish Memorial, an Adventist Hospital, developed and opened a 20,000 square foot medical office building at Saxon Boulevard and Sterling Silver Boulevard. This was a part of the overall development of a 44,000 square foot WalMart Neighborhood Market and the 14,500 square foot Shops of Saxon-Sterling, a retail strip. Medical and healthcare are becoming a major economic generator for the City and will attract additional businesses and services.



Halifax Health is also proposing a similar ±20,000 SF building within 2016/2017 to be constructed within the Bella Vista project at the east side of town. With the widened SR 415 and Howland Blvd., and the availability of sanitary sewer service through the new water reclamation facility, these commercial and civic developments can be constructed.

In addition to the above commercial projects, the FDOT is underway with the proposed widening of Saxon Blvd., the City has submitted for the Southwest Deltona Community Redevelopment Area (CRA). The City is also undertaking a major beautification project that includes more efficient trash removal, plantings at the City’s gateway signs with Interstate 4, planting within City and County roadway medians, plantings around lift-stations, stormwater management ponds, and City-owned lots, and receipt of a landscaping FDOT Bold Initiative Grant at the Howland Blvd. interchange.

Lastly, the City Commission approved a \$118,000 transfer from the Economic Development / Infrastructure reserve to the Water and Sewer Utility to fund a Saxon Sewer Study. This was for the design and permitting of Phase I of the Saxon Sewer Study which has a goal of establishing commercial sewer lines north of Saxon Blvd. and west of Normandy Blvd. in order to further the City’s goal of economic development. Design includes construction plans and an FDEP permit; additionally, City staff was able to secure a 15-ft. wide utility easement between Finland Drive and Apache Circle that will reduce the length of pipe needed to extend and serve any commercial uses that develop between Finland Drive and Normandy Blvd. The plans and permit create a project that is “shovel-ready” that now needs construction funds for the Phase I project to progress.

All of these efforts are designed to, and will, increase the tax base of Deltona beginning in 2016 and carrying over into subsequent years.

Long-term financial planning

Over the past few years, beginning in 2011, the City Commission has several Resolutions to establish certain fund

balance requirements. Currently, the City has the following fund balance reserves in place:

- Natural Disaster - \$ \$6,000,000
- Operating reserve equal to two (2) months of General Fund annual operating expenditures - \$5,407,000
- Combined Economic Development and Infrastructure Incentive - \$1,841,400
- Grants Match - \$500,000

These reserves will be discussed in the Managements’ Discussion and Analysis section presented later in this report.

As of September 30, 2015, the total fund balance of the General Fund was \$25,174,004. The City has designated certain portions of fund balance as Non-spendable, Restricted, Committed or Assigned with the balance being Unassigned and able to be used for any legal purpose. Of the total \$25,174,004 fund balance, \$14,992 is designated as non-spendable in the form of inventory, \$40,936 is designated as committed for wetland mitigation and \$16,136,340 is designated as assigned. \$8,981,736 is unassigned and may be used for any legal general purpose.

Relevant financial policies

Effective September 30, 2014, the City implemented GASB Statement No. 67 “Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 25.” Effective September 30, 2015, the City implemented GASB Statement No. 68 “Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.” Both of these Statements address estimates of the liability regarding City



sponsored pensions that the City is required to disclose.

As of September 30, 2015 the estimated total of the City's net pension liability for the Firefighters' Pension Plan is \$7,601,446 which equates to a plan that is 73.6% funded. The estimated total of the City's net pension liability for those employees participating in the Florida Retirement System (FRS) is \$5,270,200. This FRS figure is comprised of two components: FRS and HIS. The FRS piece is the actual pension benefit and the HIS piece is the Health Insurance Subsidy benefit. The City's estimated net pension liability for FRS is \$2,801,727 and represents a plan that is 92% funded; the City's estimated net pension liability for HIS is \$2,468,473 and represents a plan that is 0.50% funded.

Major initiatives

In FY 2014/2015 the City implemented a Foreclosure Registration Fee program. This has become a new source of much needed revenue resulting in fees of \$503,200 in FY 2014/2015.

In favor of the City, there has not been any State legislation recently passed that has had any significant impact on City revenues. The City continues to closely monitor any potential changes at the State level that may affect the City.

Financial Outlook and Challenges

At long last, it appears that the economy is improving. Even so, the City plans to continue to monitor economic indicators in order to avoid any unexpected down turns. While the City will continue to face financial challenges well into the future, the outlook is much



brighter than it has been in the recent years. Staff was able to prepare a balanced budget for FY 2015/2016. As a result of holding the line on spending levels, the City's General Fund was able to appropriate \$500,000 towards an expanded sidewalk program as well as another \$500,000 towards much needed road resurfacing.

The pursuit of supplemental and alternative revenue sources for public projects took its first step with the hiring of a contract City grant writer. The intent is for the grant writer to focus on four predominantly grant areas – public facilities, transportation, beautification, and any other opportunity that enhances the City. Knowing the amount of time it takes to obtain grant sources, gain internal approval and grant matches, and writing the application, will be key factors in determining which grants to pursue.

Of grant fund pursuits, there is a focus on increased efforts with the River to Sea Transportation Planning Organization (TPO). The City has a presence on TPO boards and committees through elected officials, staff, and citizens. As the largest city within the TPO, there should be increased eligibility and expenditures towards City projects. The TPO has been funding sidewalks and feasibility studies in the City and will be partly funding the construction of the Lakeshore Loop Trail. The City submitted applications for improvements to Tivoli Drive, the Catalina/Howland Blvd. intersection, and additional sidewalk projects for this fiscal year. Staff was able to ensure that the ranking methodology was modified to include up to a ±33% grant match criteria and began adding a Comprehensive Plan Amendment to make Tivoli Drive eligible for grant funding.

Long Range Planning and Strategic Plan

Due to the City’s rapid growth, the City has recognized the need to identify community goals that galvanize and focus City efforts on both short-term and long-term planning horizons. As a result of this need, the City now has a Strategic Plan in place which provides a documented community vision to create common goals and objectives.



The purpose of this Strategic Plan was to identify targeted achievable goals for a horizon within five years. The Strategic Plan will be a reference tool for all staff of the City as achievement of these goals is obtained and being achieved.

The Strategic Plan will also be used to create an Economic Development Element within the City’s Comprehensive Plan to expand the ten year planning horizon into a longer-range vision.

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.

Deltona has begun a beautification movement to transform its image. The goal of this transformation is to stimulate economic development, job creation and a sense of community.



The movement consists of cleaning up the garbage throughout the City and beautifying areas with additional landscaping. Code

Enforcement has been educating residents regarding appropriate trash disposal; thus reducing the unsightly image of trash filled rights-of-way visible to many residents. As part of this transformation, the City is undertaking a beautification effort with a common landscape design template to be used for City facilities, gateways signs, and stormwater and lift station locations, to name a few. Maintaining natural resources is especially important to Deltona and Florida-friendly plantings are included in the design template. With this transformation, people are encouraged to take more pride in their City, attract future development, and they will keep Deltona, “A City on the Move”.

Public Safety

During the 2015 fiscal year the Fire Department continued to improve safety issues that protect its firefighters and the general public. Phase three of the traffic

interruption system was completed by placing ten additional City intersections into the system. The Fire Department replaced the entire inventory of self-contained breathing apparatus (SCBA). This purchase equips the department with the latest tool that allows the firefighters to enter hazardous environments.



For the immediate future the Fire Department is exploring the reduction of the Insurance Services Organization (ISO) rating for the organization. Currently the department is rated a 4/9. Any reduction in rating has the potential of reducing residential and commercial insurance premiums within the City. Additionally the department is looking to continue with its capital equipment replacement program. Currently the department is experiencing an increase in the request for services for EMS transport to area hospitals. This request has placed an extra burden on the current EMS transport fleet (rescues and associated equipment). An aggressive maintenance and, if necessary, replacement program will allow the department to maintain a high level of pre-hospital EMS care for the immediate future.

The Volusia County Sheriff's Office (VCSO) continues to provide contract law enforcement services for the City. Such an



arrangement allows the City to benefit from access to trained personnel in highly specialized units that otherwise would be cost prohibitive to the City.

These specialized units include: Major Case Unit, Range Unit, Dive Team, Marine Unit, SWAT Team, Bomb Unit, Aviation Unit, Crime Scene Unit, Career Criminal Unit, Crime Analysis Unit, Sec Crimes Unit, Auto Theft Unit, Crime Suppression Unit and Homeland Security Unit.

During the last year, commercial burglaries were down 11% from 2013 to 2014. Five arrests were made regarding an Organized Retail Theft Ring which resulted in \$312,000 of stolen property and proceeds being seized. Thirteen arrests were made regarding a Serial Robbery Ring which resulted in closing eighteen commercial robbery cases.

Streets and Roads

The demand, and resulting deterioration, of the City's roadways continues to increase. In the FY 2014/2015 budget, the City appropriated \$1.8 million to continue road widening projects already in progress.



Additionally, in FY 2014/2015 the City's General Fund transferred \$500,000 towards road resurfacing projects

so that the City's road resurfacing program could continue.

When proceeds are received from the Series 2016 bond issue, as discussed previously, streets and roads projects will move forward in two phases. Phase I will consist of milling and repaving several roadways, intersection improvements, road resurfacing and additional sidewalks. As Phase I begins, Phase II discussions and planning will begin. All the while, the City will continue to pursue grants to assist with this endeavor.

Information Technology (IT) Advances

During FY 2014/2015 the IT Department significantly reduced its' operating expenses which, in turn, affects all City operations. With IT providing the project scope, equipment specifications, design and installation oversight of projects, the City has been able to deploy CCTV at all Fire facilities and several parks locations. Significant savings were realized by leveraging in-house IT talent instead of contracting for those services. This business model will be used to continue to secure more City facilities moving forward. Continued reduction of operating expenses is an on-going goal for the IT Department.

During the past year, the IT Department was instrumental in helping bring the new Eastern Wastewater Treatment Plant online, helping with equipment selection and network design, along with seamlessly introducing this new facility into the City's existing wide area network, allowing for not only SCADA operations but access to all City production platforms: voice / video / data.

Also during the year, the IT Department began a long-range program of installing a fiber ring in an effort to control the City's infrastructure costs and to reduce the City's dependence on outside vendors for network transport. The City now has the capacity to bring three City facilities online, with the eventual goal of connecting all City facilities. Ultimately, the final product of a City fiber ring would put the City on the edge of cutting technology and innovation. A City fiber ring would allow for wireless reading of water meters, a centralized CCTV video surveillance platform and access to traffic cameras if



the City were to decide to go in any of those directions.

The IT Department plans to coordinate with Public Works in order for conduit installation to become part of any road or infrastructure project moving forward, thereby reducing installation costs.

Parks and Recreation

Recreation programs are important to both the City and the residents of the City and provide a sense of public pride and cohesion to the City. Parks and Recreation services are often cited as one of the most important factors in surveys of desirable communities. The City continues to upgrade its sports facilities and programs. Some of these upgrades include; renovation of Little League baseball fields, adding sports field lighting, constructing a football and baseball field, and installation of video camera surveillance to decrease vandalism. Replacement of sports facility exterior lighting with more energy efficient LED concepts was installed in Wes Crile Park. We are in the process of replacing facility exterior lighting with more energy efficient LED concepts in more parks next year. Future development opportunities exist and a continuation to the City's trail network and construction of a potential sports field complex.



The Lakeshore Multi-purpose Trail has been designed and construction is anticipated to begin in the summer of 2016. The trail 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.



Another project nearing completion is the Lakeshore Loop Trail. The City was able to acquire the Thornby Park site in conjunction with Volusia County; build an all-inclusive playground for children with disabilities, as well as for residents of all ages; preserve approximately 38-acres of environmentally constrained land along the beautiful Lake Monroe lakeshore; and connect a series of preservation lands with Volusia County from Audubon Park to the east and Gemini Springs to the west. With the construction of the recreational trail from Volusia County to link them together, the City is undertaking the Lakeshore Loop Trail as an additional recreational facility interconnected to the above listed parks/linear parks. This loop will provide a link between the lakeshore and the existing trail, while maximizing

partnerships with the River-to-Sea Transportation Planning Organization.

The Center at Deltona

The City is also going forward on a new Community Center that will become the focal point of a City Center in the future. An architectural firm was selected and the project approved by the City Commission to move to design then construction. The anticipated opening for the Center is at the end of 2017 and the proposed benefits to the City will be a place for the entire community to gather for all ages.

The facility will include a large assembly room with an elevated stage for events such as theater, concerts, weddings, graduations, banquets, proms, etc. The ±7,500 SF room can be subdivided for business conferences and smaller events, as well. The Center will have an arcade area dedicated to seniors with leasable space, a separate conference room, a billiards room, and two kitchens – one for the Council on Aging and the other for catering events. Also, an event lawn will be added adjacent to the assembly room to expand the potential to host events both indoor and outdoor, movie night, etc. The Center will enhance the community and offer a much needed venue for both local and regional events.



Although titled the Senior Community Center, there will be a gymnasium, assembly room, and features for youth alike. The facility will also attract outside users and be a revenue source, over time. The new Senior Community Center will become a showcase venue to make the City proud.

Awards and acknowledgements

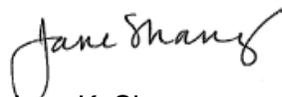
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Deltona, Florida, for its Comprehensive Annual Financial Report for the fiscal year ending September 30, 2014. The City has received this prestigious award every year since FY 1999/2000. 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. Staff believes this CAFR continues to meet the Certificate of Achievement Program's requirements and intends 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, 2015. 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 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,



Jane K. Shang
City Manager



Robert Clinger, CPA
Finance Director



Government Finance Officers Association

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

Presented to

**City of Deltona
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

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

Executive Director/CEO

ORGANIZATIONAL CHART



Citizens of Deltona

Elected Officials
 John C. Masiarczyk, Sr., Mayor
 Nancy Schleicher, District 4, Vice Mayor Mitch Honaker, District 1
 Diane J. Smith, District 2 Heidi Herzberg, District 3
 Brian Soukup, District 5 Chris Nabicht, District 6

Various Appointed Boards & Committees

City Clerk's Office
 Joyce Raftery, 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
 Vacant, Director

- Human Resources
- Risk management

City Manager
 Jane K. Shang

Deputy City Manager
 Dale Baker

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

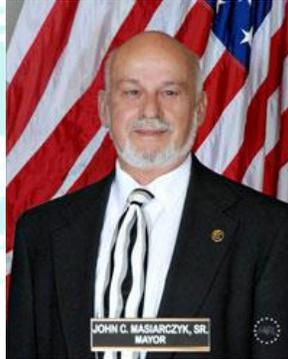
Law Enforcement
 Captain Erik Eagan
 District Commander

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, 2015**



John C. Masiarczyk
Mayor



Mitch Honaker
District 1



Diane J. Smith
District 2



Heidi Herzberg
District 3



Nancy Schleicher
Vice Mayor
District 4



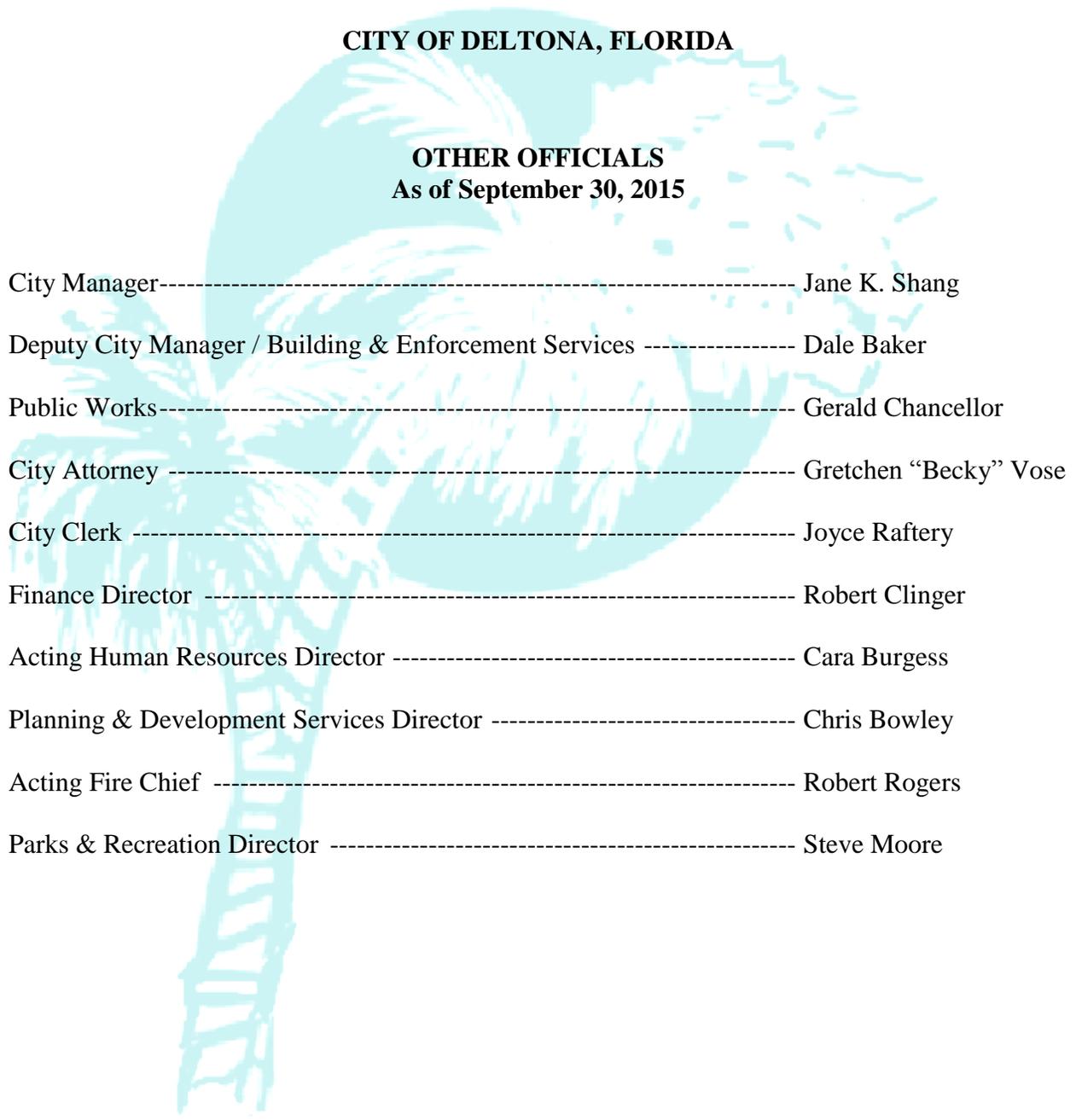
Brian Soukup
District 5



Chris Nabicht
District 6

CITY OF DELTONA, FLORIDA

**OTHER OFFICIALS
As of September 30, 2015**



City Manager-----	Jane K. Shang
Deputy City Manager / Building & Enforcement Services -----	Dale Baker
Public Works-----	Gerald Chancellor
City Attorney -----	Gretchen “Becky” Vose
City Clerk -----	Joyce Raftery
Finance Director -----	Robert Clinger
Acting Human Resources Director -----	Cara Burgess
Planning & Development Services Director -----	Chris Bowley
Acting Fire Chief -----	Robert Rogers
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, 2015, 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, 2015, 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.

Adoption of New Accounting Standards

As discussed in notes to the financial statements, for the year ended September 30, 2015, the City adopted new accounting guidance as follows:

- Government Account Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions an Amendment of GASB Statement No. 27*. The effect of this implementation is to add the Net Pension Liability associated with each of the City's two defined benefit pension plans to the City's Statements of Net Position (see note IV E).

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 management's discussion and analysis, major fund budgetary comparisons information, and schedule of funding 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.

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Matters (Concluded)

Other Information (Concluded)

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.

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 May 12, 2016, 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.

Durvis, Gray and Company, LLP

May 12, 2016
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, 2015. 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-xii.

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 \$151.2 million. Of this amount, \$25.7 million (*unrestricted net assets*) may be used to meet any general obligation of the City.
- The City's total net position increased by \$3.7 million, or about 2.5%.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33.5 million, an increase of approximately \$1.2 million, or 3.8%, over the prior year. Approximately 27% 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 \$9.0 million or 28% 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.

It is important to note that the City has recently implemented GASB Statement No. 67 (September 3, 2014) and GASB Statement No. 68 (September 30, 2015) which affects the accounting and financial reporting for pensions and requires reporting the City's net pension liability on the *Statement of Net Position*. As a result, the City must now report the total net pension liability for all City sponsored pension plans.

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 19-20 of this report.

Fund financial statements

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

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. This type of

information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. The Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances for the governmental funds both provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

Proprietary funds

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

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

Fiduciary funds

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

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

Notes to the financial statements

The Notes to the Financial Statements provide additional information that is needed in order to obtain a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 32-73 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 75-89 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 91-104 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 \$151.2 million at the close of the fiscal year reported.

By far, the largest portion of the City's net position (77.6%) 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

Management’s Discussion and Analysis

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.

As previously mentioned the City implemented GASB Statement No. 67 (September 3, 2014) and GASB Statement No. 68 (September 30, 2015) which requires reporting the City’s net pension liability on the *Statement of Net Position*.

The following chart below depicts the City’s total net pension liability for City sponsored defined benefit pension plans.

City of Deltona Total Net Pension Liability as of September 30, 2015		
	Florida Retirement System	
Firefighters' Pension	Pension	Health Ins. Subsidy
\$ 7,601,000	\$ 2,801,727	\$ 2,468,473
73.6%	92.0%	0.5%

City of Deltona’s Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 37,751,683	\$ 36,009,810	\$ 27,398,919	\$ 17,606,618	\$ 65,150,602	\$ 53,616,428
Capital assets, net of depreciation	122,731,408	125,689,059	123,754,881	96,460,765	246,486,289	222,149,824
Total assets	160,483,091	161,698,869	151,153,800	114,067,383	311,636,891	275,766,252
Deferred charges on refunding	-	-	13,406,866	14,154,654	13,406,866	14,154,654
Deferred amounts related to pension	2,582,127	727,768	314,392	195,607	2,896,519	923,375
Total deferred outflow of resources	2,582,127	727,768	13,721,258	14,350,261	16,303,385	15,078,029
Current and other liabilities	8,234,630	6,591,401	10,802,381	16,123,531	19,037,011	22,714,932
Long-term liabilities	28,513,284	27,770,381	127,723,173	90,276,489	156,236,457	118,046,870
Total liabilities	36,747,914	34,361,782	138,525,554	106,400,020	175,273,468	140,761,802
Deferred Amounts related to pension	1,325,739	2,158,827	149,176	435,042	1,474,915	2,593,869
Total deferred inflow of resources	1,325,739	2,158,827	149,176	435,042	1,474,915	2,593,869
Net Position						
Net investment in capital assets net of related debt	108,401,939	110,706,931	8,971,176	20,279,612	117,373,115	130,986,543
Restricted	5,663,458	6,189,970	2,440,000	2,135,000	8,103,458	8,324,970
Unrestricted	10,926,168	9,009,137	14,789,152	(832,030)	25,715,320	8,177,107
Total net position	\$ 124,991,565	\$ 125,906,038	\$ 26,200,328	\$ 21,582,582	\$ 151,191,893	\$ 147,488,620

A portion of the City’s total net position (5.4%) represents resources that are subject to restrictions on how they may be used. Only \$25.7 million or 17%, 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, restricted assets and unrestricted assets for both governmental activities and business-type activities.

Management’s Discussion and Analysis

Government-Wide Activities

Governmental activities decreased the City’s net position by \$.9 million while

business-type activities increased the City’s net position by \$4.6 million. Key elements of these changes are as follows:

City of Deltona’s Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for services	\$ 10,148,808	\$ 10,203,282	\$ 17,922,003	\$ 16,849,653	\$ 28,070,811	\$ 27,052,935
Operating grants and contributions	1,864,952	2,957,233	-	-	1,864,952	2,957,233
Capital grants and contributions	722,705	660,950	2,673,011	1,335,167	3,395,716	1,996,117
General Revenues:						
Property taxes	12,897,291	11,968,962	-	-	12,897,291	11,968,962
Franchise fees	3,773,535	3,794,039	-	-	3,773,535	3,794,039
Other taxes	13,905,383	13,591,523	-	-	13,905,383	13,591,523
State Shared Revenues	2,743,728	2,428,680	-	-	2,743,728	2,428,680
Other	1,083,965	712,791	205,130	(361,783)	1,289,095	351,008
Total Revenues	47,140,367	46,317,460	20,800,144	17,823,037	67,940,511	64,140,497
Expenses:						
Governmental Activities:						
General government	8,803,880	8,861,121	-	-	8,803,880	8,861,121
Public safety	19,275,384	18,739,948	-	-	19,275,384	18,739,948
Physical environment	9,886,113	9,371,600	-	-	9,886,113	9,371,600
Highways and Streets	5,250,591	5,854,936	-	-	5,250,591	5,854,936
Culture & recreation	3,187,936	2,460,610	-	-	3,187,936	2,460,610
Economic environment	779,135	1,287,852	-	-	779,135	1,287,852
Interest on long-term debt	871,801	918,193	-	-	871,801	918,193
Business-type Activities:						
Water and sewer	-	-	16,182,398	15,291,043	16,182,398	15,291,043
Total Expenses	48,054,840	47,494,260	16,182,398	15,291,043	64,237,238	62,785,303
Change in net position	(914,473)	(1,176,800)	4,617,746	2,531,994	3,703,273	1,355,194
Net position -beginning of year	125,906,038	138,760,534	21,582,582	20,098,333	147,488,620	158,858,867
Effect of GASB 68	-	(11,677,696)	-	(1,047,745)	-	(12,725,441)
Net position-end of year (1)	\$ 124,991,565	\$ 125,906,038	\$ 26,200,328	\$ 21,582,582	\$ 151,191,893	\$ 147,488,620

(1) 2014 Net Position is restated for the effect of GASB 68.

- In FY 2014/2015 charges for services in general government decreased by \$54,500 or (.5%). This decrease occurred primarily in Business Tax License Fees within General Government as businesses continue to struggle with the local economy.
- In FY 2014/2015 operating grants and contributions received by the City for general government decreased by \$1,092,281 36.9%, over the prior year. This increase is mostly attributable to the Neighborhood Stabilization Program (NSP) funds. As funding for these grants is being depleted and the grant close-out process begins, both of these funds (NSP I and NSP III) continue to experience a significant decline in activity.
- In FY 2014/2015 capital grants and contributions received by the City increased by almost \$62,000, or 9.3%, over the prior year. This increase is attributable to an increase in local option gas taxes received by the City.
- In FY 2014/2015 general revenues increased by \$1.5 million, or about 4.8%. This figure represents increases in almost all major general revenue categories. The largest increase was in property taxes, approximately \$928,000, as the Commission adopted the same millage rate which was more than the roll-back rate. The City experienced

Management’s Discussion and Analysis

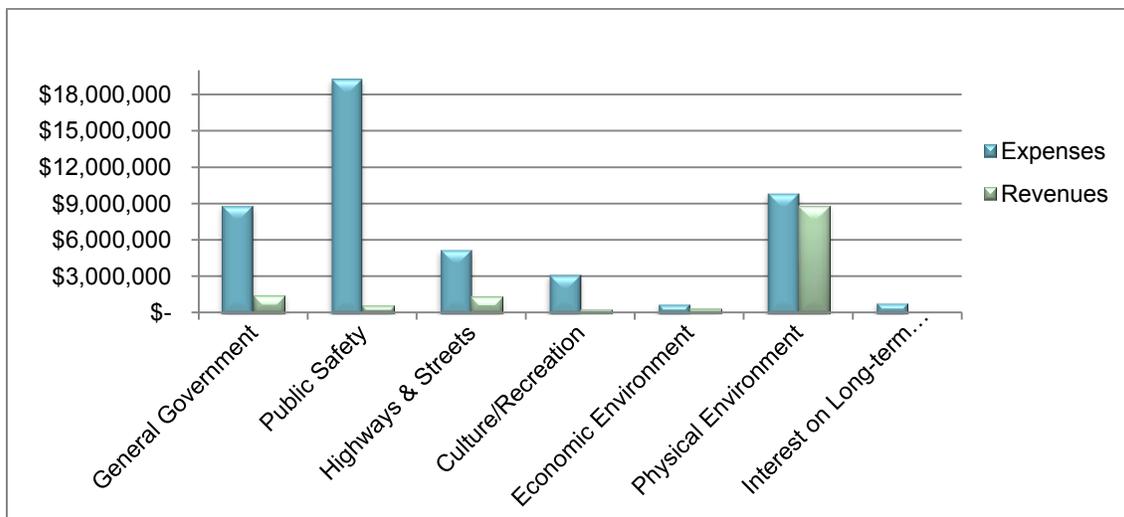
other significant increases in Sales Tax: \$293,000, State Shared Revenues: \$315,000 and Miscellaneous Revenue of \$501,000. All of the Miscellaneous Revenue increase is attributable to the adoption and implementation of the City’s Foreclosure Registration Fee program. Franchise Fees, Public Service Tax and Interest revenues all experienced slight declines over FY 2013/2014.

- Overall, Governmental Activities expenses experienced an increase of \$561,000, or 1.2%. There were significant swings both up and down; the largest increases were in Public Safety, Culture & Recreation and Physical Environment. The largest decreases were in Highways & Streets and Economic Environment.
- General Government expenses decreased by \$57,000, or 3.9%. This is quite an accomplishment given the ever increasing costs of those items the City has no control over such as insurance and inflation.

- Public Safety expenses increased by \$535,000 in FY 2014/2015, or 2.9%. Again, quite an accomplishment given ever increasing costs.
- Highways and Streets expenses decreased by \$604,000. This is attributable to the Transportation Bond proceeds being depleted and no current additional funding for capital projects.
- Culture and Recreation expenses increased by \$727,000 as improvements to many City parks are being made including lighting at major parks.
- Economic Environment experienced a decrease in expenses of \$509,000 over the prior year attributable to decreased activity in both of the NSP grant funds as they begin the close-out phase.
- Physical Environment experienced an increase in expenses of \$514,000 as the stormwater fund continues with capital projects.

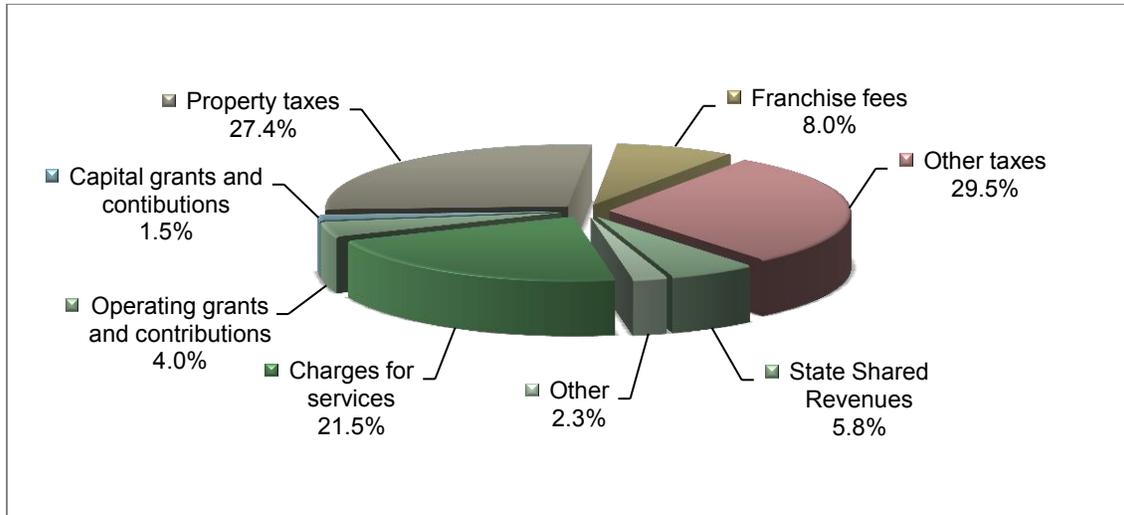
The following chart compares expenses with program revenues for the City’s governmental activities:

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 \$4.6 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 \$1.1 million, or 6.4%. This increase was anticipated given that the Enterprise Fund experiences a nominal annual rate increase.
- Capital grants and contributions increased by \$1.3 million. The City continues to work with the St. John’s

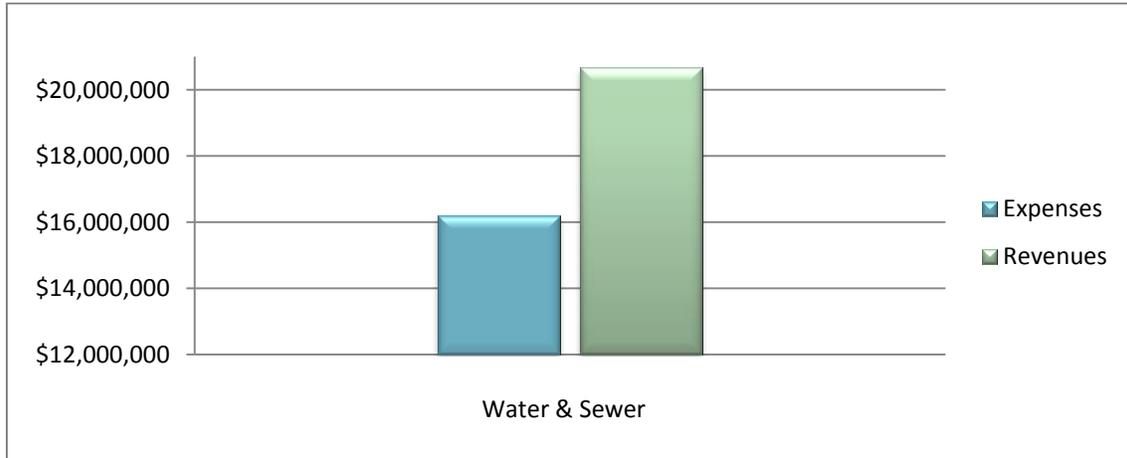
Water River Management District on several cost-sharing capital projects.

- Interest income increased by \$35,000 as the utility continues to invest unspent bond proceeds.
- Operating expenses increased by \$255,000, or 2.4% as staff was hired for the new Eastern Wastewater Treatment.
- Interest expense increased by \$636,000 as the utility incurred more debt during the year with the Series 2014 Bond Issue.

Management’s Discussion and Analysis

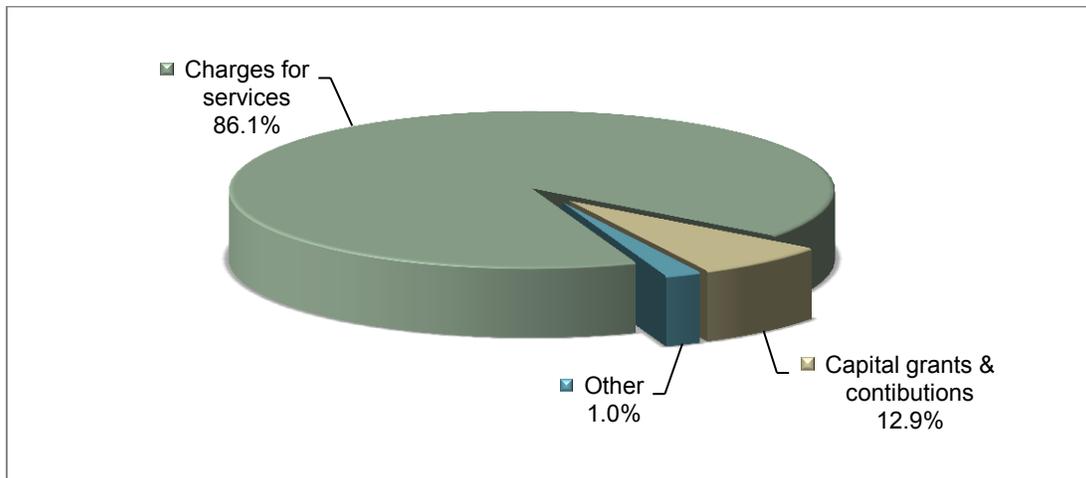
The following chart compares expenses with program revenues for the City’s business-type activities:

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 on any legal public purpose at the end of the fiscal year.

Management's Discussion and Analysis

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33,549,306, an increase of \$1.2 million, or 3.8% from the prior year. Approximately 26.8% of this amount, or \$9.0 million, constitutes *unassigned fund balance*, which is available for spending at the City's discretion for any legal purpose. This is \$1.3 million more than at the close of FY 2013/2014. 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.

The City's positive financial position over the last several years has allowed the Commission to be fiscally prudent by providing for the ability to establish the following reserves:

- Operating reserve equal to two (2) months of General Fund annual operating expenditures equal to \$5,407,000 as of September 30, 2015
- Natural Disaster reserve equal to \$6,000,000
- Economic Development Incentive and an Infrastructure Incentive reserve with a combined total of \$1,841,400 as of September 30, 2015
- Grants Match reserve in the amount of \$500,000 as of September 30, 2015

The use of any of these funds must be approved by the City Commission and, therefore, may decrease over time as some of them are one-time reserves.

The components of fund balance for all Governmental funds (not just the General Fund) as reported in accordance with GASB

Statement No. 54, are as follows: \$14,992 is *non-spendable*, \$5,757,645 is *restricted*, \$979,933 is *committed*, \$17,815,000 is *assigned*, and \$8,981,736 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 \$25,174,004 of which \$8,981,736 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 total fund balances represent 77.6% of total General Fund expenditures. The General Funds unassigned fund balance represents 27.7% of total General Fund expenditures.

The total fund balance of the City's General Fund increased by approximately \$1.4 million or 6.0%, during the current fiscal year. The key factors in this upward swing, compared to the prior year, are as follows:

- Compared to the prior year General Fund revenues increased by about \$1.9 million. Operating expenditures were \$1.47 million more than the prior year. While this would appear to be a significant increase, it was only a 4.7% increase overall with 61% of the total 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.
- General Fund capital expenditures experienced a minimal decrease of just over \$9,000. Roads and Streets increased \$453,000, the only category that did increase, as the City responds to the Commission directive for more sidewalks.

Management's Discussion and Analysis

- The General Fund changes in capital and operating expenses combined resulted in a net increase of \$1.5 million in all expenditures, or 4.7%.
- Transfers out of the General Fund were \$1.4 million more than in the prior year. The City transferred \$500,000 to the Transportation Fund for road resurfacing, \$750,000 to the Parks Projects Fund for lighting at several City parks and \$118,000 to the Water and Sewer Utility from the economic reserve for a sewer study.

Solid Waste Fund

The City's Solid Waste fund experienced a decrease in fund balance of \$119,000 which was anticipated. The City had previously adopted a solid waste rate which was intended to be in effect for three years but was able to maintain that rate for four years, thereby lowering fund balance.

Stormwater Utility Fund

The City's Stormwater fund experienced a decrease in fund balance of \$732,000. This decrease was anticipated as rates had not been reviewed in several years. In FY 2015/2016, the City implemented a stormwater rate increase as part of a long-term pay-as-you-go capital financing plan.

Capital expenditures in the Stormwater Fund decreased by \$584,000 as many projects were previously completed and new project start-ups were put on hold until a financing source was determined.

Transportation Fund

The City's Transportation fund experienced an increase in fund balance of \$188,000. This was entirely attributable to reduced capital outlay. Construction activity has slowed significantly as Series 2006 bond funds are depleted and there is no ability to

fund new projects without a new bond issue, or some other financing source, which is planned in FY 2015/2016.

Municipal Complex Fund

The City's Municipal Complex Fund experienced a decrease in fund balance of \$80,000. The City has begun a fiber optic initiative to install fiber to the City's remote sites whenever possible. Additionally, design and permitting costs were incurred in order to begin the City Hall Lobby Security project.

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 as of September 30, 2015 was \$14,789,000. This is up significantly from the prior year when the unrestricted net position was \$216,000.

This large increase in total assets of the utility was attributable to new projects that were completed and booked as assets. Additionally, there was a significant increase in cash due to the issuance of the Series 2014 Bonds. Total liabilities were increased by more than \$32.9 million as the utility took on more debt and recorded a \$1.194 million net pension liability under GASB 68.

General Fund Final Budgetary Highlights

Budgeted revenues and expenditures were amended during the fiscal year. Below reflects information for the final revised budget compared to what was actually received or expended.

- General Fund revenues were increased from the original budget during the year

due to realization of revenues higher than originally budgeted. Revenues were higher than the final budget by \$667,000. The largest components were State Revenue Sharing which came in \$228,000 over the final budget and Intergovernmental (mostly Sales Tax) revenue which came in at \$201,000 over the revised budget.

Both of these figures are provided by the State of Florida; the excess revenue was a pleasant surprise.

- General Fund operating expenditures were \$956,000 million under budget and capital outlay was under budget by \$380,000. Personal service costs were right at budget due to a budget amendment at year end.
- Operating expenses for General Government came in \$356,000, or 4.4%, under budget. There were two departments that primarily contributed to this: ITSD of which staff is continuously trying to reduce overall City IT operating costs and Planning and Development in which staff continues to bring more and more professional services in-house over the years.
- Public Safety (Police and Fire) came in right at budget with \$3,500 of unspent funds.
- Public Works (Highways & Streets) came in under budget by a total of \$484,000 for all divisions. The bulk of this was in Landscaping, Seed and Sod - \$352,000 under budget and Personal Services - \$46,000 under budget.
- Parks and Recreation came in under budget by \$113,000. While there were many line items over budget, there were also many line items under budget. The most significant under budget line items

were Landscaping, Seed and Sod - \$40,000, IT Allocated Costs - \$20,000, Personal Services - \$12,600, Fuel and Oil - \$10,900 and Repairs and Maintenance Building - \$10,600.

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 \$246.5 million (net of accumulated depreciation). This investment in capital assets includes land, construction-in-progress, buildings and improvements, machinery and equipment, and infrastructure (roads, right-of-ways, stormwater and water and wastewater utility). The total increase (additions less retirements and depreciation) in the City's investment in capital assets was \$24.4 million; an increase of 11%.

This represents a 2.3% decrease for governmental activities and a 28.3% increase for business-type activities as construction continues on several large utility projects including the Eastern Wastewater Treatment Plant.

More information regarding the City's debt can be found on pages 48-53 of this report.

The majority of capital asset expenditures occurred within the Water and Sewer Utility. The major capital asset expenditures of the utility during the current fiscal year included the following:

- New Eastern Wastewater Treatment Plant - \$14,993,000
- Doyle Road Reclaimed Main - \$2,684,000
- Reclaimed Pump & Ground Storage Tank - \$2,528,000
- Howland Boulevard Phase III Utility Relocation - \$2,332,000

Management’s Discussion and Analysis

- Water Treatment Plant Improvement Group B - \$2,191,000
 - Water Treatment Plant Improvement Group A - \$1,895,000
- Projects of note that were not in the utility are:
- Ft. Smith Section 4 widening - \$594,000
 - Various road resurfacing - \$491,000
 - Various sidewalks installations - \$369,000

City of Deltona’s Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	14,321,012	14,322,362	3,150,693	3,150,693	17,471,705	17,473,055
Infrastructure Right of Way	4,372,500	4,372,500	-	-	4,372,500	4,372,500
Construction in Progress	1,762,080	1,372,218	35,680,393	20,678,863	37,442,473	22,051,081
Capitalized Intangibles	-	-	361,959	361,959	361,959	361,959.00
Buildings & Improvements	73,663,153	72,056,757	3,320,320	3,320,319	76,983,473	75,377,076
Machinery & Equipment	22,720,668	21,660,344	16,373,158	16,124,838	39,093,826	37,785,182
Infrastructure	108,542,700	108,091,642	96,983,241	81,905,365	205,525,941	189,997,007
Total	225,382,113	221,875,823	155,869,764	125,542,037	381,251,877	347,417,860

Additional information on capital assets can be found in Note III C on pages 45-46 of this report.

Debt

At the end of the current fiscal year the par value of the City’s total bonded debt outstanding was \$112,820,000. This amount represents \$12,150,000 of Transportation revenue bonds and \$100,670,000 of Utility System revenue bonds, both secured by specified revenue sources.

In 2013 the City issued Utility System Refunding Revenue Bonds, Series 2013 in the principal amount of \$79,745,000. In 2014 the City issued Utility System Revenue Bonds, Series 2014 in the principal amount of \$22,215,000. Both bond issues are on 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 for both bonds.

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 Note is to be paid over a period of twenty years and 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 \$5,233,017.

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. The original scope of the loan was for the planning, design and pre-construction activities of the City’s Eastern Wastewater Treatment Plant. The loan has since been amended to include construction costs.

The loan balance as of September 30, 2015 was \$25,066,944. 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 \$913,476 beginning on June 15, 2016.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligations Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Bonds	12,150,000	12,980,000	100,670,000	79,745,000	112,820,000	92,725,000
Total Bonds	12,150,000	12,980,000	100,670,000	79,745,000	112,820,000	92,725,000
Loans Payable	5,233,017	5,484,541	-	-	5,233,017	5,484,541
FDEP State Revolving Loan	-	-	25,066,944	9,039,412	25,066,944	9,039,412
Total Bonds and Loans	\$ 17,383,017	\$ 18,464,541	\$ 125,736,944	\$ 88,784,412	\$ 143,119,961	\$ 107,248,953

Additional information on the City’s term debt can be found on pages 48-51 of this report.

The unemployment rate at the end of fiscal year 2015 for Volusia County was 5.7%. The following is a summary of the applicable unemployment rates for Volusia County, the State of Florida, and United States:

Economic Factors and Next Year’s Budget and Rates

Region Name	September 30, 2015	September 30, 2014
Volusia County	5.7%	6.7%
State of Florida	5.3%	6.2%
United States	5.3%	6.1%

For FY 2014/2015 the taxable value of the City’s real property, personal property and centrally assessed property, valued as of January 1, 2014, increased 7.9% over the previous year. For the following fiscal year FY 2015/2016, valued as of January 1, 2015, there was an increase in taxable value of 7%. The City’s population

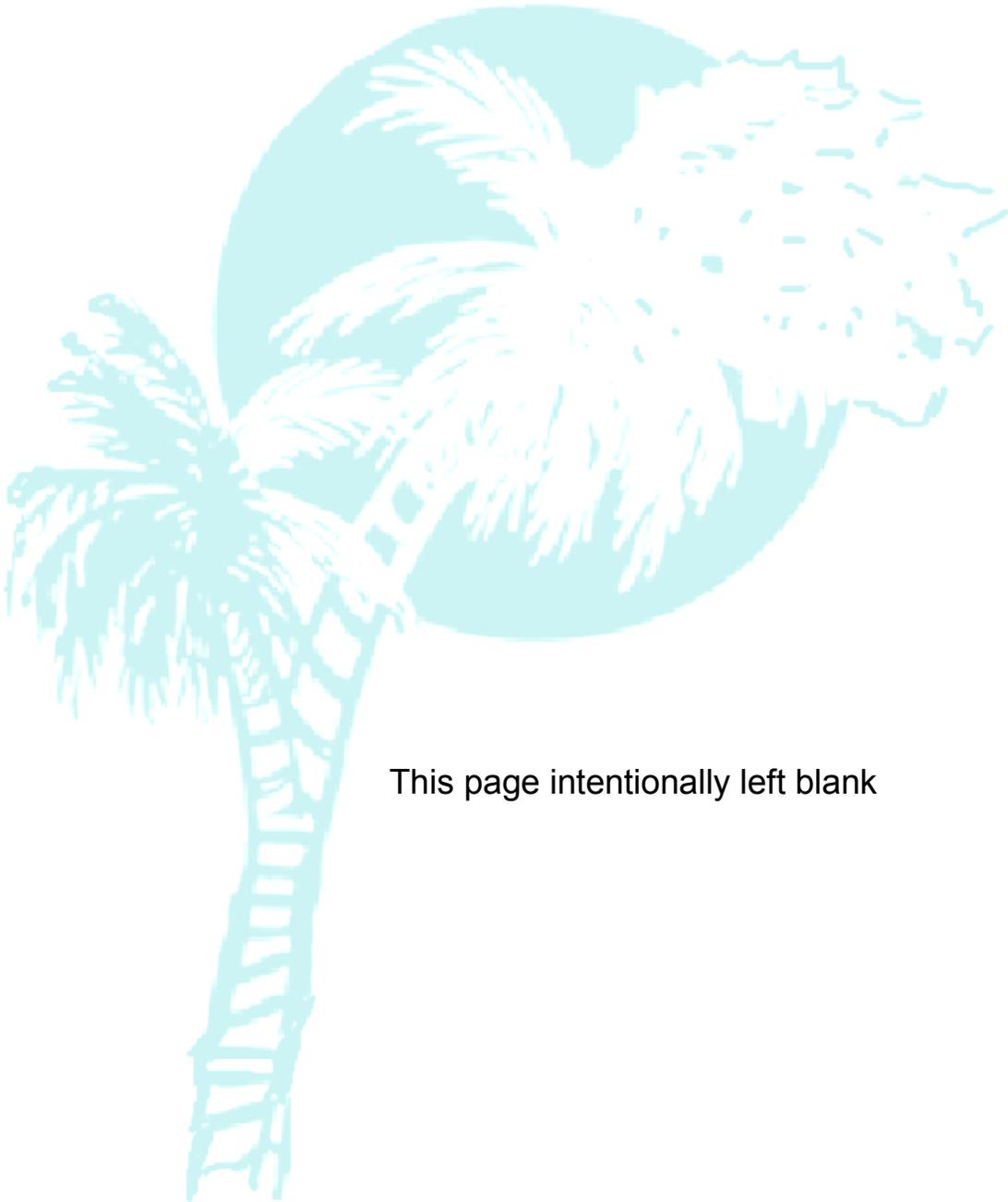
increased approximately 1.3% from 86,360 in 2014 to an estimated 87,497 in 2015.

During the FY 2014/2015 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 7.6% more than the roll-back rate of 7.425. 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 2015/2016 budget year.

Requests for Information

This report is designed to provide a general overview of the City of Deltona, Florida's finances. Questions concerning any of the information provided in this report or requests 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.



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Statement of Net Position
September 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 33,115,190	\$ 24,357,085	\$ 57,472,275
Cash with fiscal agent	121,452	-	121,452
Receivables (net)	1,621,226	1,872,046	3,493,272
Due from other governments	2,013,097	320,306	2,333,403
Inventory	803,992	528,743	1,332,735
Total current assets	<u>37,674,957</u>	<u>27,078,180</u>	<u>64,753,137</u>
Noncurrent assets:			
Other assets	76,726	320,739	397,465
Assets not being depreciated	20,455,593	38,831,085	59,286,678
Assets being depreciated	204,926,520	117,038,680	321,965,200
(Accumulated depreciation)	(102,650,705)	(32,114,884)	(134,765,589)
Total noncurrent assets	<u>122,808,134</u>	<u>124,075,620</u>	<u>246,883,754</u>
Total assets	<u>160,483,091</u>	<u>151,153,800</u>	<u>311,636,891</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on refunding	-	13,406,866	13,406,866
Deferred amounts related to pensions	2,582,127	314,392	2,896,519
Total deferred outflow of resources	<u>2,582,127</u>	<u>13,721,258</u>	<u>16,303,385</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,338,106	2,730,167	4,068,273
Accrued liabilities	1,359,870	2,522,425	3,882,295
Contracts/retainage payable	62,449	1,200,521	1,262,970
Deposits	100,733	1,930,063	2,030,796
Unearned revenue	584,672	-	584,672
Due within one year	4,788,800	2,419,205	7,208,005
Total current liabilities	<u>8,234,630</u>	<u>10,802,381</u>	<u>19,037,011</u>
Noncurrent liabilities:			
Due in more than one year	28,513,284	127,723,173	156,236,457
Total noncurrent liabilities	<u>28,513,284</u>	<u>127,723,173</u>	<u>156,236,457</u>
Total liabilities	<u>36,747,914</u>	<u>138,525,554</u>	<u>175,273,468</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to pensions	1,325,739	149,176	1,474,915
NET POSITION			
Net investment in capital assets	108,401,939	8,971,176	117,373,115
Restricted for:			
Culture and recreation	240,999	-	240,999
Physical environment	2,535,696	-	2,535,696
Public safety	114,337	-	114,337
Renewal and replacement	-	900,000	900,000
Road and street expenses	1,395,605	-	1,395,605
Debt service	1,376,821	1,540,000	2,916,821
Unrestricted	10,926,168	14,789,152	25,715,320
Total net position	<u>\$ 124,991,565</u>	<u>\$ 26,200,328</u>	<u>\$ 151,191,893</u>

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

Statement of Activities
For the Fiscal Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Service	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 8,803,880	\$ 1,361,612	\$ -	\$ 35,170	\$ (7,407,098)	\$ -	\$ (7,407,098)
Public Safety	19,275,384	73,901	454,779	55,013	(18,691,691)	-	(18,691,691)
Highways and streets	5,250,591	-	1,029,074	293,727	(3,927,790)	-	(3,927,790)
Culture and recreation	3,187,936	82,056	-	183,995	(2,921,885)	-	(2,921,885)
Economic environment	779,135	-	334,328	-	(444,807)	-	(444,807)
Physical environment	9,886,113	8,631,239	46,771	154,800	(1,053,303)	-	(1,053,303)
Interest on long-term debt	871,801	-	-	-	(871,801)	-	(871,801)
Total governmental activities	<u>48,054,840</u>	<u>10,148,808</u>	<u>1,864,952</u>	<u>722,705</u>	<u>(35,318,375)</u>	<u>-</u>	<u>(35,318,375)</u>
Business-type activities:							
Water and Sewer Utility Fund	16,182,398	17,922,003	-	2,673,012	-	4,412,617	4,412,617
Total business-type activities	<u>16,182,398</u>	<u>17,922,003</u>	<u>-</u>	<u>2,673,012</u>	<u>-</u>	<u>4,412,617</u>	<u>4,412,617</u>
Total primary government	<u>\$ 64,237,238</u>	<u>\$ 28,070,811</u>	<u>\$ 1,864,952</u>	<u>\$ 3,395,717</u>	<u>\$ (35,318,375)</u>	<u>\$ 4,412,617</u>	<u>\$ (30,905,758)</u>
General Revenues:							
Taxes:							
Property taxes					12,897,291	-	12,897,291
Franchise fees					3,773,535	-	3,773,535
Public service tax					7,313,495	-	7,313,495
Sales tax					4,430,466	-	4,430,466
Local option gas taxes					2,161,422	-	2,161,422
State shared revenues - non program specific					2,743,728	-	2,743,728
Investment income:							
Interest earnings					178,098	73,985	252,083
Miscellaneous					1,023,867	13,144	1,037,011
Transfers					(118,000)	118,000	-
Total general revenues, special items and transfers					<u>34,403,902</u>	<u>205,129</u>	<u>34,609,031</u>
Change in net position					(914,473)	4,617,746	3,703,273
Net position - beginning					<u>125,906,038</u>	<u>21,582,582</u>	<u>147,488,620</u>
Net position - ending					<u>\$ 124,991,565</u>	<u>\$ 26,200,328</u>	<u>\$ 151,191,893</u>

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

Balance Sheet
Governmental Funds
September 30, 2015

	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
ASSETS								
Cash and cash equivalents	\$ 23,509,504	\$ 2,190,509	\$ 988,269	\$ 1,268,052	\$ 156,690	\$ 1,716,289	\$ 1,799,876	\$ 31,629,189
Debt service reserve fund	-	-	-	1,486,000	-	-	-	1,486,000
Cash with fiscal agent	-	-	-	121,452	-	-	-	121,452
Receivables (net of allowance for uncollectibles)	1,605,258	-	-	-	-	-	-	1,605,258
Due from other funds	75,283	-	-	-	-	-	-	75,283
Due from other governments	1,564,985	-	-	354,003	-	-	94,110	2,013,098
Non-spendable prepaid items	14,992	-	-	-	-	-	-	14,992
Total assets	26,770,022	2,190,509	988,269	3,229,507	156,690	1,716,289	1,893,986	36,945,272
LIABILITIES								
Accounts payable	368,024	119,397	466,361	295,944	843	37,629	49,908	1,338,106
Accrued liabilities	1,197,311	46,938	4,087	2,354	-	-	-	1,250,690
Retainage payable	-	6,299	-	56,150	-	-	-	62,449
Due to other funds	-	-	-	-	-	-	59,316	59,316
Unearned revenues	-	-	-	-	155,847	-	428,825	584,672
Deposits	30,683	-	-	-	-	-	70,050	100,733
Total liabilities	1,596,018	172,634	470,448	354,448	156,690	37,629	608,099	3,395,966
FUND BALANCES								
Non-spendable:								
Pre-paid	14,992	-	-	-	-	-	-	14,992
Total pre-paid fund balance	14,992	-	-	-	-	-	-	14,992
Restricted:								
Public safety	-	-	-	-	-	-	99,346	99,346
Highways and streets	-	-	-	1,389,059	-	-	6,545	1,395,604
Culture and recreation	-	-	-	-	-	-	240,999	240,999
Physical environment	-	2,017,875	517,821	-	-	-	-	2,535,696
Debt service	-	-	-	1,486,000	-	-	-	1,486,000
Total restricted fund balance	-	2,017,875	517,821	2,875,059	-	-	346,890	5,757,645
Committed:								
Culture and recreation	-	-	-	-	-	-	483,295	483,295
Physical environment	40,936	-	-	-	-	-	455,702	496,638
Total committed fund balance	40,936	-	-	-	-	-	938,997	979,933
Assigned:								
Natural disasters	6,000,000	-	-	-	-	-	-	6,000,000
Operating reserve	5,407,000	-	-	-	-	-	-	5,407,000
Economic development	1,841,400	-	-	-	-	-	-	1,841,400
Grant match reserve	500,000	-	-	-	-	-	-	500,000
Capital outlay/projects	2,387,940	-	-	-	-	1,678,660	-	4,066,600
Total assigned fund balance	16,136,340	-	-	-	-	1,678,660	-	17,815,000
Unassigned:								
	8,981,736	-	-	-	-	-	-	8,981,736
Total fund balances	25,174,004	2,017,875	517,821	2,875,059	-	1,678,660	1,285,887	33,549,306
Total liabilities and fund balances	\$ 26,770,022	\$ 2,190,509	\$ 988,269	\$ 3,229,507	\$ 156,690	\$ 1,716,289	\$ 1,893,986	\$ 36,945,272

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

Reconciliation of the Balance Sheet of Governmental Funds

Reconciliation of Balance Sheet
To the Statement of Net Position
September 30, 2015

Fund balances of Governmental Funds		\$ 33,549,306
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of assets	225,382,113	
Accumulated depreciation	<u>(102,650,705)</u>	122,731,408
Long-term liabilities, including bonds payable, are not due and payable in the current period and, accordingly, are not reported in the current period and, accordingly are not reported in the Governmental Funds:		
Compensated Absences	(2,173,554)	
Other post employment benefits liability	(1,714,522)	
Net pension liability	(11,677,607)	
Bonds and loans payable	(17,383,017)	
Accrued interest Stormwater Loan	(109,179)	
Premium on bonds payable	(169,858)	
Bond and loan issue costs	76,726	
Unearned revenue - Debt Service Deposit Agreement	<u>(183,526)</u>	(33,334,537)
Deferred outflows and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the Governmental Funds:		
Deferred outflows related to pensions	2,582,127	
Deferred inflows related to pensions	(1,325,739)	1,256,388
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:		
Inventories - Investment in NSP housing		789,000
Net position of governmental activities		<u><u>\$ 124,991,565</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended September 30, 2015

	General Fund	Stormwater Utility Fund	Solid Waste Fund	Transportation Fund	Neighborhood Stabilization Grants	Capital Projects - Municipal Complex(es) Fund	Other Nonmajor Funds	Total Governmental Funds
REVENUES								
Property taxes	\$ 12,897,291	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,897,291
Franchise fees	3,773,535	-	-	-	-	-	-	3,773,535
Public service tax	7,313,495	-	-	-	-	-	-	7,313,495
State revenue sharing	3,658,848	-	-	-	-	-	-	3,658,848
Intergovernmental	4,893,093	45,894	-	2,161,422	34,523	-	393,231	7,528,163
Charges for services	2,020,769	2,927,628	5,696,376	-	-	-	135,779	10,780,552
Fines and forfeitures	276,842	-	-	-	-	-	-	276,842
Impact fees	-	-	-	-	-	-	398,924	398,924
Interest income	146,964	2,920	4,933	7,573	794	9,880	5,034	178,098
Miscellaneous	239,129	-	548	-	166,170	-	46,771	452,618
Total revenues	<u>35,219,966</u>	<u>2,976,442</u>	<u>5,701,857</u>	<u>2,168,995</u>	<u>201,487</u>	<u>9,880</u>	<u>979,739</u>	<u>47,258,366</u>
EXPENDITURES								
Operating:								
General government	7,813,527	-	-	-	105,015	-	105,392	8,023,934
Public safety	18,880,368	-	-	-	-	-	-	18,880,368
Highways and streets	1,764,376	-	-	116,093	-	-	137,813	2,018,282
Culture and recreation	2,314,768	-	-	-	-	-	-	2,314,768
Economic environment	-	-	-	-	96,472	-	90,388	186,860
Physical environment	-	2,153,692	5,821,233	-	-	-	97,711	8,072,636
Debt service:								
Interest	-	274,776	-	627,425	-	-	-	902,201
Principal retirement	-	251,524	-	830,000	-	-	-	1,081,524
Capital outlay:								
General government	391,445	-	-	-	-	89,456	-	480,901
Public safety	492,367	-	-	-	-	-	-	492,367
Highways and streets	605,513	-	-	1,183,328	-	-	-	1,788,841
Culture and recreation	173,598	-	-	-	-	-	454,445	628,043
Physical environment	-	1,028,713	-	-	-	-	-	1,028,713
Total expenditures	<u>32,435,962</u>	<u>3,708,705</u>	<u>5,821,233</u>	<u>2,756,846</u>	<u>201,487</u>	<u>89,456</u>	<u>885,749</u>	<u>45,899,438</u>
Excess (deficiency) of revenues over expenditures	<u>2,784,004</u>	<u>(732,263)</u>	<u>(119,376)</u>	<u>(587,851)</u>	<u>-</u>	<u>(79,576)</u>	<u>93,990</u>	<u>1,358,928</u>
OTHER FINANCING SOURCES (USES)								
Transfer(s) in	-	-	-	775,438	-	-	755,400	1,530,838
Transfer(s) out	(1,368,000)	-	-	-	-	-	(280,838)	(1,648,838)
Total other financing source (uses)	<u>(1,368,000)</u>	<u>-</u>	<u>-</u>	<u>775,438</u>	<u>-</u>	<u>-</u>	<u>474,562</u>	<u>(118,000)</u>
Net change in fund balances	1,416,004	(732,263)	(119,376)	187,587	-	(79,576)	568,552	1,240,928
Fund balances - beginning	23,758,000	2,750,138	637,197	2,687,472	-	1,758,236	717,335	32,308,378
Fund balances - ending	<u>\$ 25,174,004</u>	<u>\$ 2,017,875</u>	<u>\$ 517,821</u>	<u>\$ 2,875,059</u>	<u>\$ -</u>	<u>\$ 1,678,660</u>	<u>\$ 1,285,887</u>	<u>\$ 33,549,306</u>

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

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, 2015

Net change in fund balances of Governmental Funds	\$ 1,240,928
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital purchases as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This reconciling item is the amount by which depreciation expense of \$6,623,062 exceeded the total of capital purchases of \$3,756,597 less the book value of transfers and disposals of \$7,498.	(2,873,963)
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.	(591,000)
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	16,683
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	1,081,524
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	5,248
Increase in deferred outflow of resources - pension related	1,854,359
Increase in net pension liability	(2,382,570)
Decrease in deferred inflow of resources - pension related	833,087
Decrease in compensated absences	82,142
Increase in other post employment benefits	(189,381)
Change in net position of governmental activities	\$ (914,473)

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

Statement of Net Position
Proprietary Funds
September 30, 2015

	Business-Type Activities Water and Sewer Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 17,605,728
Restricted assets available for current liabilities	5,851,359
Receivables (net of allowance for uncollectibles)	1,872,046
Due from other governments	320,306
Inventory	528,743
Total current assets	<u>26,178,182</u>
Noncurrent assets;	
Restricted assets	
Sinking fund - Revenue bonds payable	3,921,294
Renewal and replacement account	900,000
Customer deposits	1,930,063
Less: current portion	(5,851,359)
Total restricted assets	<u>899,998</u>
Capital assets	
Capitalized intangible	361,960
Improvements other than buildings	96,983,242
Land	3,150,692
Buildings	3,320,320
Equipment	16,373,158
Construction in progress	35,680,393
(Accumulated depreciation)	(32,114,884)
Total capital assets - cost less depreciation	<u>123,754,881</u>
Prepaid bond insurance	320,739
Total noncurrent assets	<u>124,975,618</u>
Total assets	<u>151,153,800</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred charges on refunding	13,406,866
Deferred amounts related to pensions	314,392
Total deferred outflow of resources	<u>13,721,258</u>
Total assets and deferred outflow of resources	<u>\$ 164,875,058</u>

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

Statement of Net Position

Statement of Net Position
 Proprietary Funds
 September 30, 2015
 (Concluded)

	Business-Type Activities
	Water and Sewer Utility Fund
LIABILITIES	
Current liabilities payable from current assets:	
Accounts and retainages payable	\$ 3,930,688
Accrued expenses	141,129
FDEP State Revolving Fund loan - current portion	618,170
Long term liabilities - current portion	261,035
Total current liabilities payable from current assets	<u>4,951,022</u>
Current liabilities payable from restricted assets:	
Deposits	1,930,063
Accrued interest payable	2,381,296
Revenue bonds current portion	1,540,000
Total current liabilities payable from restricted assets	<u>5,851,359</u>
Total current liabilities payable from current and restricted assets	<u>10,802,381</u>
Long-term liabilities:	
Revenue bonds payable (net of related premium)	101,904,365
FDEP State Revolving Fund loan	24,448,774
Compensated absences	107,315
Other post employment benefits obligation	218,480
Net pension liability	1,044,239
Total long-term liabilities	<u>127,723,173</u>
Total liabilities	<u>138,525,554</u>
DEFERRED INFLOW OF RESOURCES	
Deferred amounts related to pension	149,176
Total liabilities and deferred inflow of resources	<u>\$ 138,674,730</u>
NET POSITION	
Net investment in capital assets	8,971,176
Restricted for:	
Debt service	1,540,000
Renewal and replacement	900,000
Unrestricted	14,789,152
Total net position	<u>\$ 26,200,328</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances
 Proprietary Funds
 For the Fiscal Year Ended September 30, 2015

	Business-Type Activities
	Water and Sewer Utility Fund
Operating revenues:	
Charges for services - Water	\$ 10,583,825
Charges for services - Waste Water	6,149,503
Connection fees	278,040
Other miscellaneous revenues	910,635
Total operating revenues	<u>17,922,003</u>
Operating expenses:	
Personal services	4,082,115
Operating expenses	3,433,304
Professional services	117,347
Depreciation	3,090,310
Insurance	136,383
Total operating expenses	<u>10,859,459</u>
Operating income (loss)	<u>7,062,544</u>
Nonoperating revenues (expenses)	
Investment Income:	
Interest earnings	73,985
Transfers in	118,000
Grant revenue	2,384,891
Gain (loss) on sale of capital assets	13,144
Interest expense and issue cost amortization	(5,322,939)
Total nonoperating revenue (expenses)	<u>(2,732,919)</u>
Income (loss) before contributions	4,329,625
Capital contributions - water and wastewater	<u>288,121</u>
Change in net position	4,617,746
Net position:	
Beginning of year - as restated	21,582,582
End of year	<u>\$ 26,200,328</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, 2015

	Business-Type Activities
	Water and Sewer System Fund
Cash flows from operating activities	
Cash received from customers	\$ 18,051,046
Cash payments to suppliers for goods and services	(3,544,890)
Cash payments for employee services	(4,023,222)
Net cash provided by operating activities	<u>10,482,934</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(30,388,947)
Proceeds from sale of capital assets	17,667
Proceeds from borrowing - State Revolving Fund & Bond Anticipation Note	39,233,092
Transfer in from General Fund	118,000
Principal payment Bond Anticipation Note	(7,000,000)
Revenue bond principal payment	(1,290,000)
Revenue bond interest payments	(4,234,005)
Grants	2,702,680
Proceeds from capital contributions	288,121
Net cash used in capital and related financing activities	<u>(553,392)</u>
Cash flows from investing activities	
Interest	73,985
Net cash provided by investing activities	<u>73,985</u>
Net increase (decrease) in cash and cash equivalents	10,003,527
Cash and cash equivalents, beginning of year	14,353,558
Cash and cash equivalents, end of year	<u>\$ 24,357,085</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, 2015
(Concluded)

	Business-Type Activities
	Water and Sewer System Fund
Reconciliation of cash and cash equivalents to Balance Sheet	
Total unrestricted cash and investments per the Balance Sheet	\$ 17,605,728
Total restricted cash and investments per the Balance Sheet:	
Sinking fund - Revenue bonds payable	3,921,294
Renewal and replacement account	900,000
Customer deposits	1,930,063
Total cash and investments	<u>24,357,085</u>
Less investments not meeting the definition of cash equivalents	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 24,357,085</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 7,062,544
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	3,090,310
Provision for uncollectible accounts	48,262
(Increase) decrease in assets:	
Accounts receivable	(69,290)
Inventories	(58,220)
(Increase) decrease in deferred outflow of resources:	(118,785)
(Increase) decrease in liabilities:	
Accounts payable	200,362
Utility deposits	150,073
Accrued expenses	31,499
Net pension liability	385,729
Compensated absences	7,696
Other post employment benefits obligation	38,620
Increase (decrease) in deferred inflow of resources:	<u>(285,866)</u>
Net cash provided by operating activities	<u><u>\$ 10,482,934</u></u>

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

Statement of Fiduciary Net Position
Pension Trust Funds
September 30, 2015

	Employee Retirement Funds
ASSETS	
Cash and investments	\$ 23,962,937
Pre-paid items	3,946
Due from other funds	432,954
Total assets	<u>24,399,837</u>
LIABILITIES	
Accounts payable	30,696
Due to Members - DROP Payments	-
Due to other funds	15,967
Total liabilities	<u>46,663</u>
NET POSITION	
Reserved for employees' pension benefits	24,353,174
Total net position	<u><u>\$ 24,353,174</u></u>

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

Statement of Changes in Fiduciary Net Position

Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended September 30, 2015

	Employee Retirement Funds
Additions	
Contributions:	
Employer	\$ 1,269,273
Contribution from General Fund - insurance premium surcharges received from the State of Florida	432,954
Employee	306,677
Total Contributions	<u>2,008,904</u>
Investment income	(89,526)
Total additions	<u>1,919,378</u>
Deductions	
Benefit payments	873,660
Refunds to employees	7,285
Disability payments	125,437
Beneficiary payments	15,685
DROP plan payments	17,633
Administration	170,711
Insurance premium payments	3,621
Total deductions	<u>(1,214,032)</u>
Change in net assets	705,346
Net position - beginning	23,647,828
Net position - ending	<u><u>\$ 24,353,174</u></u>

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

**Notes to the Financial Statements
September 30, 2015**

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 sidewalks, road and street facilities, planning and development services, recreational and cultural activities and general administrative services. The City also 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, 2015, 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 or services provided by a particular 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 fiduciary funds 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 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 are generally 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** - accounts for all fiscal activities of the general government, except those required to be accounted for in other funds and is the City's primary operating fund.
- **Solid Waste Fund** - accounts for the fiscal activities relating to fees charged and expenditures incurred for garbage and recycled waste pick-up and disposal.
- **Stormwater Fund** - accounts for the fiscal activities relating to fees charged and expenditures incurred for the stormwater utility operation and maintenance, i.e., the collection, storage, treatment and dispersal of rainwater.
- **Neighborhood Stabilization Program Funds (NSPI & NSPIII)** – account for the fiscal activities of funds received by the City from the Housing and Recovery Act (HERA) of 2008 to address abandoned and foreclosed homes.
- **Transportation Fund** - accounts for the fiscal activities 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 used 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 charges incurred for water and sewer used by other City functions and other charges between the City's enterprise, transportation, solid waste and stormwater functions of the City. Elimination of these charges would distort 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 directly 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 for the Firefighters' Pension Plan to provide parameters for investments. The general investment objective is to obtain a reasonable total rate of return commensurate with the Prudent Investor Rule and Florida Statute 218.415.

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

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any 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 for prompt payment of the levy: 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 enterprise fund, inventory is comprised of material and supplies on hand. Governmental activities inventory is \$803,992.

Of this, \$789,000 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, 2015. The remaining \$14,992 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 assets of some funds are classified as restricted assets on the balance sheet because their use is limited by legally imposed restrictions. The restrictions vary from fund to fund and may be used only for designated purposes. Examples of restricted assets include bond or loan proceeds which may only be used for fund specific capital projects or debt service payments and impact fees collected which may be used only for expansion related projects within the specific fund in which collected the fees.

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. However, there are some exceptions when an asset with an initial cost of less than \$5,000 may be capitalized such as with certain computer equipment. 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, those assets 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 \$902,201 and \$5,322,939 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 \$292,960 attributable to the loan obtained through the State Revolving Loan Program for the engineering, design and construction 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, 2015 and 2014 are \$2,392,105 and \$2,466,550 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 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 \$432,954 for the fiscal year ended September 30, 2015. 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 at any time.

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 consumed. It is the City's policy to consider restricted net position to have been consumed 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 in non-spendable form or are legally or contractually required to be maintained intact. This classification includes such things as inventories, pre-paid amounts 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 but is not legally restricted. Committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- Assigned fund balance is defined as amounts that are constrained by the *intent* to be used for specific purposes, but are neither Restricted nor Committed. Intent should be expressed by either the City Commission or a body, such as a board or committee, to which the City Commission has delegated the authority to assign amounts. Assigned amounts are not required to be established by formal action of the City Commission. An appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of

expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance.

- Unassigned fund balance represents the City's residual fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund and may be used for any legal general purpose. The City's General Fund is the only fund that reports a positive unassigned fund balance amount.

Fund balance flow assumptions

On occasion, the City will fund outlays for a particular purpose from a combination of both restricted and unrestricted resources. 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 depleted. It is the City's policy, when permissible, to deplete fund balances in the following order: restricted fund balance, committed fund balance, assigned fund balance and, lastly, unassigned fund balance.

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 reserve for economic incentives. This reserve has two components: one reserve for Economic Development equal to \$1,000,000 as well as a City Infrastructure fund balance reserve 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. Since inception of these reserves, the City Commission authorized the use of \$158,600 of these reserves, leaving an available combined reserve balance of \$1,841,400 as of September 30, 2015.

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. No funds have been used from this reserve as of September 30, 2015.

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

II. Stewardship, compliance, and accountability

A. Budgetary information

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

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

The budget is prepared and adopted by fund, function and department. The City Manager may make transfers of appropriations within a department throughout the year. Transfers of appropriations between departments require the approval of the City Commission. Budget amendments that actually change the total revenue and/or expenses as legally adopted as part of the budget are brought forth to the City Commission for approval of an amending resolution.

Encumbrance accounting is employed in governmental funds. Operating encumbrances lapse at year end; capital encumbrances are carried forward into the subsequent year's budget with Commission approval.

III. Detailed notes on all funds

A. Deposits and investments

As of September 30, 2015, the City had the following investments:

Investment	Maturities	Ratings	Fair Value
State Board of Administration Local Government Surplus Funds Trust Fund	1 Day	AAAm	\$ 31,473
Florida Surplus Asset Trust Fund	1 Day	AAAm	8,540,674
Certificates of Deposit	Up to 2.1 years	N/A	5,095,736
Wells Fargo Government Obligations (Federal Agency Coupon Securities and Corporate Coupon Securities)	Up to 3.1 years	Aaa/AA+	4,037,944
Wells Fargo Money Market Funds	1 Day average	Aaa/AAA	1,290,316
Wells Fargo Corporate Notes	Up to 1.6 years	Aa1-A1; AA+ - AA-	5,061,808
Wells Fargo Certificates of Deposits	Up to 4 months	N/A	6,000,000
Wells Fargo Money Market Funds – Bond Proceeds	1 Day	N/A	100,000
Wells Fargo Municipals – Bond Proceeds	Up to 1.5 years	Aaa-Aa1; AAA-AA+	2,953,486
Firefighters' Pension Investments			
Cash & Short Term Investments	N/A	N/A	396,128
U.S. Treasury Obligations	Up to 29 years	Aaa	1,199,638
Mortgage/Asset Backed Securities	N/A	N/A	486,607
Corporate Bonds	Up to 30 years	Baa3 - Aa3	2,709,797
Common & Foreign Stock	N/A	N/A	7,691,186
Equity Mutual Funds	N/A	N/A	5,227,524
Mutual Funds	N/A	N/A	1,853,017
Real Estate Funds	N/A	N/A	1,131,637
Unit Investment Trusts	N/A	N/A	38,720
General Employees' Pension Investments			
Stable Value/Money Market Funds	N/A	N/A	356,507
Bond Funds	Up to 15 years	AAA-BBB	113,635
Balanced /Asset Allocation Funds	N/A	N/A	2,026,355
Guaranteed Lifetime Income	N/A	N/A	40,547
U.S. Stock Funds	N/A	N/A	557,249
International Stock Funds	N/A	N/A	122,916
Specialty – Real Estate Secs	N/A	N/A	11,473
Total Investments			<u>57,074,373</u>
Cash Deposits			<u>24,360,839</u>
Total Deposits and Investments			<u>81,435,212</u>
Shown in the accompanying combined balance sheet as follows:			
Entity wide – Deposits and Investments			57,472,275
Fiduciary Funds – Deposits and Investments			<u>23,962,937</u>
Total			<u>\$ 81,435,212</u>

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

Interest rate risk

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

Credit risk

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

Concentration of credit risk

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

Custodial credit risk – deposits

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

Custodial credit risk – investments

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

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

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

Foreign currency risk – investments

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

B. Receivables

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

	Governmental Activities	Business-type Activities	Total
Customers:			
Billed	\$ -	\$ 1,722,502	\$ 1,722,502.00
Unbilled	-	961,622	961,622.00
Services tax	914,320	-	914,320
Franchise fees	536,929	-	536,929
Business Tax	107,285	-	107,285
Miscellaneous	62,692	4,240	66,932
Gross receivables	1,621,226	2,688,364	4,309,590
Less: allowance for uncollectibles	-	(816,318)	(816,318)
Net total receivables	<u>\$ 1,621,226</u>	<u>\$ 1,872,046</u>	<u>\$ 3,493,272</u>

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 9/30/15
Uncollectible related to water sales	\$ 326,527
Uncollectible related to sewer sales	489,791
Total uncollectible in the current fiscal year	<u>\$ 816,318</u>

Notes to the Financial Statements

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	\$ 354,002	\$ -	\$ 354,002
State of Florida - 1/2 Cent Gas Tax	700,083	-	700,083
State of Florida - Communications Tax	392,559	-	392,559
State of Florida - Dept. of Environmental Protection	-	-	-
U.S. Dept. of Housing and Urban Development	94,110	-	94,110
Firefigther Pension Premium Tax Funds	432,954	-	432,954
St. John's River Water Management District	-	320,306	320,306
Miscellaneous	39,389	-	39,389
Total due from other governments	\$ 2,013,097	\$ 320,306	\$ 2,333,403

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

	Unearned
SHIP Grant funds advanced by grant authority	
Prior to meeting all eligibility requirements	\$ 428,825
NSP Program Revenue but not expended	155,847
Total	\$ 584,672

C. Capital assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 14,322,362	\$ -	\$ (1,350)	\$ 14,321,012
Infrastructure right of way	4,372,500	-	-	4,372,500
Construction in progress	1,372,218	2,492,146	(2,102,283)	1,762,081
Total capital assets, not being depreciated	20,067,080	2,492,146	(2,103,633)	20,455,593
Capital assets, being depreciated:				
Buildings and improvements	72,056,757	1,606,395	-	73,663,152
Machinery and equipment	21,660,344	1,310,631	(250,307)	22,720,668
Infrastructure (roads and streets)	108,091,642	451,058	-	108,542,700
Total capital assets, being depreciated	201,808,743	3,368,084	(250,307)	204,926,520
Less accumulated depreciation for:				
Buildings and improvements	(36,725,879)	(3,150,580)	-	(39,876,459)
Machinery and equipment	(16,852,436)	(1,114,663)	242,811	(17,724,288)
Infrastructure (roads and streets)	(42,692,139)	(2,357,819)	-	(45,049,958)
Total accumulated depreciation	(96,270,454)	(6,623,062)	242,811	(102,650,705)
Total capital assets, being depreciated, net	105,538,289	(3,254,978)	(7,496)	102,275,815
Governmental activities capital asset, net	\$ 125,605,369	\$ (762,832)	\$ (2,111,129)	\$ 122,731,408
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 3,150,693	\$ -	\$ -	\$ 3,150,693
Construction in progress	20,678,863	30,129,353	(15,127,824)	35,680,392
Total capital assets, not being depreciated	23,829,556	30,129,353	(15,127,824)	38,831,085
Capital assets, being depreciated:				
Water rights - consumptive use permit	361,959	-	-	361,959
Buildings and improvements	3,320,320	-	-	3,320,320
Improvements other than buildings	81,905,365	15,077,877	-	96,983,242
Machinery and equipment	16,124,838	309,540	(61,220)	16,373,158
Total capital assets, being depreciated	101,712,482	15,387,417	(61,220)	117,038,679
Less accumulated depreciation for:				
Water rights	-	(20,638)	-	(20,638)
Buildings and improvements	(934,621)	(128,129)	-	(1,062,750)
Improvements other than buildings	(17,358,240)	(1,984,305)	-	(19,342,545)
Machinery and equipment	(10,788,412)	(957,238)	56,697	(11,688,953)
Total accumulated depreciation	(29,081,273)	(3,090,310)	56,697	(32,114,884)
Total capital assets, being depreciated, net	72,631,209	12,297,107	(4,523)	84,923,795
Business-type activities capital assets, net	\$ 96,460,765	\$ 42,426,460	\$ (15,132,347)	\$ 123,754,880

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

Governmental Activities:	
General government and administration	\$ 749,458
Public safety	537,346
Highways and streets	2,733,364
Culture and recreation	800,466
Physical environment	1,802,428
Total depreciation expense - governmental activities	\$ 6,623,062

Business-type activities:	
Water and sewer utility - total additions to accumulated depreciation - business-type activities	\$ 3,090,310

Construction commitments

The City has active construction projects as of September 30, 2015. The projects include street construction, public safety facilities, housing rehabilitations and water and wastewater facilities. At year end, the City’s commitments with contractors are as follows:

Projects	Spent-to-Date	Remaining Commitment
Stormwater	\$ 331,762	\$ 567,447
Community Development Block Grant	31,078	8,801
Transportation	773,127	1,573,778
Municipal Complex Improvements	15,550	3,500
Water and Sewer Projects	4,988,276	660,662
Total	\$ 6,139,793	\$ 2,814,188

The commitment for stormwater projects is being financed by proceeds received by the 2009 Stormwater Bank Note. The commitment for Community Development Block Grant costs is being financed by CDBG federal grant funds. The commitment for Transportation is being financed by a combination of the Series 2006 Transportation Bond proceeds and Local Option Gas Tax revenues. Municipal Complex improvements will be funded by available funds within the fund.

Lastly, 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, Series 2014 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.

D. Interfund receivable, payables and transfers

The composition of inter-fund balances as of September 30, 2015, is as follows:

Due from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	General Employee's Pension Fund	\$15,967
General Fund	CDBG Fund	<u>59,316</u>
Total		<u>\$75,283</u>

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 composition of interfund transfers for the year ended September 30, 2015 is:

Interfund transfers:	Transfers out:		
	General Fund	Non-Major Governmental Funds	Total
Transfer in:			
Transportation Fund	\$ 500,000	\$ 275,438	\$ 775,438
Non-Major Governmental Funds	750,000	5,400	755,400
Water and Sewer Utility Fund	118,000	-	118,000
Total	<u>\$ 1,368,000</u>	<u>\$ 280,838</u>	<u>\$ 1,648,838</u>

Transfers are used to move either restricted amounts or unrestricted amounts to fund projects or 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.

The \$118,000 transferred from the General Fund to the Water and Sewer Utility Fund was a portion of the Economic Development reserve which was approved by the Commission to fund the design and permitting of Phase I of the Saxon Sewer Study. The design plans and permit create a "shovel-ready" condition requiring funding for construction in order to implement Phase I.

While fire and law enforcement impact fees were collected during the year, they will 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 \$255,948 for the year ended September 30, 2015. This figure includes the \$250,000 paid annually to Volusia County for the maintenance and use of the Lyonia Amphitheater. The contract with the County for this facility expires August 21, 2017. The remaining contracts are for postage equipment which are likely to be renewed upon expiration.

The future minimum lease payments for existing leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ 255,948
2017	252,364
2018	-
2019	-
2020	-
<u>Total</u>	<u>\$ 508,312</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 are being used to provide funding for road improvement and expansion projects and to pay the cost of issuance. The bonds are collateralized by a pledge of gas tax revenues, which were \$2,161,422 for the fiscal year ending September 30, 2015, and transportation impact fees which were \$275,438 for the fiscal year ending September 30, 2015. 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.

Transportation - Debt Service to Maturity Schedule			
Fiscal Years	Principal	Interest	Total
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	1,040,000	417,988	1,457,988
2021 – 2025	5,990,000	1,299,326	7,289,326
2026	1,385,000	70,981	1,455,981
Total	\$ 12,150,000	\$ 3,886,101	\$ 16,036,101

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 is to make 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 \$2,927,628 in stormwater utility assessments in the fiscal year ended September 30, 2015.

Stormwater - Debt Service to Maturity Schedule			
Fiscal Years	Principal	Interest	Total
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	323,142	204,952	528,094
2021 – 2025	1,882,526	764,625	2,647,151
2026 – 2030	1,885,188	242,032	2,127,220
Total	<u>\$ 5,233,017</u>	<u>\$ 2,178,054</u>	<u>\$ 7,411,071</u>

Business-type Activity Liabilities

The following is a summary of long-term liabilities of the proprietary fund at September 30, 2015:

Utility System Refunding Revenue Bonds, Series 2013

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

deceased 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.

Utility System - Debt Service to Maturity Schedule – Series 2013 Bonds			
Fiscal Years	Principal	Interest	Total
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	2,035,000	3,527,106	5,562,106
2021 – 2025	11,745,000	16,029,844	27,774,844
2026 – 2030	14,795,000	12,911,369	27,706,369
2031 – 2035	18,890,000	8,642,956	27,532,956
2036 – 2040	24,005,000	3,198,128	27,203,128
Total	\$ 78,455,000	\$ 59,234,702	\$ 137,689,702

Utility System Revenue Bonds, Series 2014

On December 5, 2014 the City issued Utility System Revenue Bonds, Series 2014 in the principal amount of \$22,215,000. The bonds were issued to finance the costs of certain capital improvements to the City’s water system and sewer system, retire the City’s outstanding utility system bond anticipation note, Series 2014 and to pay the costs of issuance associated with the Series 2014 Bonds. The Bonds are special obligations of the City, payable solely from and secured by a lien upon and pledge of the Pledged Revenues of the System.

The Bonds have been assigned an “A+” rating from FITCH and an “A” rating from Standards & Poor’s. The bonds are secured by net revenues of the system levied and collected by the Utility, including impact fees and direct pay subsidies paid to the Utility. The bonds do not require a debt service reserve. Repayment of the Bonds commenced April 1, 2015 with an interest only payment. Principal payments will commence in 2017.

The bonds bear interest at fixed rates from 3.00% to 5.00% and mature from October 1, 2017 to October 1, 2044.

Utility System - Debt Service to Maturity Schedule – Series 2014 Bonds			
Fiscal Years	Principal	Interest	Total
2016	\$ -	\$ 889,156	\$ 889,156
2017	-	889,156	889,156
2018	460,000	882,256	1,342,256
2019	475,000	868,231	1,343,231
2020	485,000	851,406	1,336,406
2021 – 2025	2,745,000	3,943,031	6,688,031
2026 – 2030	3,330,000	3,357,072	6,687,072
2031 – 2035	3,920,000	2,751,919	6,671,919
2036 – 2040	4,795,000	1,823,625	6,618,625
2041 - 2045	6,005,000	618,900	6,623,900
Total	\$ 22,215,000	\$ 16,874,752	\$ 39,089,752

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 \$29,381,000.

The loan balance, including capitalized interest of \$397,695, as of September 30, 2015 was \$25,066,944. No principal payment was made in 2015. The semiannual loan payments of \$913,476 are scheduled to begin on June 15, 2016; of this approximately \$618,000 will apply toward principal. The lien on net revenues of the system is on a junior and subordinated lien position to the Utility Revenue bonds series 2013 and 2014.

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 \$1,457,425 and gas tax revenue and impact fees totaled \$2,436,860. The principal and interest payments on the bonds consumed approximately 59.8% of pledged revenues. At year end, pledged future revenues totaled \$16,036,101 which was the amount of the remaining principal and interest on the bonds as of September 30, 2015.

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 \$526,300. Stormwater utility assessments for the current year totaled \$2,927,628. At year end, pledged future revenues totaled \$7,411,071 which was the amount of the remaining principal and interest on the Note as of September 30, 2015.

Business-type Activities – Water and Sewer Utility

The City has pledged future water and sewer customer *Net Revenues* to repay the both utility bonds. The Utility System Refunding Revenue Bonds, Series 2013 are payable through 2039 and the Utility System Revenue Bonds, Series 2014 are payable through 2044. *Net Revenues* are gross revenues less operating expenses as defined in the bond covenants. *Net Revenues* totaled \$10,256,174 for the current year. Principal and interest expense in the current year was \$6,612,939. Interest expense for the current year was \$5,322,939 including \$747,789 of amortization of the loss on the refinancing of the 2003 bonds. The percentage of Net Revenues consumed by debt service for both the Series 2013 and Series 2014 bonds was 53% and is in compliance with the debt coverage requirements in the bond covenants. This percentage is anticipated to be about 68% beginning in 2018 as principal payments for the Series 2014 begin. At year end, pledged future revenues totaled \$176,779,454, which was the total amount of principal and interest on both bond issues as of September 30, 2015.

Additionally, 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 \$25,066,944 at September 30, 2015. Repayment is scheduled to begin in FY 2015 / 2016. It is anticipated that the percentage of Net Revenues consumed by the SRF debt will be approximately 18%.

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, 2014, State Revolving Loan or the Stormwater Bank Note.

Funding the debt service reserve does not require the City to actually expend the funds, however, it does move available fund balance funds from 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, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Transportation Capital Imp.					
Revenue Bonds Series 2006	\$ 12,980,000	\$ -	\$ 830,000	\$ 12,150,000	\$ 870,000
Add: Unamortized Premium	185,300	-	15,442	169,858	-
Deferred Revenue, Debt Service Deposit Agreement	200,208	-	16,682	183,526	-
Stormwater Bank Note	5,484,541	-	251,524	5,233,017	264,449
Net Pension Liability - Chapter 175	6,666,939	2,581,097	1,646,590	7,601,446	1,425,000
Net Pension Liability - FRS	2,628,098	1,448,063	-	4,076,161	496,500
OPEB Obligation	1,525,140	189,380	-	1,714,520	53,000
Compensated Absences	2,255,696	1,656,148	1,738,289	2,173,555	1,679,851
Total Governmental Activities	\$ 31,925,922	\$ 5,874,688	\$4,498,527	\$ 33,302,083	\$4,788,800
Business-type Activities					
Utility System Revenue Bonds					
Series 2013	\$ 79,745,000	\$ -	\$1,290,000	\$ 78,455,000	\$1,540,000
Add: Unamortized Premium	1,844,822	-	73,957	1,770,865	-
Subtotal - 2013 Bonds	81,589,822	-	1,363,957	80,225,865	1,540,000
Series 2014	-	22,215,000	-	22,215,000	-
Add: Unamortized Premium	-	1,003,500	-	1,003,500	-
Subtotal - 2014 Bonds	-	23,218,500	-	23,218,500	-
Total Utility Bonds	81,589,822	23,218,500	1,363,957	103,444,365	1,540,000
FDEP State Revolving Fund Loan	9,039,412	16,027,533	-	25,066,945	618,170
2014 Bond Anticipation Note	7,000,000	-	7,000,000	-	-
Net Pension Liability - FRS	808,311	385,728	-	1,194,039	149,800
OPEB Obligation	179,860	38,620	-	218,480	-
Compensated Absences	210,854	270,804	263,108	218,550	111,235
Total Business-type Activities	\$ 98,828,259	\$39,941,185	\$8,627,065	\$ 130,142,379	\$2,419,205

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 400 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. In addition, the City was able to lock in rates for a two year period so premium changes would be driven by increases in property and inland marine values and increases in workforce numbers.

It should be noted that the City's Workers Comp experience modifier value has risen from the previous year due to an increase in the City's loss ratio and the advent of several statutory presumption claims. Along with the experience modifier increasing, 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

The City's total insured property value increased by 16.25%, the City's property insurance premium increased 12% due to blanket loss coverage. The windstorm loss deductible was reduced from 5% to 3% of total loss.

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, 2015.

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 \$9.9 million for FYE September 30, 2015 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 current contract, the company is compensated \$10.22 per household per month. Tipping fees

charged by the County are additional fees incurred for solid waste and yard 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 \$5.6 million for FYE September 30, 2015 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 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, 2014, the City had 271 OPEB members, 269 active and 2 inactive, with a total unfunded liability of \$1,933,000. Of the 271 total active members, 71 members are in the City's Firefighters retirement plan with a total liability of \$828,000. There were 42 members in the City's General Employees' retirement plan with a total liability of \$190,000. The remaining 158 members were in the Florida Retirement System (FRS) retirement plan with a total liability of \$915,000. All active members are active employees. There are two inactive members who are retired employees. Both 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 investment policy. The interest rate used to calculate the present values and costs of OPEB must be the long-range expected return on such short-term fixed income instruments. The City selected an interest discount rate of 4% for this purpose. There are no post-retirement benefit increases assumed.

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the City’s net OPEB obligation to the OPEB Plan:

Entity-wide OPEB Obligation	FY Ending 09/30/15
Annual Required Contribution	\$ 265,000
Interest on Net OPEB Obligation	68,000
Prior Net OPEB Obligation Adjustment	(71,000)
Annual OPEB Cost (Expense)	262,000
Employer Contributions Made	(34,000)
Increase (Decrease) in Net OPEB Obligation	228,000
Net OPEB Obligation at Beginning of Year	1,705,000
Net OPEB Obligation at End of Year	\$ 1,933,000

This amount is allocated as follows:

Governmental Activities	\$ 1,714,520
Business-type Activities	218,480
Total OPEB Obligation	<u>\$ 1,933,000</u>

The City's annual OPEB cost, the percentage of annual expected employer contribution toward OPEB cost, and the net OPEB obligation for 2015, 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
9/30/2013	\$ 248,000	\$ 34,000	13.7%	\$ 1,502,000
9/30/2014	\$ 260,000	\$ 57,000	21.9%	\$ 1,705,000
9/30/2015	\$ 262,000	\$ 34,000	13.0%	\$ 1,933,000

Funding Status and Funding Progress

As of September 30, 2015, using the most recent actuarial valuation dated October 1, 2014, the Plan was unfunded. The actuarial accrued liability for benefits was \$1,933,000 and the actuarial value of assets was \$0.00, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,933,000. The covered payroll (annual payroll of active employees covered by the Plan) was \$12,396,230 and the ratio of the UAAL to the covered payroll was 13.62%.

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 8.5%, 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 has provided 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 was established, and operates within, the parameters of Chapter 175 of the Florida Statutes. This Statute 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 must be 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.

Benefits

The Plan provides retirement, termination, disability, and survivor benefits to all full-time certified firefighters. Benefits, as established by the City Commission, are determined by a calculation using 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.

Supplemental Benefit

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

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.

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.

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.

Membership

As of October 1, 2014, there were a total of 95 participants. 70 of these participants are active Plan members, 9 are inactive Plan members entitled to, but not yet receiving, benefits and 16 are inactive Plan members of beneficiaries currently receiving benefits.

Contributions

The Plan, as approved by the City Commission, requires members to contribute 8% of their annualized compensation. City contributions are equal to the remaining amount necessary for payment of Normal (current year) Cost and amortization of the accrued past service liability over 30 years. The City contribution is offset by estimated insurance premium receipts.

The Plan is operated as a Pension Trust Fund and is included as part of the City’s reporting entity; therefore separate financial statements are not required.

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.

The following asset allocation policy was adopted by the Board and was in effect as of the year ended September 30, 2015.

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

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, 2015 the annual money-weighted rate of return of Plan investments, net of Plan investment expense, was -0.59%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program (DROP)

For the year ended September 30, 2015 the DROP balance was \$132,998. Participants may elect to choose either a 6% interest rate or an interest rate equal to the net investment return realized by the Plan for that quarter. One change in election is permitted.

Net Pension Liability

The components of the Net Pension Liability of the City on September 30, 2015 were as follows:

Total Pension Liability	\$ 28,741,904
Plan Fiduciary Net Position	<u>(21,140,458)</u>
City’s Net Pension Liability	<u>\$ 7,601,446</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	73.55%

Actuarial Assumptions

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	5.00-8.00%
Discount Rate	8.00%
Investment Rate of Return	8.00%

Mortality rates were based on the RP-2000 table with no projections. Disabled lives set forward 5 years. Rates are based upon other studies of municipal Firefighters.

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.

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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
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%

**Changes in Net Firefighter Net Pension Liability
September 30, 2015**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Reporting Period Ending September 30, 2014	\$ 26,971,856	\$ 20,304,917	\$ 6,666,939
Changes for a Year			
Service Cost	859,133	-	859,133
Interest	2,171,585	-	2,171,585
Change in Excess State Money	10,559	-	10,559
Differences between Expected and Actual Experience	(460,180)	-	(460,180)
Contributions - Employer	-	1,099,856	(1,099,856)
Contributions - State	-	432,954	(432,954)
Contributions - Employee	-	306,677	(306,677)
Net Investment Income	-	(125,150)	125,150
Benefit Payments, Incl. Refunds of EE Contributions	(811,049)	(811,049)	-
Administrative Expense	-	(67,747)	67,747
New Changes	<u>1,770,048</u>	<u>835,541</u>	<u>934,507</u>
Balance - September 30, 2015	<u>\$ 28,741,904</u>	<u>\$ 21,140,458</u>	<u>\$ 7,601,446</u>

Discount Rate

The discount rate used to measure the total pension liability was 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 \$7,601,446. The table below presents different scenarios if the discount rate were to be reduced or increased.

Net Firefighter Pension Liability Based on Discount Rate September 30, 2015		
<u>1% Decrease in Discount Rate to 7.00%</u>	<u>Discount Rate Used at 8.00%</u>	<u>1% Increase in Discount Rate to 9.00%</u>
\$ 11,238,491	\$ 7,601,446	\$ 4,569,936

**Pension Expense and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2015, the City recognized a Pension Expense of \$894,378 related to the Firefighters' Pension Plan. On September 30, 2015 the City reported Deferred Outflows of Resources and Deferred Inflows of Resources related to the Firefighters' Pension from the following sources:

City of Deltona Firefighters' Pension	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ (402,658)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,430,376	(336,804)
Total	\$ 1,430,376	\$ (739,462)

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions will be recognized in Pension Expense as follows:

Year Ended September 30,	Amount
2016	\$ 187,804
2017	187,804
2018	187,804
2019	300,071
2020	(57,523)
Thereafter	(115,046)

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, 2015, there were 45 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, 2015, the City's total covered payroll for employees eligible to participate in the Plan was \$1,972,731 compared with a total payroll for the City of \$13,326,266. The required employer contribution and the contribution actually made amounted to \$197,273 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 Plans (FRS)**General Information**

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. As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("FRS Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA").

The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121,

Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

FRS Pension Plan Description

The FRS Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The FRS Pension Plan 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. Benefits are established by Chapter 21, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law may be made only by an act of the Florida State Legislature. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan.

The State of Florida annually issues a publicly available financial report that includes financial statements as well as required supplementary information for the FRS. The most recent available 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

www.dms.myflorida.com/workforce_operations/retirement/publications

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, 2015, there were 184 employees enrolled in FRS.

Benefits

Benefits provided under the FRS Pension Plan are calculated on the basis of age, average final compensation, and service credit. For FRS Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service, or 30 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service, or 30 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

For FRS Pension Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal

retirement to age 65, or 33 years of service regardless of age. The final average compensation for the members hired after July 1, 2011 will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if a member was initially enrolled in the FRS Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent (3.0%) per year. If a member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a prorated portion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not receive a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with an FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions/Funding

Effective July 1, 2011, all active members of the FRS Pension Plan, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS Pension Plan based on state-wide contribution rates established by the Florida Legislature.

These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, were as shown below:

	September 30,		
	2013	2014	2015
Regular Class	6.95%	7.37%	7.26%
Senior Management Service Class	18.31%	21.14%	21.43%
FRS Report Only	3.39%	3.80%	4.31%
DROP Participants	12.84%	12.28%	12.88%

The City made all required contributions to the FRS Pension Plan which totaled \$559,079 for FYE September 30, 2015.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of September 30, 2015, the City reported a liability of \$2,801,727 for its proportionate share of the FRS Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City’s proportionate share of the net pension liability was based on the City’s contributions for FY 2014/2015 relative to the City’s contributions for FY 2013/2014 of all participating members. At June

Notes to the Financial Statements

30, 2015, the City's proportionate share was 0.0217%, which was a decrease of 0.0014% percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$311,473. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and Actual Experience	\$ 295,779	\$ (66,448)
Change of Assumptions	185,960	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(669,005)
Changes in Proportion and Differences between City FRS Pension Plan Contributions and Proportionate Share of Contributions	512,006	-
City FRS Pension Plan Contributions Subsequent to the Measurement Date	136,738	-
Total	\$ 1,130,483	\$ (735,453)

The deferred outflows of resources related to the FRS Pension Plan, totaling \$136,738 resulting from City contributions to the FRS Pension Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the FRS Pension Plan will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2016	\$ (110,472)
2017	\$ (110,472)
2018	\$ (110,472)
2019	\$ 441,478
2020	\$ 121,289
Thereafter	\$ 26,940

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables. The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on FRS Pension Plan investments is not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Entities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed Inflation - Mean		2.60%		2.00%

(1) As outlined in the FRS Plan's Investment Policy

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The FRS Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for the calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

Shown below is the City's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

City Net FRS Pension Plan Liability Based on Discount Rate

1% Decrease in Discount Rate to 6.65%	Discount Rate Used at 7.65%	1% Increase in Discount Rate to 8.65%
\$7,259,908	\$2,801,727	(\$908,212)

Pension Plan Fiduciary Net Position

Detailed information regarding the FRS Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At September 30, 2015, the City reported a payable in the amount of \$67,952 for contributions in-transit to the FRS Pension Plan required for the fiscal year ended September 30, 2015.

FRS Health Insurance Subsidy Plan (HIS Plan)

Plan Description

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time.

Benefits

The benefit received by HIS Plan members is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement. Eligibility for this benefit requires a retiree under a State-administered retirement system to provide proof of health insurance coverage which may include Medicare.

For FYE September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a monthly minimum HIS payment of \$30 and a monthly maximum HIS payment of \$150.

Contributions

The HIS Plan is funded by required contributions from participating FRS employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.20% and 1.26%, respectively.

The City contributed 100% of its statutorily required contributions for FYE September 30, 2015. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative

appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City made all required contributions to the HIS Plan which totaled \$102,871 for FYE September 30, 2015.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of September 30, 2015, the City reported a liability of \$2,468,473 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City’s proportionate share of the net pension liability was based on the City’s contributions for FY 2014/2015 relative to the City’s contributions for FY 2013/2014 of all participating members. At June 30, 2015, the City’s proportionate share was .0242%, which was an increase (decrease) of .0007 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$202,655. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and Actual Experience	\$ -	\$ -
Change of Assumptions	194,204	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,336	-
Changes in Proportion and Differences between City FRS Pension Plan Contributions and Proportionate Share of Contributions	106,423	-
City FRS Pension Plan Contributions Subsequent to the Measurement Date	33,697	-
Total	\$ 335,660	\$ -

The deferred outflows of resources related to the HIS Plan, totaling \$33,697 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2016	\$ 52,574
2017	\$ 52,574
2018	\$ 52,574
2019	\$ 52,303
2020	\$ 52,172
Thereafter	\$ 39,767

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

Discount Rate

The discount rate used to measure the total pension liability was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS Plan benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate

Shown below is the City’s proportionate share of the net pension liability calculated using the discount rate of 3.80%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.80%) or one percentage point higher (4.80%) than the current rate:

City Net HIS Plan Liability Based on Discount Rate		
1% Decrease in Discount Rate to 2.80%	Discount Rate Used at 3.80%	1% Increase in Discount Rate to 4.80%
\$2,812,710	\$2,468,473	\$2,181,431

Pension Plan Fiduciary Net Position

Detailed information regarding the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At September 30, 2015, the City reported a payable in the amount of \$9,635 for contributions in-transit to the HIS Pension Plan required for the fiscal year ended September 30, 2015.

Summary of Pension Plans Liability / Inflows / Outflows / Expense

The following chart presents a summary of the GASB 68 implementation information for each of the City's pension plans.

GASB 68 – Summary of Pension Plans

As of September 30, 2015	Net Pension Liability	Deferred Outflow of Resources	Deferred Inflow of Resources	Pension Expense
FRS - Governmental				
Pension	\$ (2,233,436)	\$ 901,180	\$ (586,277)	\$ 232,452
Health Insurance Subsidy	(1,842,725)	250,571	-	76,773
FRS - Governmental - Total	<u>(4,076,161)</u>	<u>1,151,751</u>	<u>(586,277)</u>	<u>309,225</u>
FRS - Deltona Water				
Pension	(568,291)	229,303	(149,176)	79,021
Health Insurance Subsidy	(625,748)	85,089	-	26,098
FRS - Deltona Water - Total	<u>(1,194,039)</u>	<u>314,392</u>	<u>(149,176)</u>	<u>105,119</u>
Total FRS				
Pension	(2,801,727)	1,130,483	(735,453)	311,473
Health Insurance Subsidy	(2,468,473)	335,660	-	202,655
FRS - Total	<u>(5,270,200)</u>	<u>1,466,143</u>	<u>(735,453)</u>	<u>514,128</u>
Firefighters' Pension Plan	(7,601,446)	1,430,376	(739,462)	894,378
Total	\$ (12,871,646)	\$ 2,896,519	\$ (1,474,915)	\$ 1,408,506

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

Schedule of Pension Plan Net Assets as of September 30, 2015			
	Firefighters' Pension Trust Fund	General Employees' Pension Trust Fund (2)	Total
Assets			
Cash and Investments	\$ 20,734,254	\$ 3,228,683	\$ 23,962,937
Prepaid	3,946	-	3,946
Due From Other Funds	432,954	-	432,954
Total Assets	<u>21,171,154</u>	<u>3,228,683</u>	<u>24,399,837</u>
Liabilities			
Accounts Payable	30,696	-	30,696
Due to Other Funds	-	15,967	15,967
Total Liabilities	<u>30,696</u>	<u>15,967</u>	<u>46,663</u>
Net Position			
Reserved for Employees' Pension	<u>\$ 21,140,458</u>	<u>\$ 3,212,716</u>	<u>\$ 24,353,174</u>
Additions			
Contributions			
Employer	\$ 1,072,000	\$ 197,273	\$ 1,269,273
State of Florida	432,954	-	432,954
Employee	306,677	-	306,677
Total Contributions	<u>1,811,631</u>	<u>197,273</u>	<u>2,008,904</u>
Investment Income (Loss)	<u>(8,444)</u>	<u>(81,082)</u>	<u>(89,526)</u>
Total Additions	<u>1,803,187</u>	<u>116,191</u>	<u>1,919,378</u>
Deductions			
Benefit Payments - Retirement	644,985	228,675	873,660
Benefit Payments - Disability	125,437	-	125,437
Benefit Payments - Beneficiary	15,685	-	15,685
DROP Plan Payments	17,633	-	17,633
Refunds to Employees	7,285	-	7,285
Administration	169,765	946	170,711
Insurance Premium Payments	3,621	-	3,621
(Total Deductions)	<u>984,411</u>	<u>229,621</u>	<u>1,214,032</u>
Net Increase (Decrease)	818,776	(113,430)	705,346
Net Position Reserved for Employees' Pension Benefits			
Beginning of Year	20,321,682	3,326,146	23,647,828
End of Year	<u>21,140,458</u>	<u>3,212,716</u>	<u>24,353,174</u>

Note 1: The above table includes the two single employer plans maintained by the City of Deltona and does not include the defined benefit plan for general employees administered by the Florida Retirement System.

Note 2: Defined contribution plan.

Other Pension Plan Information

The Required Supplementary Information following the Notes to the Financial Statements presents multi-year trend information regarding the Changes in Net Pension Liability, Contributions and Investment Returns as well as information regarding Methods and Assumptions used to Determine Contribution Rates.

F. New Pronouncements

The City was required to implement GASB Statement No. 68, “Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27” effective September 30, 2015. GASB Statement No. 68 improves information provided about financial support for pensions. In accordance with the implementation requirements of this Statement, the City’s Net Position was restated to account for all City-sponsored pension plans as follows:

GASB 68 – Restatement of Net Position as of September 30, 2014

	Governmental Activities	Business-type Activities
Net position at September 30, 2014 - as originally reported	\$ 137,583,734	\$ 22,630,327
GASB 68 Implementation:		
To remove Net Pension Asset	(951,599)	-
Deferred Outflow of Resources: FRS Pension related	727,768	195,607
Net Pension Liability:		
Firefighters Pension related	(6,666,939)	-
FRS Pension related	(2,628,099)	(808,310)
Deferred Inflow of Resources:		
Firefighters Pension related	(449,071)	-
FRS Pension related	(1,709,756)	(435,042)
Net position as of September 30, 2014 - as restated	<u>\$ 125,906,038</u>	<u>\$ 21,582,582</u>

G. Other Events

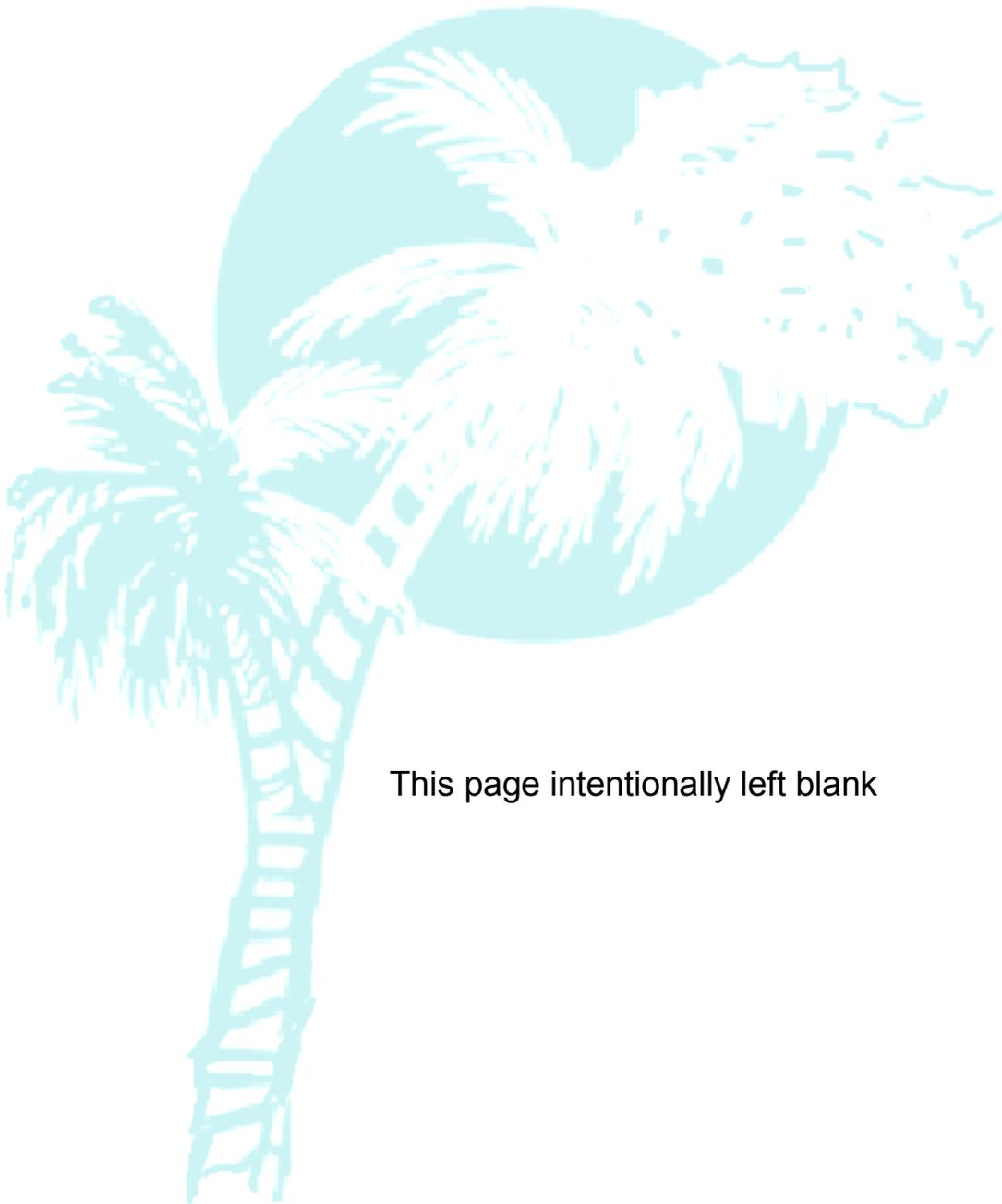
City Manager

The City Manager resigned effective September 2, 2014 and the Deputy City Manager was named Acting City Manager until a new City Manager was hired. The current City Manager has been in place since June 1, 2015.

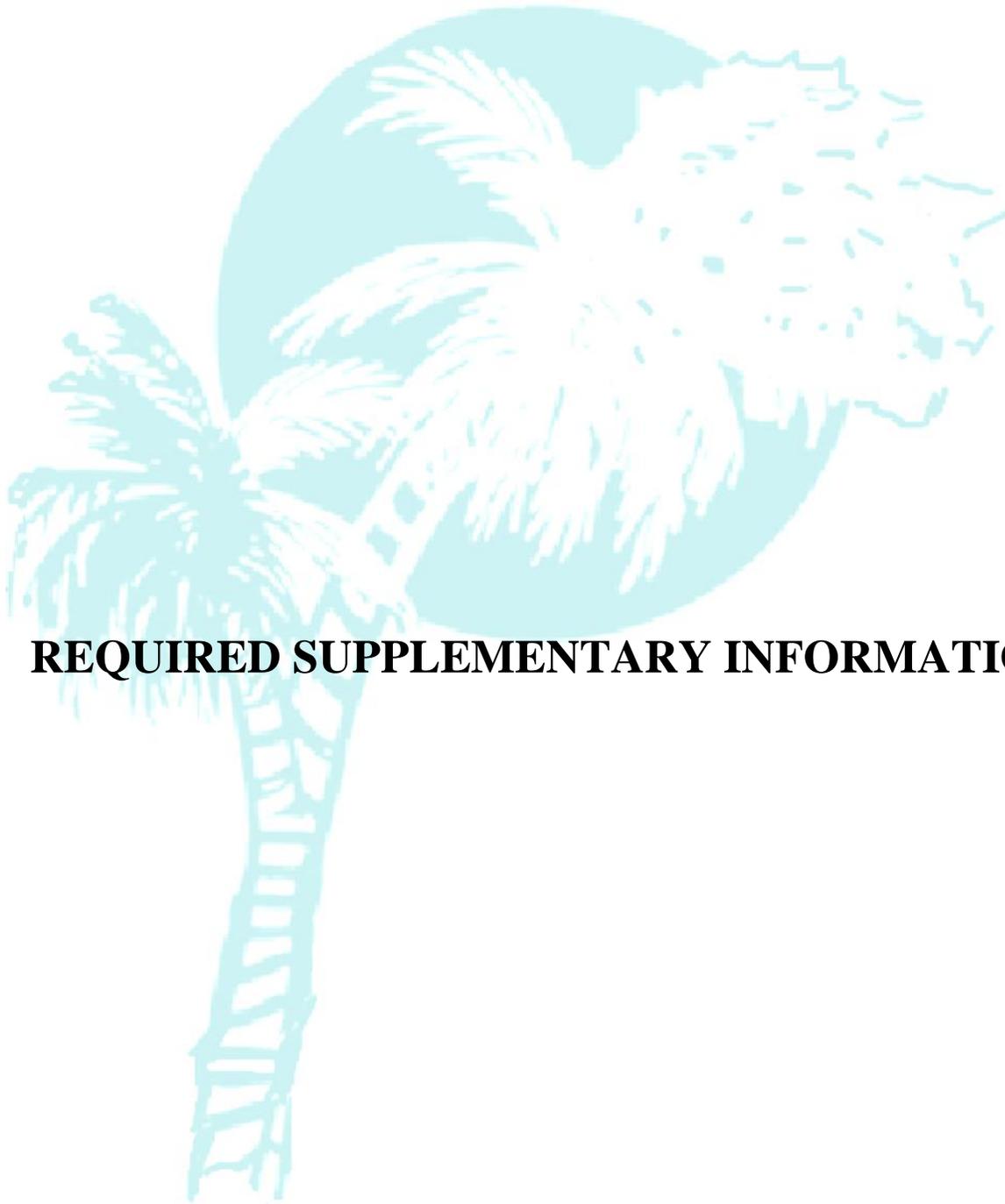
H. Subsequent Events

Capital Improvement Revenue Bonds, Series 2016

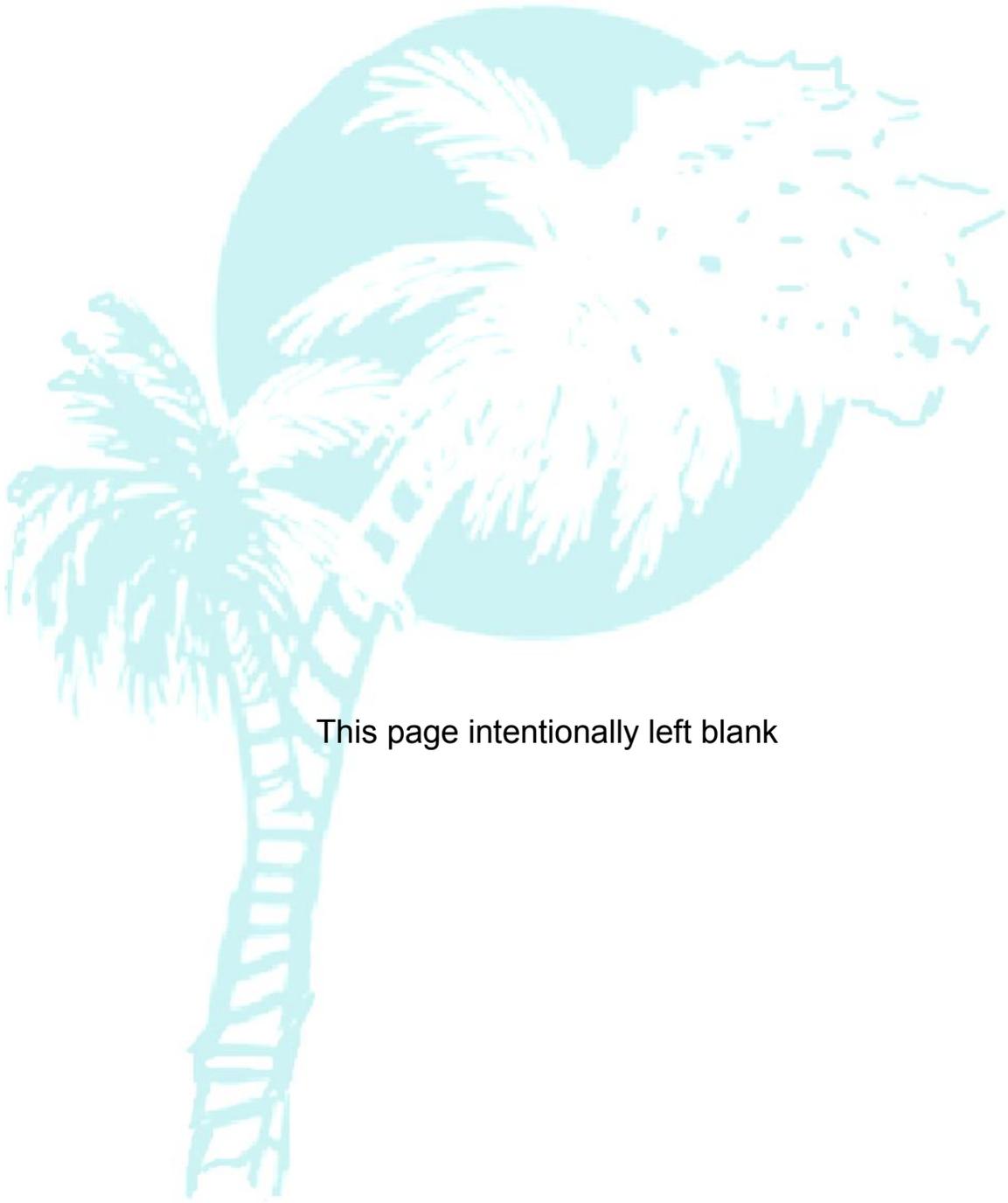
The City is in the process of issuing tax-exempt debt anticipated to approximately \$35 million. The proceeds of the bonds will be used to (i) refund the City’s outstanding Transportation Capital Improvement Revenue Bonds, Series 2006, (ii) provide funds for the design and construction of transportation/road improvements, and (iii) to provide funds for the design, construction and to equip a Senior/Community Center for the City.



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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 Fiscal Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 12,750,000	\$ 12,750,000	\$ 12,897,291	\$ 147,291
Franchise fees	3,764,000	3,764,000	3,773,535	9,535
Public service tax	7,303,000	7,313,000	7,313,495	495
State revenue sharing	3,231,000	3,431,000	3,658,848	227,848
Intergovernmental	4,599,000	4,692,000	4,893,093	201,093
Charges for services	1,868,000	1,958,000	2,020,769	62,769
Fines and forfeitures	242,000	272,000	276,842	4,842
Interest income	144,900	144,900	146,964	2,064
Miscellaneous	188,000	228,000	239,129	11,129
Total revenues	<u>34,089,900</u>	<u>34,552,900</u>	<u>35,219,966</u>	<u>667,066</u>
EXPENDITURES				
Operating:				
General government	8,435,800	8,169,800	7,813,527	356,273
Public safety	18,828,900	18,883,900	18,880,368	3,532
Highways and streets	1,953,000	2,248,000	1,764,376	483,624
Culture and recreation	2,558,600	2,427,600	2,314,768	112,832
Total operating	<u>31,776,300</u>	<u>31,729,300</u>	<u>30,773,039</u>	<u>956,261</u>
Debt service:				
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay:				
General government	392,000	392,000	391,445	555
Public safety	670,000	670,000	492,367	177,633
Highways and streets	716,000	806,000	605,513	200,487
Culture and recreation	175,000	175,000	173,598	1,402
Physical environment	-	-	-	-
Total capital outlay	<u>1,953,000</u>	<u>2,043,000</u>	<u>1,662,923</u>	<u>380,077</u>
Total expenditures	<u>33,729,300</u>	<u>33,772,300</u>	<u>32,435,962</u>	<u>1,336,338</u>
Excess (deficiency) of revenues over expenditures	<u>360,600</u>	<u>780,600</u>	<u>2,784,004</u>	<u>2,003,404</u>
OTHER FINANCING SOURCES (USES)				
Transfer(s) in	(500,000)	(1,368,000)	(1,368,000)	-
Total other financing source (uses)	<u>(500,000)</u>	<u>(1,368,000)</u>	<u>(1,368,000)</u>	<u>-</u>
Net change in fund balances	(139,400)	(587,400)	1,416,004	2,003,404
Fund balance, beginning	18,490,926	18,490,926	23,758,000	5,267,074
Fund balance, ending	<u>\$ 18,351,526</u>	<u>\$ 17,903,526</u>	<u>\$ 25,174,004</u>	<u>\$ 7,270,478</u>

Required Supplementary Information

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

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 Fiscal Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 45,894	\$ 45,894
Charges for services	2,925,000	2,925,000	2,927,628	2,628
Interest income	2,800	2,800	2,920	120
Miscellaneous	500	500	-	(500)
Total revenues	<u>2,928,300</u>	<u>2,928,300</u>	<u>2,976,442</u>	<u>48,142</u>
EXPENDITURES				
Operating:				
Physical environment	2,212,500	2,212,500	2,153,692	58,808
Total operating	<u>2,212,500</u>	<u>2,212,500</u>	<u>2,153,692</u>	<u>58,808</u>
Debt service:				
Interest	274,700	274,700	274,776	(76)
Principal retirement	251,600	251,600	251,524	76
Total debt service	<u>526,300</u>	<u>526,300</u>	<u>526,300</u>	<u>-</u>
Capital outlay:				
Physical environment	2,113,800	2,113,800	1,028,713	1,085,087
Total capital outlay	<u>2,113,800</u>	<u>2,113,800</u>	<u>1,028,713</u>	<u>1,085,087</u>
Total expenditures	<u>4,852,600</u>	<u>4,852,600</u>	<u>3,708,705</u>	<u>1,143,895</u>
Excess (deficiency) of revenues over expenditures	<u>(1,924,300)</u>	<u>(1,924,300)</u>	<u>(732,263)</u>	<u>1,192,037</u>
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,924,300)	(1,924,300)	(732,263)	1,192,037
Fund balance, beginning	2,856,009	2,856,009	2,750,138	(105,871)
Fund balance, ending	<u>\$ 931,709</u>	<u>\$ 931,709</u>	<u>\$ 2,017,875</u>	<u>\$ 1,086,166</u>

Required Supplementary Information

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

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 Fiscal Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 5,725,000	\$ 5,683,600	\$ 5,696,376	\$ 12,776
Interest income	3,900	3,900	4,933	1,033
Miscellaneous	-	-	548	548
Total revenues	<u>5,728,900</u>	<u>5,687,500</u>	<u>5,701,857</u>	<u>14,357</u>
EXPENDITURES				
Operating:				
Physical environment	5,742,800	5,823,800	5,821,233	2,567
Total operating	<u>5,742,800</u>	<u>5,823,800</u>	<u>5,821,233</u>	<u>2,567</u>
Total expenditures	<u>5,742,800</u>	<u>5,823,800</u>	<u>5,821,233</u>	<u>2,567</u>
Excess (deficiency) of revenues over expenditures	<u>(13,900)</u>	<u>(136,300)</u>	<u>(119,376)</u>	<u>16,924</u>
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(13,900)	(136,300)	(119,376)	16,924
Fund balance, beginning	704,433	704,433	637,197	(67,236)
Fund balance, ending	<u>\$ 690,533</u>	<u>\$ 568,133</u>	<u>\$ 517,821</u>	<u>\$ (50,312)</u>

Required Supplementary Information

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

Schedule of Revenues, Expenditures, Changes in Fund Balance

Transportation Fund
 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,138,000	\$ 2,138,000	\$ 2,161,422	\$ 23,422
Interest income	3,000	3,000	7,573	4,573
Total revenues	<u>2,141,000</u>	<u>2,141,000</u>	<u>2,168,995</u>	<u>27,995</u>
EXPENDITURES				
Operating:				
Highways and streets	121,500	121,500	116,093	5,407
Total operating	<u>121,500</u>	<u>121,500</u>	<u>116,093</u>	<u>5,407</u>
Debt service:				
Interest	627,500	627,500	627,425	75
Principal retirement	830,000	830,000	830,000	-
Total debt service	<u>1,457,500</u>	<u>1,457,500</u>	<u>1,457,425</u>	<u>75</u>
Capital outlay:				
Highways and streets	2,300,000	2,300,000	1,183,328	1,116,672
Total capital outlay	<u>2,300,000</u>	<u>2,300,000</u>	<u>1,183,328</u>	<u>1,116,672</u>
Total expenditures	<u>3,879,000</u>	<u>3,879,000</u>	<u>2,756,846</u>	<u>1,122,154</u>
Excess (deficiency) of revenues over expenditures	<u>(1,738,000)</u>	<u>(1,738,000)</u>	<u>(587,851)</u>	<u>1,150,149</u>
OTHER FINANCING SOURCES (USES)				
Transfer(s) in	665,000	665,000	775,438	110,438
Total other financing source (uses)	<u>665,000</u>	<u>665,000</u>	<u>775,438</u>	<u>110,438</u>
Net change in fund balances	(1,073,000)	(1,073,000)	187,587	1,260,587
Fund balance, beginning	2,809,805	2,809,805	2,687,472	(122,333)
Fund balance, ending	<u>\$ 1,736,805</u>	<u>\$ 1,736,805</u>	<u>\$ 2,875,059</u>	<u>\$ 1,138,254</u>

Required Supplementary Information

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

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 Fiscal Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 550,000	\$ 550,000	\$ 34,523	\$ (515,477)
Interest income	-	-	794	794
Miscellaneous	500,000	500,000	166,170	(333,830)
Total revenues	<u>1,050,000</u>	<u>1,050,000</u>	<u>201,487</u>	<u>(848,513)</u>
EXPENDITURES				
Operating:				
General government	200,000	200,000	105,015	94,985
Economic environment	850,000	850,000	96,472	753,528
Total operating	<u>1,050,000</u>	<u>1,050,000</u>	<u>201,487</u>	<u>848,513</u>
Total expenditures	<u>1,050,000</u>	<u>1,050,000</u>	<u>201,487</u>	<u>848,513</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Required Supplementary Information

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

Schedule of Funding Progress
From Employer and Others
September 30, 2015

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
03/01/11	\$ -	\$ 1,934,000	\$ 1,934,000	\$ 295,000	0.0%	\$ 12,210,000	15.84%
10/01/12	\$ -	\$ 1,707,000	\$ 1,707,000	\$ 175,000	0.0%	\$ 12,317,000	13.86%
10/01/14	\$ -	\$ 1,933,000	\$ 1,933,000	\$ 191,000	0.0%	\$ 12,396,230	15.59%

B. Schedule of Employer Contributions

FYE	Actuarial Valuation Date	Annual OPEB Cost	Actual Contribution	% Contributed	Contribution as % of Payroll	Net Ending OPEB Liability / (Asset)
09/30/09	03/01/08	\$ 334,000	\$ 15,000	4.49%	0.1%	\$ 319,000
09/30/10	03/01/08	359,000	37,000	10.31%	0.3%	641,000
09/30/11	03/01/11	380,000	51,000 *	13.42%	0.4%	970,000
09/30/12	03/01/11	402,000	84,000 *	20.90%	0.7%	1,288,000
09/30/13	10/01/12	248,000	34,000 *	13.71%	0.3%	1,502,000
09/30/14	10/01/12	260,000	57,000	21.92%	0.5%	1,705,000
09/30/15	10/01/14	262,000	34,000	12.98%	0.3%	1,933,000

* Estimated

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

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

Schedule of Changes in Firefighter Net Pension Liability

Schedule of Changes in Firefighter Net Pension Liability and Related Ratios
Last 10 Fiscal Years

Measurement Date	9/30/2015	9/30/2014
Total Pension Liability		
Service Cost	\$ 859,133	\$ 885,170
Interest	2,171,585	2,001,624
Change in Excess State Money	10,559	280,653
Differences Between Expected and Actual Experience	(460,180)	-
Benefit Payments, Incl. Refunds of EE Contributions	(811,049)	(661,426)
Net Change in Total Pension Liability	1,770,048	2,506,021
Total Pension Liability - Beginning	26,971,856	24,465,835
Total Pension Liability - Ending (a)	28,741,904	26,971,856
Plan Fiduciary Net Position		
Contributions - Employer	1,099,856	747,410
Contributions - State	432,954	435,643
Contributions - Employee	306,677	322,286
Net Investment Income	(125,150)	1,994,535
Benefit Payments, Incl. Refunds of EE Contributions	(811,049)	(661,426)
Administrative Expense	(67,747)	(53,091)
Net Change in Plan Fiduciary Net Position	835,541	2,785,357
Plan Fiduciary Net Position - Beginning	20,304,917	17,519,560
Plan Fiduciary Net Position - Ending (b)	21,140,458	20,304,917
Net Pension Liability - Ending (a) - (b)	\$ 7,601,446	\$ 6,666,939
Plan Fiduciary Net Position as a % of Total Pension Liability	73.55%	75.28%
Covered Employee Payroll (2)	5,148,777	4,028,572
Net Pension Liability as a % of Covered Employee Payroll	147.64%	165.49%

Notes to Schedule:

Changes of Assumptions:

For the Reporting Period Ending year, the inflation rate has been lowered from 3.50% to 3.00%

- (1) GASB 67 implemented FYE 9/30/14. Prior years information not available.
- (2) For the 2015 Reporting Period Ending 2014, the Covered Employee Payroll was based on Pensionable Salary

Required Supplementary Information

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

Schedule of Firefighter Pension Contributions and Investment Returns

Schedule of Firefighter Pension Contributions
September 30, 2015

	Year Ended	
	9/30/2015	09/30/14 (1)
Actuarially Determined Contribution	\$ 1,176,873	\$ 902,400
Contributions in Relation to the Actuarially Determined Contributions	1,522,251	902,400
Contribution Deficiency (Excess)	<u>\$ (345,378)</u>	<u>\$ -</u>
Covered Employee Payroll (2)	\$ 5,148,777	\$ 4,028,572
Contributions as a Percentage of Covered Employee Payroll	29.57%	22.40%

Schedule of Firefighters' Pension Investment Returns
September 30, 2015

	Year Ended	
	9/30/2015	09/30/14 (1)
Annual Money-Weighted Rate of Return Net of Investment Expense	-0.59%	11.27%

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

(2) For FY 2014, Covered Payroll was based on Pensionable Salary.

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

Schedule of Contributions - FRS / HIS

Schedule of Florida Retirement System Contributions
September 30, 2015

	Year Ended	
	9/30/2015	9/30/2014
Actuarially Determined Contributions	\$ 559,079	\$ 507,053
Contributions in relation to the Actuarially Determined Contributions	(559,079)	(507,053)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll	\$ 7,525,843	\$ 7,041,483
Contributions as % of Covered Employee Payroll	7.43%	7.20%

Schedule of FRS - Health Insurance Subsidy Contributions
September 30, 2015

	Year Ended	
	9/30/2015	9/30/2014
Actuarially Determined Contributions	\$ 102,871	\$ 86,063
Contributions in relation to the Actuarially Determined Contributions	(102,871)	(86,063)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll	\$ 7,525,843	\$ 7,041,483
Contributions as % of Covered Employee Payroll	1.37%	1.22%

Required Supplementary Information

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

Schedule of Proportionate Share of Net Pension Liability

Schedule of Proportionate Share of Net Pension Liability
Last 10 Years (1)

Florida Retirement System (FRS):	Year Ended	
	9/30/2015	9/30/2014
City Proportion of Net Pension Liability (Asset)	0.0217%	0.0203%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,801,727	\$ 1,239,732
City's Covered Employee Payroll	7,525,843	7,041,483
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	37.23%	17.61%
(2) Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.00%	96.09%

Schedule of FRS - Proportionate Health Insurance Liability Net Pension Liability
September 30, 2015

FRS Health Insurance Subsidy (HIS):	Year Ended	
	9/30/2015	9/30/2014
City Proportion of Net Pension Liability (Asset)	2.4204%	0.2349%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,468,473	\$ 2,196,677
City's Covered Employee Payroll	7,525,843	7,041,483
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	32.80%	31.20%
(2) Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.50%	0.99%

- (1) GASB 68 requires information for 10 years; however data for a 10 year trend is unavailable.
The Plan's fiduciary net position as a percentage of the total pension liability is published in Note 4 of the Plan's
- (2) Comprehensive Annual Financial Report.

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

**Notes to the Required Supplementary Information
September 30, 2015****Note 1**

Budgetary information

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

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

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

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

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

Note 2

Firefighter Pension Insurance Premium

The City received \$432,954 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.

Notes to the Required Supplementary Information

Note 3

Methods and Assumptions Used to Determine Contribution Rates

Firefighters' Pension Plan September 30, 2015																																																		
Amortization Method:	Level Percentage of Pay, Closed																																																	
Remaining Amortization Period:	30 Years (as of 10/01/2013)																																																	
Inflation:	3.5% per year																																																	
Mortality:	RP-2000 Table with no projection. Disabled lives set forward 5 years.																																																	
Interest Rate:	8.0% per year compounded annually, net of investment related expense.																																																	
Retirement Age:	<table border="1"> <thead> <tr> <th>Age</th> <th><10</th> <th>10-24</th> <th>25-29</th> <th>30+</th> </tr> </thead> <tbody> <tr> <td>Under 52</td> <td>0%</td> <td>0%</td> <td>30%</td> <td>30%</td> </tr> <tr> <td>52-24</td> <td>0%</td> <td>0%</td> <td>60%</td> <td>100%</td> </tr> <tr> <td>55-59</td> <td>0%</td> <td>60%</td> <td>60%</td> <td>100%</td> </tr> <tr> <td>60 +</td> <td>0%</td> <td>100%</td> <td>100%</td> <td>100%</td> </tr> </tbody> </table>	Age	<10	10-24	25-29	30+	Under 52	0%	0%	30%	30%	52-24	0%	0%	60%	100%	55-59	0%	60%	60%	100%	60 +	0%	100%	100%	100%																								
Age	<10	10-24	25-29	30+																																														
Under 52	0%	0%	30%	30%																																														
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55-59	0%	60%	60%	100%																																														
60 +	0%	100%	100%	100%																																														
Disability Rate:	Assumption: 75% of disablements and active Member deaths are service related.																																																	
	<table border="1"> <thead> <tr> <th>Age</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>25</td> <td>0.09%</td> </tr> <tr> <td>35</td> <td>0.13%</td> </tr> <tr> <td>45</td> <td>0.20%</td> </tr> <tr> <td>55</td> <td>0.62%</td> </tr> </tbody> </table>	Age	Rate	25	0.09%	35	0.13%	45	0.20%	55	0.62%																																							
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Termination Rate:	<table border="1"> <thead> <tr> <th>Age</th> <th>0-1</th> <th>1-2</th> <th>2-3</th> <th>3-4</th> <th>4-5</th> <th>5 +</th> </tr> </thead> <tbody> <tr> <td>Under 35</td> <td>10.0%</td> <td>6.0%</td> <td>5.0%</td> <td>4.0%</td> <td>3.0%</td> <td>3.0%</td> </tr> <tr> <td>35-39</td> <td>10.0%</td> <td>6.0%</td> <td>5.0%</td> <td>4.0%</td> <td>3.0%</td> <td>2.5%</td> </tr> <tr> <td>40-44</td> <td>10.0%</td> <td>6.0%</td> <td>5.0%</td> <td>4.0%</td> <td>3.0%</td> <td>2.0%</td> </tr> <tr> <td>45-49</td> <td>10.0%</td> <td>6.0%</td> <td>5.0%</td> <td>4.0%</td> <td>3.0%</td> <td>1.5%</td> </tr> <tr> <td>50-54</td> <td>10.0%</td> <td>6.0%</td> <td>5.0%</td> <td>4.0%</td> <td>3.0%</td> <td>1.0%</td> </tr> <tr> <td>55 +</td> <td>10.0%</td> <td>6.0%</td> <td>5.0%</td> <td>4.0%</td> <td>3.0%</td> <td>0.0%</td> </tr> </tbody> </table>	Age	0-1	1-2	2-3	3-4	4-5	5 +	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 +	10.0%	6.0%	5.0%	4.0%	3.0%	0.0%
Age	0-1	1-2	2-3	3-4	4-5	5 +																																												
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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 +	10.0%	6.0%	5.0%	4.0%	3.0%	0.0%																																												
Salary Increases:	<table border="1"> <thead> <tr> <th>Age</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td><25</td> <td>8.0%</td> </tr> <tr> <td>25-31</td> <td>7.0%</td> </tr> <tr> <td>32-37</td> <td>6.0%</td> </tr> <tr> <td>38 +</td> <td>5.0%</td> </tr> </tbody> </table>	Age	Rate	<25	8.0%	25-31	7.0%	32-37	6.0%	38 +	5.0%																																							
Age	Rate																																																	
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25-31	7.0%																																																	
32-37	6.0%																																																	
38 +	5.0%																																																	
Payroll Growth:	3.0% per year for amortization of UAAL.																																																	
Administrative Expenses:	Expenses paid over the previous year.																																																	
Cost-of-Living Adjustment (COLA):	2.35% automatic COLA beginning at the later of age 52 or three (3) years following benefit commencement, payable to all service retirees who have completed at least 21 years of service, and all line-of-duty disability retirees.																																																	
Funding Method:	Entry Age Normal Actuarial Cost Method.																																																	
Actuarial Asset 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
The notes to financial statements are an integral part of this statement.

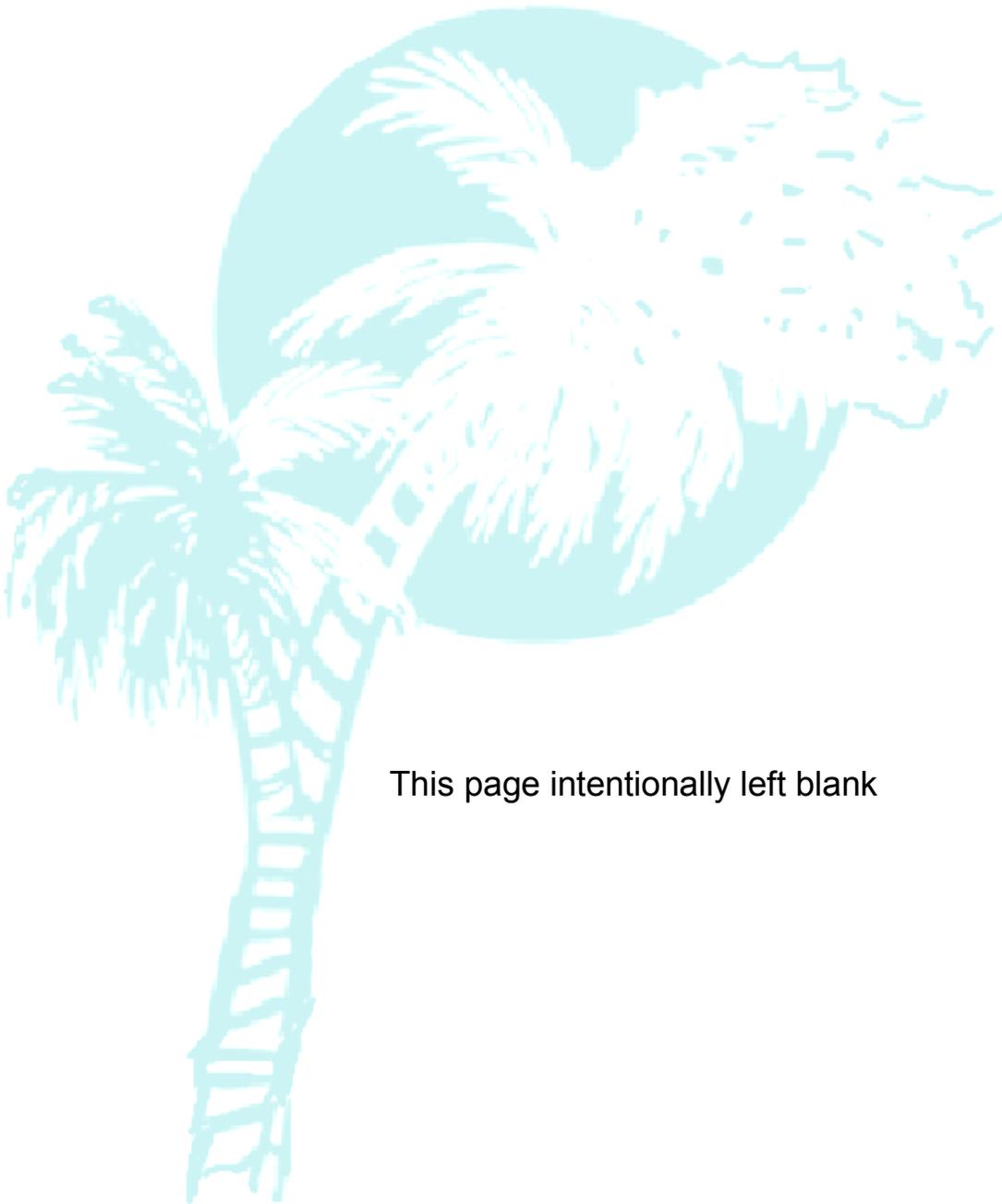
Notes to the Required Supplementary Information

Florida Retirement System July 1, 2015	
Amortization Method:	Level Percentage of Pay, Closed, Layered
Remaining Amortization Period:	30 Years (as of 06/30/2015)
Recognition Method:	Asymptotic
Corridor:	80% - 120% of fair market value
Inflation:	2.60% per year
Mortality:	Generational PR-2000 with Projection Scale BB
Interest Rate:	7.65% per /year compounded annually, net of investment related expense
Retirement Age:	* Varies by tier, membership class
Turnover:	* Varies by tier, membership class
Cost of Living Adjustments:	3% for pre-July 2011 benefit service; 0% thereafter
Termination Rate:	* Varies by tier, membership class
Salary Increases:	* Varies by tier, membership class
Payroll Growth:	3.25% per year
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

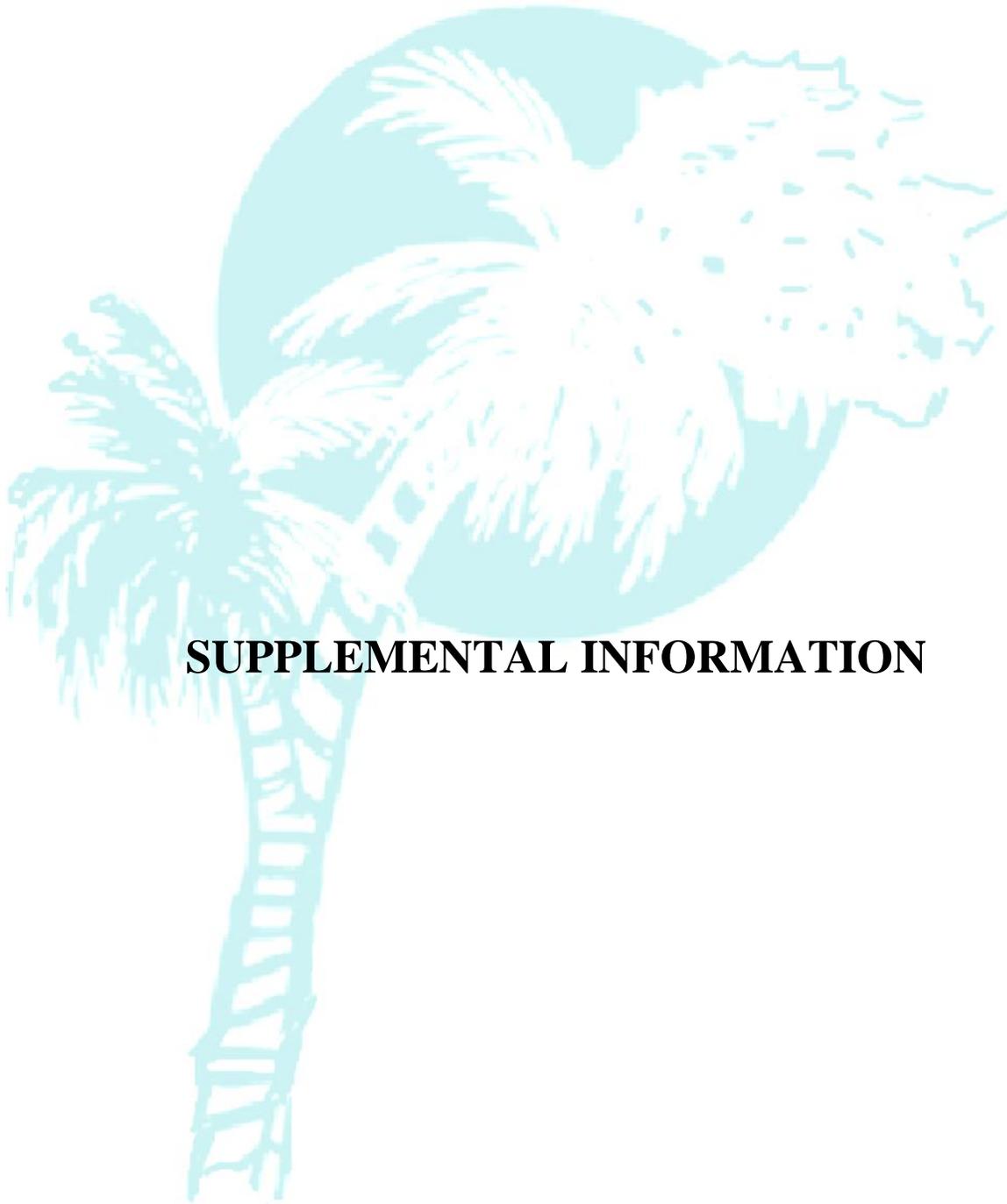
* Refer to FRS Valuation Report for specific information.

FRS Health Insurance Subsidy June 30, 2015	
Amortization Method:	Level Percentage of Pay, Closed, Layered
Remaining Amortization Period:	30 Years (as of 06/30/2015)
Recognition Method:	Asymptotic
Corridor:	80% - 120% of fair market value
Inflation:	2.60% per year
Mortality:	Generational PR-2000 with Projection Scale BB
Interest Rate:	7.65% per /year compounded annually, net of investment related expense
Retirement Age:	* Varies by tier, membership class
Turnover:	* Varies by tier, membership class
Cost of Living Adjustments:	3% for pre-July 2011 benefit service; 0% thereafter
Termination Rate:	* Varies by tier, membership class
Salary Increases:	* Varies by tier, membership class
Payroll Growth:	3.25% per year
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

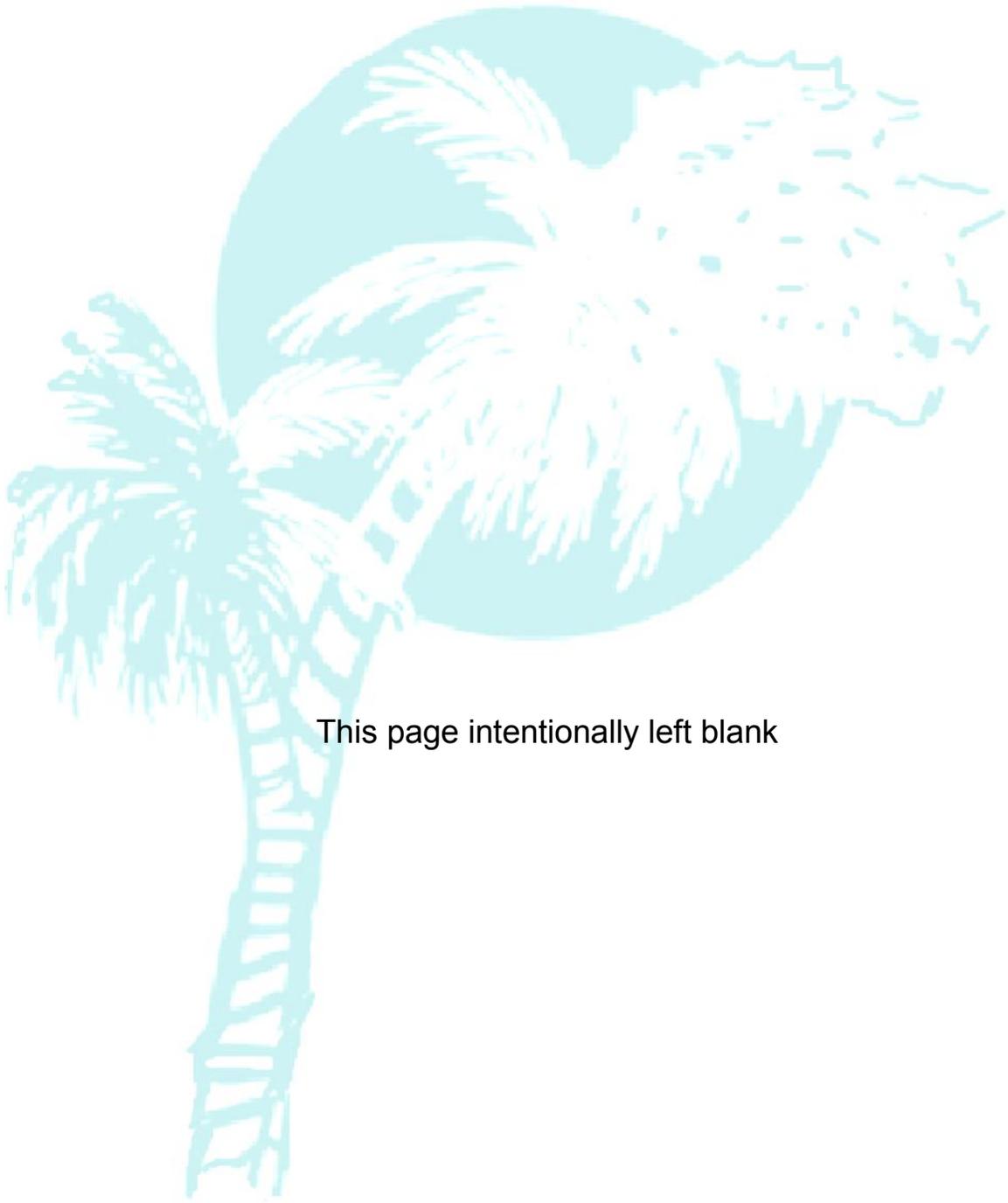
Required Supplementary Information
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SUPPLEMENTAL INFORMATION



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Schedule of Revenues and Expenditures - Budget and Actual

Capital Projects - Municipal Complex(s) Fund
 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest income	\$ 1,000	\$ 1,000	\$ 9,880	\$ 8,880
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>9,880</u>	<u>8,880</u>
EXPENDITURES				
Capital outlay:				
General government	200,000	200,000	89,456	110,544
Total capital outlay	<u>200,000</u>	<u>200,000</u>	<u>89,456</u>	<u>110,544</u>
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u>89,456</u>	<u>110,544</u>
Excess (deficiency) of revenues over expenditures	<u>(199,000)</u>	<u>(199,000)</u>	<u>(79,576)</u>	<u>119,424</u>
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(199,000)	(199,000)	(79,576)	119,424
Fund balance, beginning	<u>1,758,236</u>	<u>1,758,236</u>	<u>1,758,236</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,559,236</u>	<u>\$ 1,559,236</u>	<u>\$ 1,678,660</u>	<u>\$ 119,424</u>

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

Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2015

	Special Revenue Funds									Total Nonmajor Governmental
	Fire/Rescue Service Impact Fees Funds	State Housing Initiatives 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	Capital Projects - Park Projects Fund	
ASSETS										
Cash and cash equivalents	\$ 59,199	\$ 429,288	\$ -	\$ 16,680	\$ 240,999	\$ 530,268	\$ 40,147	\$ -	\$ 483,295	\$ 1,799,876
Due from other governments	-	-	94,110	-	-	-	-	-	-	94,110
Total assets	59,199	429,288	94,110	16,680	240,999	530,268	40,147	-	483,295	1,893,986
LIABILITIES										
Accounts payable	-	463	34,794	10,135	-	4,516	-	-	-	49,908
Due to other funds	-	-	59,316	-	-	-	-	-	-	59,316
Unearned revenues	-	428,825	-	-	-	-	-	-	-	428,825
Deposits	-	-	-	-	-	70,050	-	-	-	70,050
Total liabilities	-	429,288	94,110	10,135	-	74,566	-	-	-	608,099
FUND BALANCES										
Restricted:										
Public safety	59,199	-	-	-	-	-	40,147	-	-	99,346
Highways and streets	-	-	-	6,545	-	-	-	-	-	6,545
Culture and recreation	-	-	-	-	240,999	-	-	-	-	240,999
Total restricted fund balances	59,199	-	-	6,545	240,999	-	40,147	-	-	346,890
Committed:										
Culture and recreation	-	-	-	-	-	-	-	-	483,295	483,295
Physical environment	-	-	-	-	-	455,702	-	-	-	455,702
Total committed fund balances	-	-	-	-	-	455,702	-	-	483,295	938,997
Total fund balances	59,199	-	-	6,545	240,999	455,702	40,147	-	483,295	1,285,887
Total liabilities and fund balances	\$ 59,199	\$ 429,288	\$ 94,110	\$ 16,680	\$ 240,999	\$ 530,268	\$ 40,147	\$ -	\$ 483,295	\$ 1,893,986

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

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Fiscal Year Ended September 30, 2015

	Special Revenue Funds									
	Fire/Rescue Service Impact Fees	State Housing Initiatives Partnership	Community Development Block Grant	Streetlighting Districts	Park Impact Fees	Tree Replacement Fund	Law Enforcement Impact Fees	Transportation Impact Fees	Capital Projects - Park Projects Fund	Total Nonmajor Governmental Funds
REVENUES										
Intergovernmental	\$ -	\$ 63,010	\$ 289,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,349	\$ 393,231
Charges for services	-	-	-	135,779	-	-	-	-	-	135,779
Impact fees	35,672	-	-	-	68,473	-	19,341	275,438	-	398,924
Interest income	132	952	-	12	1,009	2,637	96	-	196	5,034
Miscellaneous	-	-	-	-	-	46,771	-	-	-	46,771
Total revenues	35,804	63,962	289,872	135,791	69,482	49,408	19,437	275,438	40,545	979,739
EXPENDITURES										
Operating:										
General government	-	31,625	73,767	-	-	-	-	-	-	105,392
Highways and streets	-	-	-	137,813	-	-	-	-	-	137,813
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Economic environment	-	32,337	58,051	-	-	-	-	-	-	90,388
Physical environment	-	-	26,377	-	-	71,334	-	-	-	97,711
Debt service:										
Capital Outlay:										
Culture and recreation	-	-	131,677	-	-	-	-	-	322,768	454,445
Total expenditures	-	63,962	289,872	137,813	-	71,334	-	-	322,768	885,749
Excess (deficiency) of revenues over expenditures	35,804	-	-	(2,022)	69,482	(21,926)	19,437	275,438	(282,223)	93,990
OTHER FINANCING SOURCES (USES)										
Transfer(s) in	-	-	-	-	-	-	-	-	755,400	755,400
Transfer(s) out	-	-	-	-	(5,400)	-	-	(275,438)	-	(280,838)
Total other financing sources (uses)	-	-	-	-	(5,400)	-	-	(275,438)	755,400	474,562
Net change in fund balances	35,804	-	-	(2,022)	64,082	(21,926)	19,437	-	473,177	568,552
Fund balances - beginning	23,395	-	-	8,567	176,917	477,628	20,710	-	10,118	717,335
Fund balances - ending	\$ 59,199	\$ -	\$ -	\$ 6,545	\$ 240,999	\$ 455,702	\$ 40,147	\$ -	\$ 483,295	\$ 1,285,887

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 Fiscal Year Ended September 30, 2015

	Actual	Budgeted	Variance With Final Budget
		Amounts Final	
REVENUES			
Impact fees	\$ 35,672	\$ 13,700	\$ 21,972
Interest income	132	200	(68)
Total revenues	<u>35,804</u>	<u>13,900</u>	<u>21,904</u>
EXPENDITURES			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>35,804</u>	<u>13,900</u>	<u>21,904</u>
OTHER FINANCING SOURCES (USES)			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	35,804	13,900	21,904
Fund balances - beginning	23,395	38,304	(14,909)
Fund balances - ending	<u>\$ 59,199</u>	<u>\$ 52,204</u>	<u>\$ 6,995</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
 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended September 30, 2015

	Actual	Budgeted	Variance With Final Budget
		Amounts Final	
REVENUES			
Intergovernmental	\$ 63,010	\$ 422,600	\$ (359,590)
Interest income	952	1,000	(48)
Total revenues	<u>63,962</u>	<u>423,600</u>	<u>(359,638)</u>
EXPENDITURES			
Operating:			
General government	31,625	40,000	8,375
Economic environment	32,337	383,600	351,263
Total operating	<u>63,962</u>	<u>423,600</u>	<u>359,638</u>
Total expenditures	<u>63,962</u>	<u>423,600</u>	<u>359,638</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Supplemental Information

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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 Fiscal Year Ended September 30, 2015

	Actual	Budgeted Amounts Final	Variance With Final Budget
REVENUES			
Intergovernmental	\$ 289,872	\$ 591,300	\$ (301,428)
Total revenues	<u>289,872</u>	<u>591,300</u>	<u>(301,428)</u>
EXPENDITURES			
Operating:			
General government	73,767	88,000	14,233
Economic environment	58,051	62,300	4,249
Physical Environment	26,377	289,500	263,123
Total operating	<u>158,195</u>	<u>439,800</u>	<u>281,605</u>
Capital outlay:			
Culture and recreation	131,677	151,500	19,823
Total capital outlay	<u>131,677</u>	<u>151,500</u>	<u>19,823</u>
Total expenditures	<u>289,872</u>	<u>591,300</u>	<u>301,428</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</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

Streetlighting Districts Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended September 30, 2015

	Actual	Budgeted	Variance With Final Budget
		Amounts Final	
REVENUES			
Special assesments	\$ 135,779	\$ 140,800	\$ (5,021)
Interest income	12	100	(88)
Total revenues	<u>135,791</u>	<u>140,900</u>	<u>(5,109)</u>
EXPENDITURES			
Operating:			
Highways and streets	137,813	139,600	1,787
Total operating	<u>137,813</u>	<u>139,600</u>	<u>1,787</u>
Total expenditures	<u>137,813</u>	<u>139,600</u>	<u>1,787</u>
Excess (deficiency) of revenues over expenditures	<u>(2,022)</u>	<u>1,300</u>	<u>(3,322)</u>
OTHER FINANCING SOURCES (USES)			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2,022)	1,300	(3,322)
Fund balances - beginning	8,567	8,781	(214)
Fund balances - ending	<u>\$ 6,545</u>	<u>\$ 10,081</u>	<u>\$ (3,536)</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 Fiscal Year Ended September 30, 2015

	Actual	Budgeted Amounts Final	Variance With Final Budget
REVENUES			
Impact fees	\$ 68,473	\$ 60,000	\$ 8,473
Interest income	1,009	1,190	(181)
Total revenues	<u>69,482</u>	<u>61,190</u>	<u>8,292</u>
EXPENDITURES			
Operating:			
Culture and recreation	-	-	-
Total operating	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	<u>69,482</u>	<u>61,190</u>	<u>8,292</u>
OTHER FINANCING SOURCES (USES)			
Transfer(s) out	<u>(5,400)</u>	<u>(9,500)</u>	<u>4,100</u>
Total other financing sources (uses)	<u>(5,400)</u>	<u>(9,500)</u>	<u>4,100</u>
Net change in fund balances	64,082	51,690	12,392
Fund balances - beginning	<u>176,917</u>	<u>220,430</u>	<u>(43,513)</u>
Fund balances - ending	<u>\$ 240,999</u>	<u>\$ 272,120</u>	<u>\$ (31,121)</u>

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

Schedule of Revenues and Expenditures - Budget and Actual

Tree Replacement Fees Fund
 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended September 30, 2015

	Actual	Budgeted	Variance With Final Budget
		Amounts Final	
REVENUES			
Tree replacement fees	\$ 46,771	\$ 4,000	\$ 42,771
Interest income	2,637	1,500	1,137
Total revenues	<u>49,408</u>	<u>5,500</u>	<u>43,908</u>
EXPENDITURES			
Operating:			
Physical environment	<u>71,334</u>	<u>100,000</u>	<u>28,666</u>
Total operating	<u>71,334</u>	<u>100,000</u>	<u>28,666</u>
Total expenditures	<u>71,334</u>	<u>100,000</u>	<u>28,666</u>
Excess (deficiency) of revenues over expenditures	<u>(21,926)</u>	<u>(94,500)</u>	<u>72,574</u>
OTHER FINANCING SOURCES (USES)			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(21,926)	(94,500)	72,574
Fund balances - beginning	<u>477,628</u>	<u>432,301</u>	<u>45,327</u>
Fund balances - ending	<u>\$ 455,702</u>	<u>\$ 337,801</u>	<u>\$ 117,901</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 Fiscal Year Ended September 30, 2015

	Actual	Budgeted	Variance With Final Budget
		Amounts Final	
REVENUES			
Impact fees	\$ 19,341	\$ 19,500	\$ (159)
Interest income	96	200	(104)
Total revenues	<u>19,437</u>	<u>19,700</u>	<u>(263)</u>
EXPENDITURES			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>19,437</u>	<u>19,700</u>	<u>(263)</u>
OTHER FINANCING SOURCES (USES)			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	19,437	19,700	(263)
Fund balances - beginning	<u>20,710</u>	<u>38,388</u>	<u>(17,678)</u>
Fund balances - ending	<u>\$ 40,147</u>	<u>\$ 58,088</u>	<u>\$ (17,941)</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 Fiscal Year Ended September 30, 2015

	Actual	Budgeted	Variance With Final Budget
		Amounts Final	
REVENUES			
Impact fees	\$ 275,438	\$ 165,000	\$ 110,438
Total revenues	<u>275,438</u>	<u>165,000</u>	<u>110,438</u>
EXPENDITURES			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>275,438</u>	<u>165,000</u>	<u>110,438</u>
OTHER FINANCING SOURCES (USES)			
Transfer(s) out	<u>(275,438)</u>	<u>(165,000)</u>	<u>(110,438)</u>
Total other financing sources (uses)	<u>(275,438)</u>	<u>(165,000)</u>	<u>(110,438)</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 Fiscal Year Ended September 30, 2015

	Actual	Budgeted Amounts Final	Variance With Final Budget
REVENUES			
Intergovernmental	\$ 40,349	\$ 569,718	\$ (529,369)
Interest income	196	100	96
Total revenues	<u>40,545</u>	<u>569,818</u>	<u>(529,273)</u>
EXPENDITURES			
Capital outlay:			
Culture and recreation	322,768	933,020	610,252
Total capital outlay	<u>322,768</u>	<u>933,020</u>	<u>610,252</u>
Total expenditures	<u>322,768</u>	<u>933,020</u>	<u>610,252</u>
Excess (deficiency) of revenues over expenditures	<u>(282,223)</u>	<u>(363,202)</u>	<u>80,979</u>
OTHER FINANCING SOURCES (USES)			
Transfer(s) in	755,400	759,500	(4,100)
Total other financing sources (uses)	<u>755,400</u>	<u>759,500</u>	<u>(4,100)</u>
Net change in fund balances	473,177	396,298	76,879
Fund balances - beginning	10,118	10,100	18
Fund balances - ending	<u>\$ 483,295</u>	<u>\$ 406,398</u>	<u>\$ 76,897</u>

Supplemental Information

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

**Notes to the Supplemental Information
September 30, 2015**

Note 1

Budgetary information

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

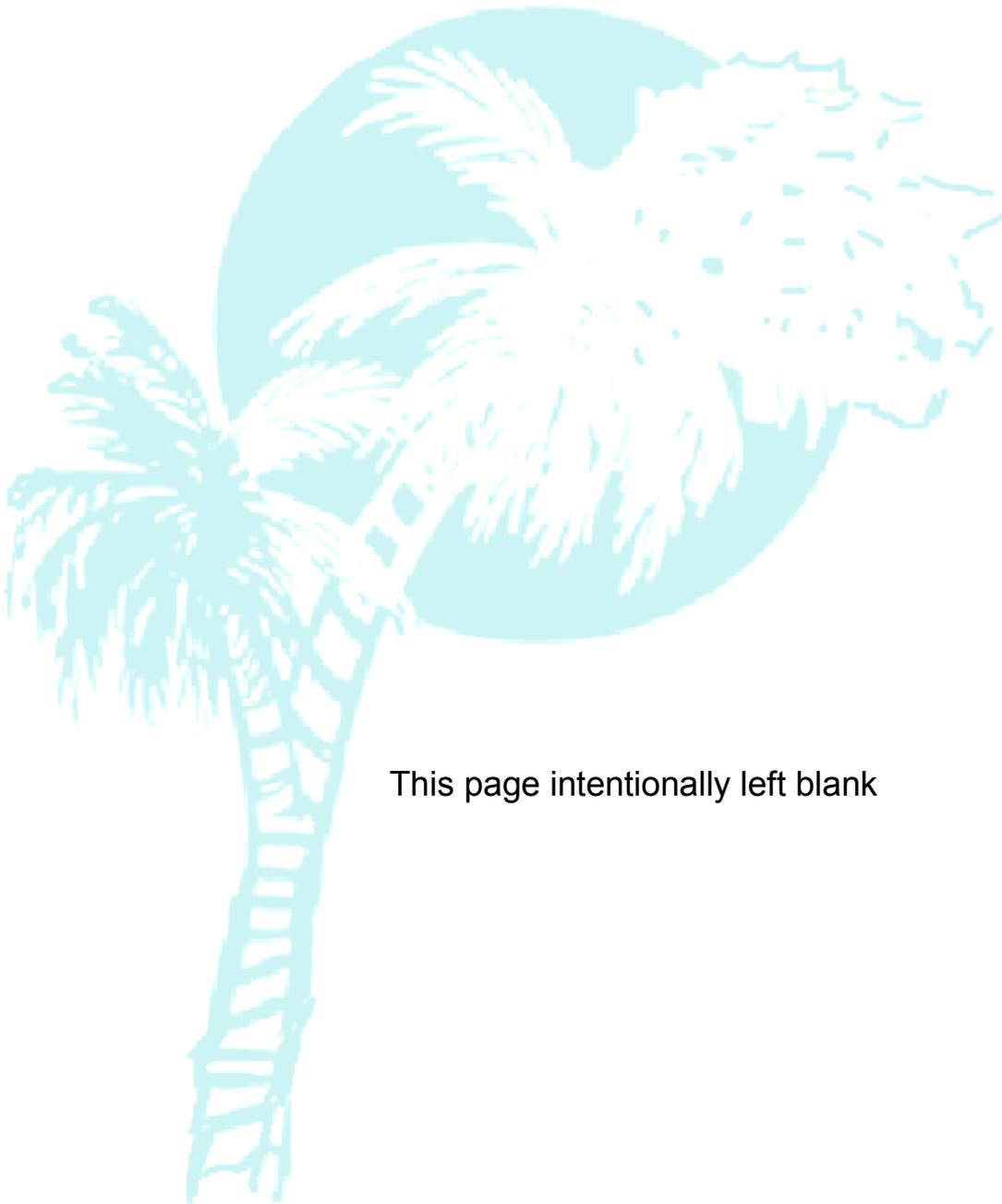
Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all non-major governmental funds. All annual appropriations lapse at fiscal year-end.

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

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

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

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



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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	110
Changes in Net Position	112
Fund Balances of Governmental Funds	116
Changes in Fund Balances of Governmental Funds	118
Tax Revenues by Source, Governmental Funds.....	120

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	121
Direct and Overlapping Property Tax Rates.....	122
Principal Taxpayers	123
Property Tax Levies and Collections.....	124

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	125
Direct and Overlapping Governmental Activities Debt.....	126
Pledged-Revenues Coverage	127

Demographic and Economic Information

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

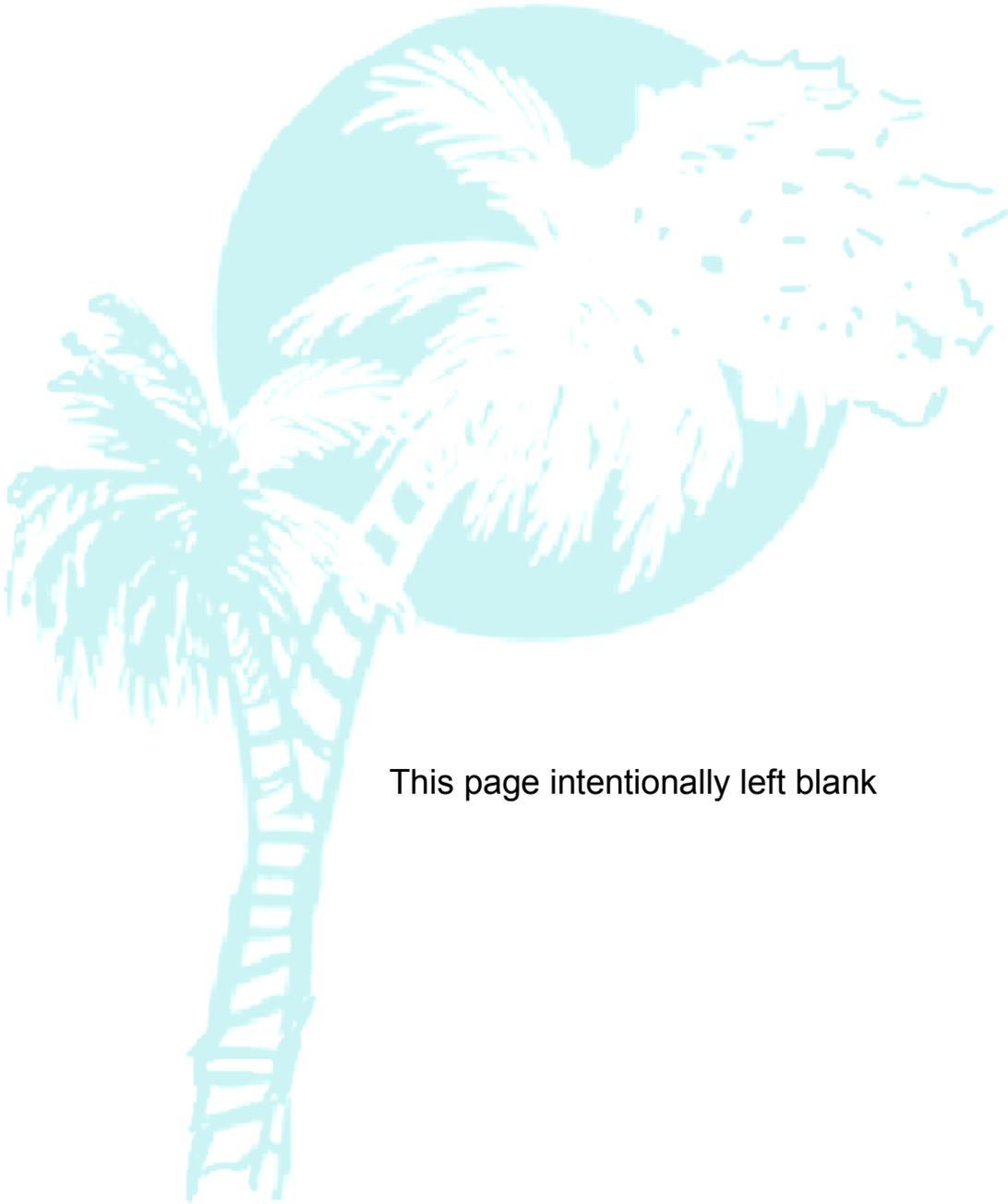
Demographic and Economic Statistics.....	129
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Operating Information

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	132
Various Indicators by Function/Program	134
Water Sold by Type of Customer	135
Wastewater Sold by Type of Customer.....	136
Principal Employers	137

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			
	9/30/2006	09/30/07	09/30/08	9/30/2009
Governmental activities				
Net invested in capital assets	\$ 98,811,959	\$ 98,227,017	\$ 100,154,051	\$ 112,872,553
Restricted	12,884,043	17,624,008	21,608,876	7,985,972
Unrestricted	20,869,676	22,912,202	13,505,647	16,604,347
Total governmental activities net position	<u>132,565,678</u>	<u>138,763,227</u>	<u>135,268,574</u>	<u>137,462,872</u>
Business-type activities				
Invested in capital assets, net of related debt	(1,110,093)	687,601	(4,554,058)	(4,539,555)
Restricted	5,084,342	5,756,187	6,027,627	7,389,375
Unrestricted	3,194,364	2,400,615	7,555,896	6,053,916
Total business-type activities net position	<u>7,168,613</u>	<u>8,844,403</u>	<u>9,029,465</u>	<u>8,903,736</u>
Primary government				
Net investment in capital assets	97,701,866	98,914,618	95,599,993	108,332,998
Restricted	17,968,385	23,380,195	27,636,503	15,375,347
Unrestricted	24,064,040	25,312,817	21,061,543	22,658,263
Total primary government net position	<u>\$ 139,734,291</u>	<u>\$ 147,607,630</u>	<u>\$ 144,298,039</u>	<u>\$ 146,366,608</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.

9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015
\$ 116,238,698	\$ 117,988,044	\$ 116,190,035	\$ 114,171,165	\$ 110,706,931	\$ 108,401,939
5,178,367	2,079,749	2,064,877	2,216,898	6,189,970	5,663,458
21,116,209	20,736,737	20,590,277	22,592,653	20,686,833	10,926,168
<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>	<u>124,991,565</u>
(2,093,842)	(813,553)	5,519,770	15,641,068	20,279,612	8,971,176
6,551,855	7,860,401	8,487,663	849,581	2,135,000	2,440,000
6,161,665	6,505,664	5,150,512	4,235,603	215,715	14,789,152
<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>	<u>26,200,328</u>
114,144,856	117,174,491	121,709,805	129,812,233	130,986,543	117,373,115
11,730,222	9,940,150	10,552,540	3,066,479	8,324,970	8,103,458
27,277,874	27,242,401	25,740,789	26,828,256	20,902,548	25,715,320
<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>	<u>\$ 151,191,893</u>

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

	Fiscal Years Ending			
	9/30/2006	9/30/2007	9/30/2008	9/30/2009
Expenses				
Governmental activities:				
General government	\$ 7,934,679	\$ 9,703,442	\$ 11,343,784	\$ 8,403,728
Public safety	12,556,076	15,601,863	18,291,690	18,356,301
Highways and Streets	6,256,676	6,752,773	7,402,043	6,927,195
Culture and recreation	2,292,825	2,785,735	5,386,966	2,713,803
Economic environment	2,287,563	1,363,432	563,904	593,424
Physical environment	5,727,828	5,969,928	6,790,848	6,804,695
Interest on long-term debt	190,410	854,963	838,806	973,351
Total governmental activities	<u>37,246,057</u>	<u>43,032,136</u>	<u>50,618,041</u>	<u>44,772,497</u>
Business-type activities: *				
Personal services	2,690,157	3,065,373	3,065,599	3,046,606
Operating expenses	3,519,637	3,810,492	3,897,427	3,818,513
Professional services	129,704	78,425	145,653	146,095
Depreciation	2,511,124	2,560,312	2,731,455	3,166,475
Insurance	78,754	170,521	175,812	163,405
Bad debts	61,000	58,000	85,000	118,032
Total business-type activities	<u>8,990,376</u>	<u>9,743,123</u>	<u>10,100,946</u>	<u>10,459,126</u>
Total primary government expenses	<u>46,236,433</u>	<u>52,775,259</u>	<u>60,718,987</u>	<u>55,231,623</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	3,522,887	2,211,608	1,628,906	1,708,691
Public safety	404,301	321,400	393,525	101,073
Transportation	-	-	-	145,595
Culture and recreation	220,045	239,614	152,592	141,669
Physical environment	3,799,283	3,851,466	3,940,709	7,212,206
Operating grants and contributions	2,292,489	1,668,575	1,394,733	1,105,105
Capital grants and contributions	5,332,206	4,913,892	5,681,697	3,631,902
Total governmental activities program revenues	<u>15,571,211</u>	<u>13,206,555</u>	<u>13,192,162</u>	<u>14,046,241</u>
Business-type activities: **				
Charges for services:				
Water	8,558,812	8,528,101	8,172,325	9,108,281
Wastewater	4,266,858	4,295,944	4,182,987	4,648,838
Connection fees	102,420	88,815	88,515	208,335
Operating grants and contributions	-	-	-	102,179
Capital grants and contributions	1,097,791	542,629	420,686	229,554
Total business-type activities program revenues	<u>14,025,881</u>	<u>13,455,489</u>	<u>12,864,513</u>	<u>14,297,187</u>
Total primary government program revenues	<u>29,597,092</u>	<u>26,662,044</u>	<u>26,056,675</u>	<u>28,343,428</u>
Net (expenses) revenues				
Governmental activities	(21,674,846)	(29,825,581)	(37,425,879)	(30,726,256)
Business-type activities **	5,035,505	3,712,366	2,763,567	3,838,061
Total primary government net (expenses) revenues	<u>\$ (16,639,341)</u>	<u>\$ (26,113,215)</u>	<u>\$ (34,662,312)</u>	<u>\$ (26,888,195)</u>

9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015
\$ 8,608,657	\$ 7,970,347	\$ 8,618,729	\$ 8,246,984	\$ 8,861,121	\$ 8,803,880
18,442,646	18,946,170	18,000,160	18,605,589	18,739,948	19,275,384
5,333,601	5,544,071	5,209,626	5,358,992	5,854,936	5,250,591
2,626,028	2,577,658	2,726,161	2,616,214	2,460,610	3,187,936
1,069,663	4,341,857	2,491,265	1,525,531	1,287,852	779,135
6,982,097	6,920,661	7,560,685	8,989,720	9,371,600	9,886,113
1,115,716	1,074,661	1,031,328	984,252	918,193	871,801
<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>	<u>48,054,840</u>
3,011,767	3,413,640	3,564,796	3,770,221	3,912,583	4,082,115
3,692,854	4,015,494	3,805,695	3,796,756	3,553,520	3,385,044
84,869	55,909	41,722	61,931	70,400	117,347
3,399,136	2,854,935	2,980,008	3,069,245	2,902,120	3,090,310
175,458	133,395	114,552	112,871	102,534	136,384
57,812	60,690	97,790	152,195	63,145	48,260
<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>10,859,460</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>	<u>58,914,300</u>
1,492,531	1,434,657	1,386,206	1,590,260	1,416,182	1,361,612
104,092	123,265	46,263	59,113	63,588	73,901
139,905	-	-	-	-	-
129,885	112,156	96,620	83,075	81,534	82,056
7,230,865	7,225,345	7,212,472	8,642,155	8,641,978	8,631,239
2,055,276	1,923,505	2,736,446	3,887,399	2,957,233	1,864,952
4,950,675	4,013,670	1,482,553	1,334,533	660,950	722,705
<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>	<u>12,736,465</u>
8,921,006	10,021,881	10,548,127	9,843,484	9,947,411	10,583,825
5,185,602	5,992,664	7,028,123	5,832,025	5,772,488	6,149,503
261,670	242,000	245,670	264,560	266,720	278,040
-	-	-	-	-	-
22,839	157,152	43,178	125,704	1,335,167	2,673,012
<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>19,684,380</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>	<u>32,420,845</u>
(28,075,179)	(32,542,827)	(32,677,394)	(30,730,747)	(33,672,795)	(35,318,375)
3,969,221	5,879,634	7,260,535	5,102,554	6,717,484	8,824,920
<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>	<u>\$ (26,493,455)</u>

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

	Fiscal Year Ending			
	9/30/2006	9/30/2007	9/30/2008	9/30/2009
General revenues & other changes in net assets				
Governmental activities:				
Taxes:				
Property taxes	\$ 9,878,462	\$ 12,782,901	\$ 12,106,012	\$ 12,346,188
Franchise fees	3,963,179	3,788,900	3,788,670	4,040,268
Public service tax	7,360,867	7,567,153	7,437,523	7,823,723
Sales tax	4,397,122	4,263,700	3,935,428	3,562,838
Local option gas taxes	2,164,256	2,194,708	2,072,286	2,113,741
State revenue sharing	2,606,365	2,523,853	2,306,647	2,019,205
Investment earnings	1,627,596	3,086,818	2,083,996	459,819
Miscellaneous income	343,892	318,426	200,664	554,772
Transfers out	-	-	-	-
Total governmental activities	<u>32,341,739</u>	<u>36,526,459</u>	<u>33,931,226</u>	<u>32,920,554</u>
Business-type activities:				
Investment earnings	716,327	990,594	683,262	192,620
Gain on sale of capital assets	9,505	9,358	16,466	(758)
Changes in FV of Derivative Instruments	-	-	-	(1,031,911)
Grant reimbursements	-	-	(133,416)	-
Interest expense and issue costs	(3,926,081)	(3,557,293)	(3,734,622)	(3,827,369)
Miscellaneous income	535,267	520,764	589,805	831,501
Transfers in	-	-	-	-
Total business-type activities	<u>(2,664,982)</u>	<u>(2,036,577)</u>	<u>(2,578,505)</u>	<u>(3,835,917)</u>
Total primary government	<u>29,676,757</u>	<u>34,489,882</u>	<u>31,352,721</u>	<u>29,084,637</u>
Change in net position				
Governmental activities	10,666,893	6,700,878	(3,494,653)	2,194,298
Business-type activities	2,370,523	1,675,789	185,062	2,144
Total primary government	<u>\$ 13,037,416</u>	<u>\$ 8,376,667</u>	<u>\$ (3,309,591)</u>	<u>\$ 2,196,442</u>

9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015
\$ 12,568,945	\$ 11,673,440	\$ 11,856,683	\$ 11,405,246	\$ 11,968,962	\$ 12,897,291
4,106,081	3,924,731	3,474,383	3,436,887	3,794,039	3,773,535
8,059,245	7,556,782	7,111,064	7,315,776	7,374,907	7,313,495
3,462,212	3,491,307	3,728,339	3,921,434	4,137,246	4,430,466
2,089,575	2,064,317	2,087,788	2,069,784	2,079,370	2,161,422
2,006,079	1,512,497	1,668,923	2,141,004	2,428,680	2,743,728
270,540	92,463	137,133	148,554	189,946	178,098
582,904	498,546	653,740	427,589	522,845	1,023,867
-	-	-	-	-	(118,000)
<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>	<u>34,403,902</u>
135,643	30,493	94,272	102,890	38,539	73,986
(106,296)	(3,764)	68,754	35,313	(400,322)	13,144
813,169	(7,852)	1,004,679	(778,085)	-	-
-	-	-	-	-	-
(3,829,885)	(3,784,384)	(3,721,731)	(3,743,715)	(4,686,741)	(5,322,939)
734,090	818,707	898,924	849,350	863,034	910,635
-	-	-	-	-	118,000
<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>(4,207,174)</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>	<u>30,196,728</u>
5,070,402	(1,728,744)	(1,959,341)	135,527	(1,176,800)	(914,473)
1,715,942	2,932,834	5,605,433	1,568,307	2,531,994	4,617,746
<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>	<u>\$ 3,703,273</u>

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

	Fiscal Years Ending September 30			
	2006 (1)	2007	2008	2009
General fund				
Reserved	\$ 430,894	\$ 226,372	\$ 707,308	\$ -
Non-spendable / prepaid items	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unreserved	17,526,869	21,077,058	12,977,046	16,615,905
Total general fund	<u>17,957,763</u>	<u>21,303,430</u>	<u>13,684,354</u>	<u>16,615,905</u>
All other governmental funds				
Reserved	31,112,787	32,482,443	28,811,589	26,435,446
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	2,842,489	2,744,876	1,180,305	2,027,508
Capital projects funds	-	-	-	-
Total all other governmental funds	<u>\$ 33,955,276</u>	<u>\$ 35,227,319</u>	<u>\$ 29,991,894</u>	<u>\$ 28,462,954</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.

2010	2011 (2)	2012	2013	2014	2015
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	468,556	22,362	14,992
-	-	-	-	-	-
-	10,948,884	12,931,713	40,518	40,812	40,936
-	2,584,986	2,827,899	15,802,496	16,020,014	16,136,340
<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>8,981,736</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>	<u>25,174,004</u>
19,737,565	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	15,321,931	10,711,371	8,516,463	6,304,396	5,757,646
-	-	-	-	-	-
-	502,754	478,532	468,477	477,628	455,702
-	269,531	76,507	64,200	10,118	483,295
-	-	-	-	-	-
-	1,919,495	1,945,122	1,762,425	1,758,236	1,678,660
1,645,254	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>\$ 8,375,303</u>

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

	Fiscal Years Ending September 30			
	2006 (1)	2007	2008	2009
Revenues:				
Property taxes	\$ 9,878,462	\$ 12,782,897	\$ 12,106,008	\$ 12,346,188
Franchise fees	3,963,179	3,788,900	3,788,670	4,040,268
Public service tax	7,360,867	7,567,153	7,437,523	7,823,723
State revenue sharing	2,591,215	2,506,737	1,669,778	2,001,350
Intergovernmental	10,424,400	9,625,961	9,963,668	10,777,651
Charges for services	9,709,730	8,509,902	8,042,841	9,309,234
Fines and forfeitures	335,093	257,189	279,582	299,570
Impact fees	1,804,404	1,115,958	683,751	264,741
Interest income	1,627,596	3,086,818	2,083,996	459,819
Miscellaneous	569,030	491,499	431,696	280,790
Total revenues	<u>48,263,976</u>	<u>49,733,014</u>	<u>46,487,513</u>	<u>47,603,334</u>
Expenditures:				
General government	7,018,478	8,988,364	10,155,007	7,291,358
Public safety	12,676,423	14,801,650	17,678,858	17,520,030
Highways and Streets	3,213,677	4,316,879	5,139,946	4,574,797
Culture/Recreation	1,837,059	2,231,633	4,737,322	2,031,772
Economic environment	2,287,563	1,363,432	561,005	592,309
Physical environment	5,317,395	5,557,871	6,189,967	6,092,548
Capital outlay	5,912,901	6,398,640	13,424,641	13,211,803
Debt service				
Interest	-	1,056,835	850,268	825,451
Principal	-	400,000	605,000	630,000
Total expenditures	<u>38,263,496</u>	<u>45,115,304</u>	<u>59,342,014</u>	<u>52,770,068</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,000,480</u>	<u>4,617,710</u>	<u>(12,854,501)</u>	<u>(5,166,734)</u>
Other financing sources (uses):				
Proceeds from issuance of debt	18,240,000	-	-	6,569,345
Premium on revenue bonds	308,836	-	-	-
Revenue bonds proceeds from debt service agreement	333,670	-	-	-
Transfers from other funds	2,677,711	2,863,153	6,065,594	1,765,396
Transfers to other funds	<u>(2,677,711)</u>	<u>(2,863,153)</u>	<u>(6,065,594)</u>	<u>(1,765,396)</u>
Total other financing sources (uses)	<u>18,882,506</u>	<u>-</u>	<u>-</u>	<u>6,569,345</u>
Net change in fund balances	<u>\$ 28,882,986</u>	<u>\$ 4,617,710</u>	<u>\$ (12,854,501)</u>	<u>\$ 1,402,611</u>
* Debt service as a percentage of noncapital expenditures	<u>0.0%</u>	<u>3.8%</u>	<u>3.2%</u>	<u>3.7%</u>

(1) The transportation 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

2010	2011	2012	2013	2014	2015
\$ 12,568,945	\$ 11,673,440	\$ 11,856,683	\$ 11,405,246	\$ 11,968,962	\$ 12,897,291
4,106,081	3,924,731	3,474,383	3,436,887	3,794,039	3,773,535
8,059,245	7,556,782	7,111,064	7,315,776	7,374,907	7,313,495
2,006,079	2,145,303	2,330,382	2,929,631	3,282,682	3,658,848
12,154,051	9,903,521	8,746,907	8,502,417	8,183,246	7,528,163
9,097,278	9,019,674	8,859,307	10,461,589	10,331,558	10,780,552
235,849	286,221	148,511	225,204	278,252	276,842
412,079	76,160	170,831	219,094	207,732	398,924
270,539	92,462	137,136	148,556	189,945	178,098
338,663	968,387	843,409	1,711,954	706,138	452,618
<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>	<u>47,258,366</u>
7,287,498	6,884,007	7,336,540	7,582,046	7,654,652	8,023,934
17,605,770	18,234,722	17,343,256	17,353,913	17,980,929	18,880,368
2,921,960	2,222,222	1,974,706	1,966,205	2,492,186	2,497,473
2,008,762	1,942,278	2,041,728	1,917,002	2,114,798	2,314,768
4,326,670	3,166,069	1,265,821	2,096,336	1,235,584	186,860
6,106,061	6,141,542	6,176,954	7,581,645	7,750,348	8,072,636
12,944,077	8,211,947	8,821,414	6,330,400	5,060,728	3,939,674
855,779	895,839	1,044,579	997,736	948,336	902,201
1,149,477	1,087,691	936,417	987,538	1,034,231	1,081,524
<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>45,899,438</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>1,358,928</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,992,756	1,817,385	509,577	165,699	147,995	1,530,838
<u>(2,992,756)</u>	<u>(1,817,385)</u>	<u>(509,577)</u>	<u>(165,699)</u>	<u>(147,995)</u>	<u>(1,648,838)</u>
-	-	-	-	-	(118,000)
<u>\$ (5,957,245)</u>	<u>\$ (3,139,636)</u>	<u>\$ (3,262,802)</u>	<u>\$ (456,467)</u>	<u>\$ 45,669</u>	<u>\$ 1,240,928</u>
<u>4.7%</u>	<u>4.8%</u>	<u>5.1%</u>	<u>4.8%</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	
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
2015	12,866	3,723	51	4,707	2,486	120	23,953
Change 2006-2015	30.2%	-4.1%	-36.3%	22.4%	-27.0%	10.1%	13.0%

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

Fiscal Year Beginning	Real Property	Personal Property	Total Assessed Valuation	Total Direct Rate	Total Estimated Actual Value	Assessed Value as a Percentage of Actual Value
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	2,740,782	113,795	2,854,577	7.9900	3,130,217	91.2%
2015	2,893,546	113,527	3,007,073	7.9900	3,441,163	87.4%

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	
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
2015	7.99000	7.27090	7.19700	0.30230	0.03200	1.66790	24.46010

* The City of Deltona has no General Obligation 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, 2006			September 30, 2015		
	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.)	\$ 7,090	9	0.2%	\$ 27,184	1	1.5%
Florida Power & Light Company	15,332	1	0.5%	20,166	2	1.1%
Wal-Mart Stores East LP			0.0%	13,377	3	0.8%
Lowe's Home Centers, Inc.			0.0%	8,526	4	0.5%
Publix Super Markets, Inc.	8,290	6	0.3%	8,522	5	0.5%
Preferred Trust Co.			0.0%	8,396	6	0.5%
Bright House Networks, LLC	10,550	3	0.3%	7,684	7	0.4%
D O T Properties N V	10,591	2	0.3%	6,941	8	0.4%
Deltona Partners, LLC			0.0%	6,307	9	0.4%
IH3 Property Florida LP			0.0%	6,267	10	0.4%
Bellsouth Telecommunication, Inc.	9,398	4	0.3%			0.0%
Maronda Homes Inc. of Florida	8,687	5	0.3%			0.0%
I-4 Howland Investments LLC	7,143	7	0.2%			0.0%
Sprint Florida, Inc.	7,117	8	0.2%			0.0%
Albertson's, Inc.	6,667	10	0.2%			0.0%
All Other	3,201,209		97.2%	1,663,932		93.6%
	<u>\$ 3,292,074</u>		<u>100.0%</u>	<u>\$ 1,777,302</u>		<u>100.0%</u>

Source: County of Volusia Property Appraiser.

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

Fiscal Year Ended	Total Tax Levy	Current Levy Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent Total Collections To Levy
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	12,171,912	11,635,431	95.6%	38,010	11,673,441	95.9%
2012	12,242,985	11,816,523	96.5%	40,161	11,856,684	96.8%
2013	11,743,907	11,336,295	96.5%	68,951	11,405,246	97.1%
2014	12,317,219	11,947,445	97.0%	21,517	11,968,962	97.2%
2015	13,274,684	12,866,342	96.9%	48,008	12,914,350	97.3%

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		BusinessType Activities			Total Primary Government Debt	Per Capita Debt	Debt as a Percentage of Personal Income (1)
	Transportation Bond (2)	Stormwater Bank Note	2013 Utility System Refunding Bonds (2)	2014 Utility System Revenue Bonds (2)	State Revolving Fund Loan			
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%
2015	12,319,858	5,233,017	80,225,865	23,218,501	25,066,944	146,064,185	1,669	5.16%

(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, 2015**

Taxing Authority	Debt Outstanding	Percentage Applicable to Deltona	Amount Applicable to Deltona
City of Deltona (1)	\$ 17,552,875	100%	\$ 17,552,875
County of Volusia (2)	21,295,000	6.54%	1,392,693
Volusia County School Board (3)	-	0%	-
Total Direct and Overlapping Debt	\$ 38,847,875		\$ 18,945,568

(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**

Water and Sewer Revenue Bonds						
Fiscal Year Ended	(1)	(2)	Net Available Revenue	Revenue Bonds		Coverage
	Utility Revenues	Less Operating Expenses		Principal	Interest	
2013 (3)	16,789,419	8,416,974	8,372,445	-	-	N/A
2014 (4)	16,849,653	7,590,143	9,259,510	-	2,177,071	4.25
2015 (4)	17,922,003	7,665,829	10,256,174	1,290,000	4,145,668	1.89

Transportation Capital Improvement Revenue Bonds						
	Gas Tax Revenues	Impact Fee Revenues	Net Available Revenue	2006 Transportation Bonds		Coverage
				Principal	Interest	
2013	2,069,787	162,699	2,232,486	760,000	699,575	1.53
2014	2,190,865	111,495	2,302,360	795,000	661,575	1.58
2015	2,161,422	275,438	2,436,860	830,000	627,425	1.67

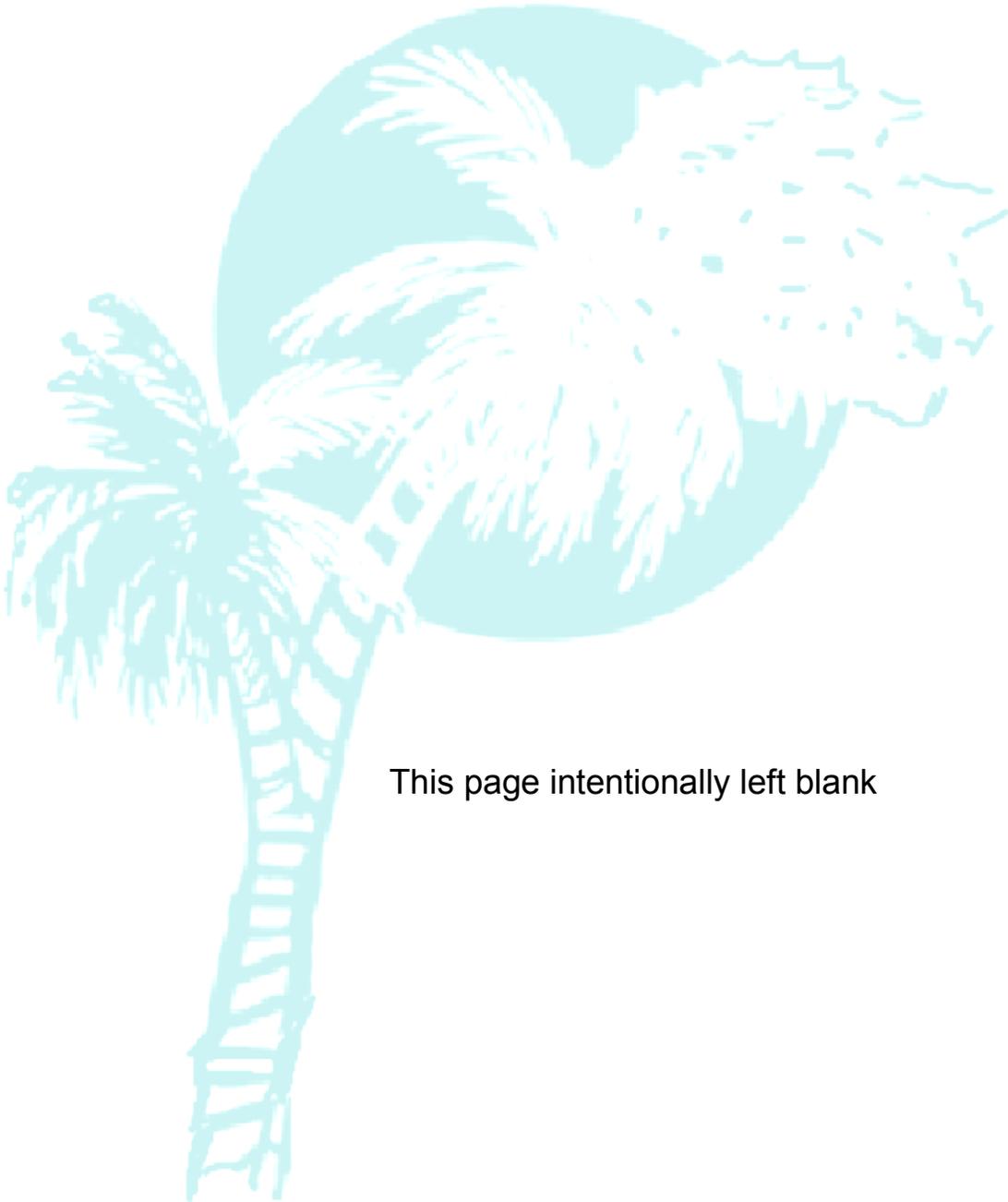
Stormwater Bank Note						
	Stormwater Assessments		Net Available Revenue	2009 Bank Note		Coverage
	Improved	Unimproved		Principal	Interest	
2013	2,682,165	243,566	2,925,731	227,538	298,161	5.57
2014	2,683,426	241,481	2,924,907	239,231	286,791	5.56
2015	2,690,695	236,933	2,927,628	251,524	274,775	5.56

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

(2) Direct operating expenses does not include depreciation.

(3) 2013 based on only 2013 bonds only. No debt service payments on the 2013 Bonds were due in FY 2012/2013.

(4) 2014 and later include both 2013 and 2014 Bonds.



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

Year	Per Capita Income (1)						
	Florida	Lake	Orange	Seminole	Sumter	Marion	Volusia
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
2014-15	42,737	35,786	38,007	41,806	37,558	32,571	36,052

Year	Median Household Income (2)						
	Florida	Lake	Orange	Seminole	Sumter	Marion	Volusia
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
2014-15	47,212	45,465	47,556	57,875	49,874	39,339	41,714

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

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

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Continued)**

Cost of Living Index Volusia and Surrounding Counties (1)						
Year	Volusia	Lake	Orange	Seminole	Sumter	Marion
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
2014-15	94.75	96.33	99.78	98.72	94.19	93.43

Unemployment Volusia and Surrounding Counties (2)					
Year	Volusia	Lake	Orange	Seminole	Marion
2004-05	3.70	3.80	3.60	3.40	3.90
2005-06	3.40	3.40	3.20	3.00	3.60
2006-07	4.20	4.20	3.80	3.50	4.60
2007-08	6.60	6.40	5.80	5.60	7.70
2008-09	11.00	11.10	10.50	9.80	12.90
2009-10	12.50	12.00	11.40	10.70	13.80
2010-11	10.80	11.20	10.30	9.70	12.30
2011-12	8.80	9.00	8.30	7.80	10.00
2012-13	7.30	7.50	6.80	6.40	8.30
2013-14	6.70	6.40	5.80	5.60	7.30
2014-15	5.70	5.30	4.90	4.80	6.40

(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		
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%	6.2%	12,330	96.3%	\$	20,966,259
2015	87,497	510,494	17.14%	5.3%	12,396	96.2%	\$	22,060,823

(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				
	2006	2007	2008	2009	2010
City Commission	1.0	1.0	1.0	1.0	1.0
City Manager	3.0	4.0	4.0	4.0	4.0
City Clerk	7.5	8.0	6.0	5.0	5.0
Finance	17.5	17.5	19.0	12.0	11.0
Information Technology Services	-	-	-	5.0	5.0
City Attorney	7.0	6.0	6.0	4.5	4.0
Planning & Development Services	21.5	25.0	15.0	10.0	7.0
Building & Zoning Services	24.0	24.0	11.0	9.0	9.0
Human Resources	6.0	7.5	4.5	4.5	4.5
General Government	-	-	-	1.0	1.0
Enforcement Services	15.0	19.0	19.0	15.0	15.0
Parks & Recreation	32.0	37.5	43.5	30.0	30.0
Total general government	134.5	149.5	129.0	101.0	96.5
*Police Officers	72.0	72.0	77.0	69.0	69.0
Fire & Rescue:					
Firefighters	66.0	69.0	69.0	69.0	69.0
Administration & Communication	21.5	24.5	26.0	26.0	25.0
Total Fire & Rescue	87.5	93.5	95.0	95.0	94.0
Total public safety	159.5	165.5	172.0	164.0	163.0
Public Works	28.0	30.5	39.5	30.5	31.0
Storm Water	23.0	25.0	21.0	26.0	26.0
Grant funded positions	-	-	-	3.0	2.0
Total public services	51.0	55.5	60.5	59.5	59.0
Water/Sewer utility	65.0	68.5	68.5	65.0	65.0
Solid Waste	1.0	1.0	2.0	2.0	2.0
Total public services	66.0	69.5	70.5	67.0	67.0
Total government employees	411.0	440.0	432.0	391.5	385.5

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

Source: City Finance Department

2011	2012	2013	2014	2015
0.5	1.0	1.0	1.0	1.0
6.5	6.5	6.5	7.5	7.0
5.5	5.5	5.5	5.5	5.5
11.0	11.0	12.0	12.0	11.0
5.0	5.0	5.5	6.0	6.0
5.0	2.0	2.0	2.0	2.0
8.0	8.0	8.0	8.0	7.0
8.0	10.5	10.5	10.5	10.5
4.5	4.5	4.5	4.5	4.5
-	-	-	-	0.5
13.0	14.0	16.0	16.0	18.0
26.0	25.0	25.0	26.0	26.5
93.0	93.0	96.5	99.0	99.5
73.0	76.0	76.0	76.0	76.0
69.0	69.0	69.0	69.0	69.0
24.0	9.5	8.0	8.0	8.0
93.0	78.5	77.0	77.0	77.0
166.0	154.5	153.0	153.0	153.0
27.0	27.0	28.0	28.0	29.0
26.0	26.0	26.0	26.0	28.0
1.5	2.5	2.5	3.0	3.0
54.5	55.5	56.5	57.0	60.0
64.0	64.0	64.0	67.0	76.0
2.0	2.0	2.0	2.0	2.0
66.0	66.0	66.0	69.0	78.0
379.5	369.0	372.0	378.0	390.5

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General										
Last charter amendment	November 4, 2014									
Number of Commissioners	7	7	7	7	7	7	7	7	7	7
Form of government	Commissioner: 4 Year Term of Office - Appointed City Manager									
Municipal boundaries (1)	46	46	46	46	46	46	46	46	46	46
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of Police officers	72	72	69	69	73	76	76	76	76	76
Number of patrol vehicles	40	40	69	69	73	73	76	76	76	76
Number of arrests	6,544	3,435	3,879	3,229	4,091	4,131	3,947	4,108	3,986	3,453
Fire										
Number of stations	4	4	4	4	4	5	5	5	5	5
Number of vehicles(engines)	6	6	6	6	8	8	8	8	9	9
Number of calls	7,804	8,180	7,087	7,872	8,134	8,311	8,844	9,101	9,074	9,608
Building										
Building permits issued	5,864	5,062	3,787	3,216	3,551	3,143	3,022	3,174	3,877	3,722
Average price of single family Residential construction	212,700	251,117	238,640	222,361	217,248	295,597	281,498	355,539	321,660	380,443
Value of permits issued (\$1,000's of dollars)	8,652	3,048	1,513	1,333	785	520	449	693	948	855
Recreation										
Number of parks	15	15	16	16	19	19	19	20	20	20
Acres maintained	216	216	226	226	230	244	304	314	314	314
Number of buildings	15	15	16	16	17	29	29	30	30	30
Number of people served	223,533	235,105	220,122	238,521	223,882	245,000	260,000	270,000	283,000	296,000
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of streets	423.54	423.54	423.54	423.54	423.54	423.54	423.54	423.54	423.54	423.54
Number of street lighting districts	29	31	37	41	40	40	40	40	40	42
Number of city maintained traffic signals	5	7	9	9	12	16	16	16	16	16
Number of school signals	25	25	37	38	35	35	35	35	35	35
Number of buildings	1	1	1	1	1	1	1	1	2	2
Water (3)										
Number of units served	31,811	32,419	31,778	31,610	31,731	31,195	31,250	31,599	33,515	33,577
Average daily flow (2)	12.71	12.94	11.90	10.89	9.59	9.59	8.41	8.01	9.11	9.52
Miles of water main	480	500	500	500	500	500	500	501	501	501
Number of plants	17	17	17	17	17	17	17	17	17	17
Number of vehicles	22	34	34	34	34	34	34	34	34	38
Number of buildings	28	28	28	28	28	28	28	28	29	29
Wastewater (3)										
Miles of sanitary sewers	75	75	93	93	93	93	93	93	93	93
Number of vehicles	9	15	15	15	15	15	15	15	15	15
Number of buildings	4	4	4	4	4	4	4	4	4	4
Number of plants	1	1	1	1	1	1	1	1	1	1

(1) Square miles.
 (2) Millions of gallons.
 (3) Water and Wastewater utility purchased in fiscal year 2004.
 Source: Various City Departments

WATER RELATED INDICATORS - LAST THREE FISCAL YEARS
WATER SOLD BY CUSTOMER TYPE
(In Millions of Gallons)

Type of Customer	Fiscal Year		
	2013	2014	2015
Single / Multi Family Residences	\$ 2,263.21	\$ 2,123.29	\$ 2,091.20
Commercial / Multi Family Commercial	88.60	136.80	150.98
Hydrant	4.13	6.02	14.76
Bulk	64.43	70.00	50.66
Irrigation	54.85	40.44	48.43
Totals	\$ 2,475.22	\$ 2,376.55	\$ 2,356.03

WATER RATES BY CUSTOMER TYPE

Type of Customer	Fiscal Year 2013	
	Effective 06-01-2013	
<u>Water Rates (Per 1,000 gallons consumed)</u>	Inside City Limits	Outside City Limits
Residential		
0 - 5,000	\$ 1.40	\$ 1.40
5,000 - 10,000	2.81	2.81
10,001 - 20,000	4.91	4.91
over 20,001	9.83	9.83
Commercial		
Rates apply to all usage - no cap	2.69	2.69
Irrigation Rates (Per 1,000 gallons consumed)		
0 - 10,000	2.81	2.81
10,001 - 20,000	4.91	4.91
over 20,001	9.83	9.83

Type of Customer	2014 Fiscal Year	
	Eff. 11/1/13	
<u>Water Rates (Per 1,000 gallons consumed)</u>	Inside City Limits	Outside City Limits
Residential		
0 - 5,000	\$ 1.44	\$ 1.80
5,000 - 10,000	2.88	3.60
10,001 - 20,000	5.03	6.29
over 20,001	10.08	12.60
Commercial		
Rates apply to all usage - no cap	2.76	3.45
Irrigation Rates (Per 1,000 gallons consumed)		
0 - 10,000	2.88	3.60
10,001 - 20,000	5.03	6.29
over 20,001	10.08	12.60

Type of Customer	2015 Fiscal Year	
	Eff. 11/1/14	
<u>Water Rates (Per 1,000 gallons consumed)</u>	Inside City Limits	Outside City Limits
Residential		
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
Commercial		
Rates apply to all usage - no cap	2.88	3.59
Irrigation Rates (Per 1,000 gallons consumed)		
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 RELATED INDICATORS - LAST THREE FISCAL YEARS

WASTEWATER SOLD BY CUSTOMER TYPE
(In Millions of Gallons)

Type of Customer	Fiscal Year		
	2013	2014	2015
Single / Multi Family Residences	236.94	256.27	250.97
Multi Family Residences			
Commercial / Multi Family Commercial	67.97	74.49	75.69
Bulk	22.81	23.47	24.44
Reclaimed - Residential & Commercial		36.58	39.74
Totals	327.72	390.81	390.84

WASTEWATER RATES BY CUSTOMER TYPE

Type of Customer	Fiscal Year 2013	
	Effective 06-01-2013	
<u>Sewer Rates (Per 1,000 gallons consumed)</u>	Inside City Limits	Outside City Limits
Residential		
0 - 5,000	\$ 12.31	\$ 12.31
5,000 - 10,000	16.00	16.00
10,001+ (no charge)	-	-
Commercial		
Rates apply to all usage - no cap	13.28	13.28
Reclaimed (Per 1,000 gallons consumed)		
Rates apply to all usage - no cap	1.25	1.25

Type of Customer	2014 Fiscal Year	
	Eff. 11/1/13	
<u>Sewer Rates (Per 1,000 gallons consumed)</u>	Inside City Limits	Outside City Limits
Residential		
0 - 5,000	\$ 12.62	\$ 15.78
5,000 - 10,000	16.40	20.50
10,001+ (no charge)	-	-
Commercial		
Rates apply to all usage - no cap	13.61	17.01
Reclaimed (Per 1,000 gallons consumed)		
Rates apply to all usage - no cap	1.28	1.60

Type of Customer	2015 Fiscal Year	
	Eff. 11/1/14	
<u>Sewer Rates (Per 1,000 gallons consumed)</u>	Inside City Limits	Outside City Limits
Residential		
0 - 5,000	\$ 13.31	\$ 16.64
5,000 - 10,000	17.30	21.63
10,001+ (no charge)	-	-
Commercial		
Rates apply to all usage - no cap	14.36	17.96
Reclaimed (Per 1,000 gallons consumed)		
Rates apply to all usage - no cap	1.35	1.69

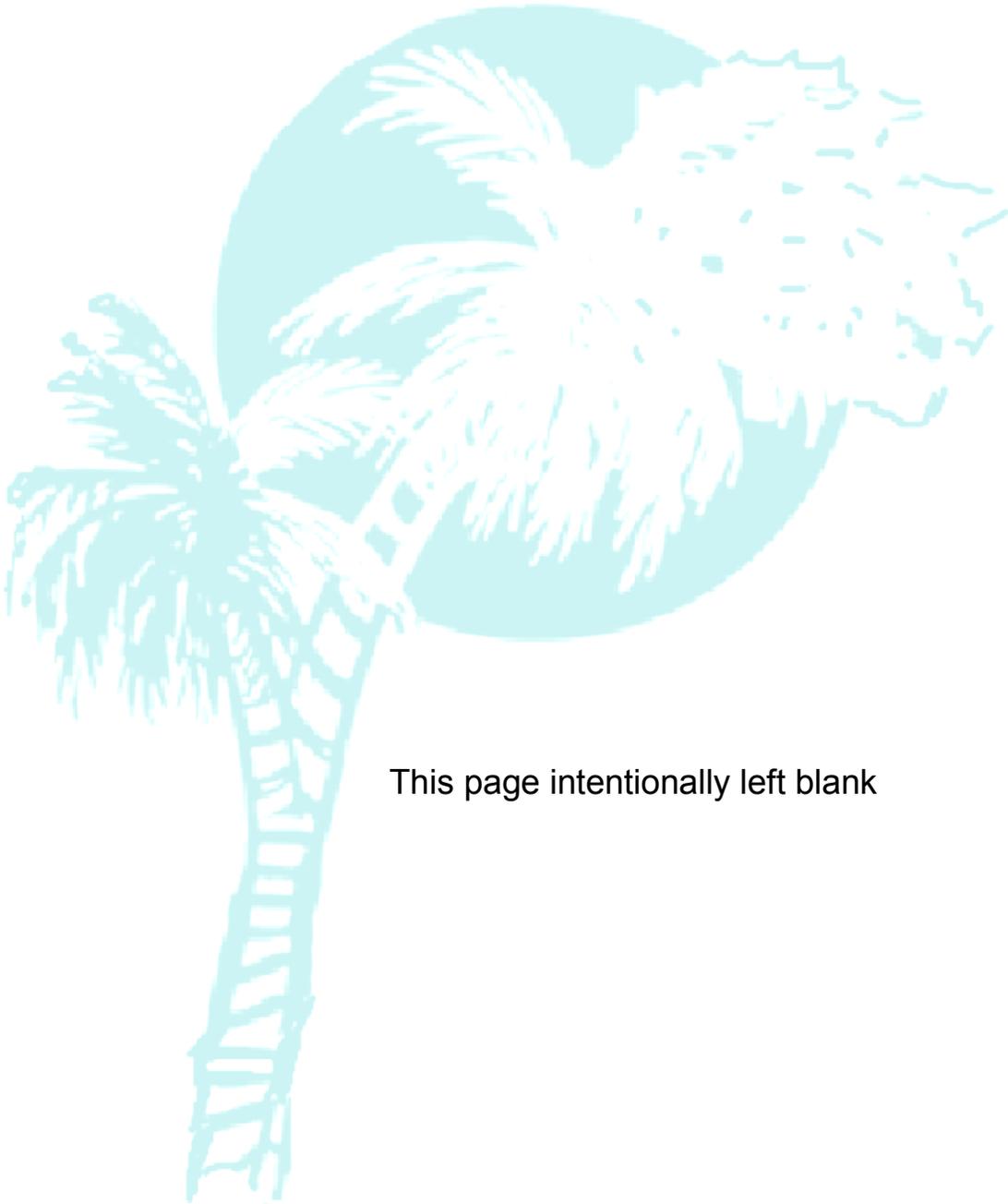
(1) The City had both a rate structure and a rate change effective with bills dated on or after November 1, 2014.

**PRINCIPAL EMPLOYERS
CURRENT AND TEN YEARS AGO**

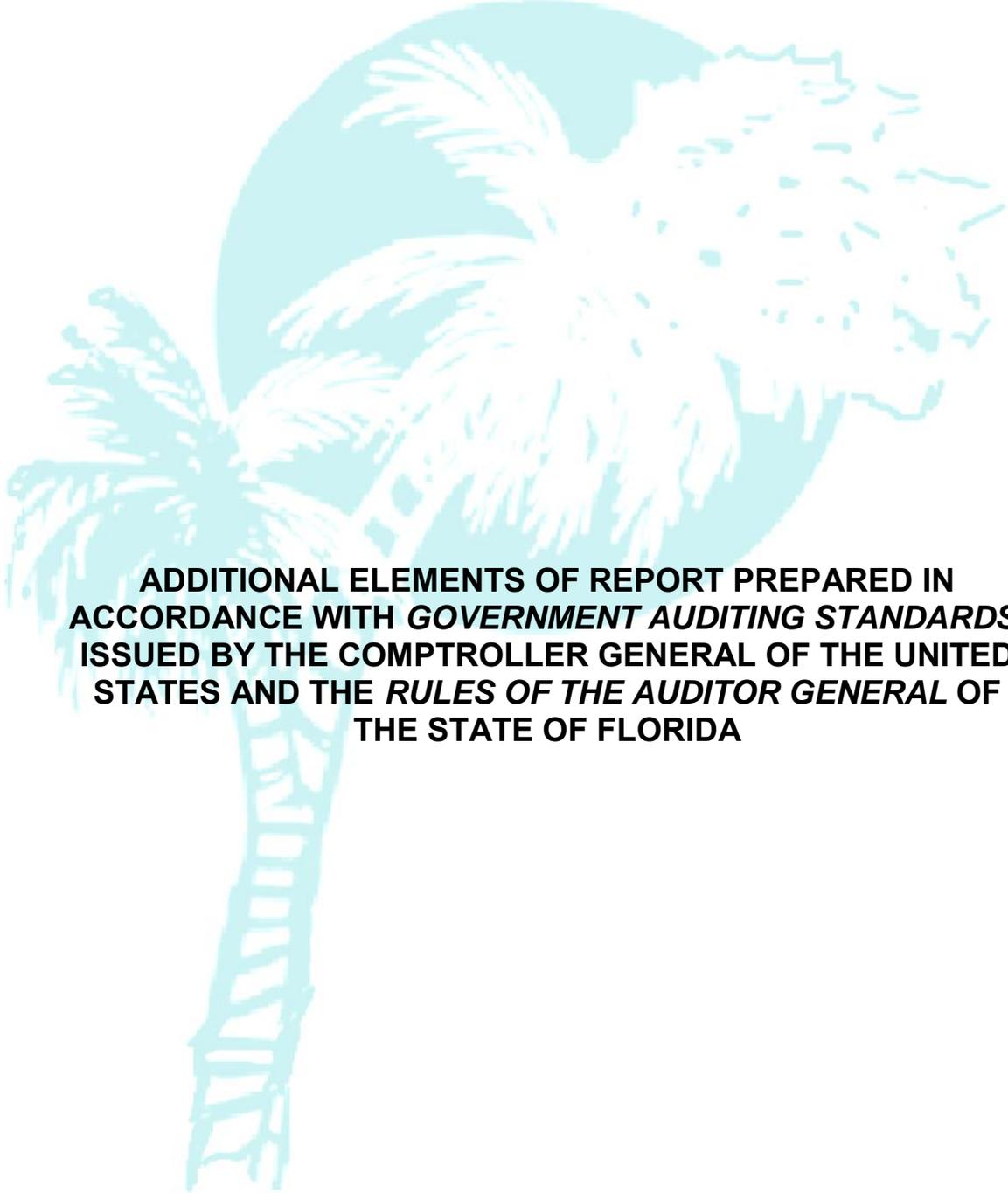
Employer	2015			2008 *		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Daytona State College	1,256	1	34.90%	N/A		N/A
Publix Supermarkets	586	2	16.28%	314	3	2.96%
Wal-Mart	358	3	9.95%	220	5	2.08%
City of Deltona	306	4	8.50%	383	2	3.59%
Pine Ridge High School	250	5	6.95%	250	4	2.36%
Methodist Children's Home	180	6	5.00%	N/A		N/A
McDonalds	177	7	4.92%	N/A		N/A
Winn Dixie Stores	173	8	4.81%	390	1	3.68%
Galaxy Middle School	160	9	4.45%	160	8	1.51%
Deltona Middle School	153	10	4.25%	200	7	1.89%
Albertson's			0.00%	200	6	1.89%
Friendship Elementary			0.00%	150	10	1.42%
Total	3,599		100.00%	2,267		21.38%

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, 2015**

Grantor/Pass-Through Grantor/Program Title	Grant Number	CFDA/ CSFA Number	Program or Award Amount	Expenses	Subrecipient Award Amount
<u>FEDERAL AWARDS</u>					
U.S. Department of Housing and Urban Development					
Community Development Block Grant	B-13-MC-12-0049	14.218	453,929	289,872	58,051
Community Development Block Grant - NSP	B-08-MN-12-0006	14.218	6,635,909	151,263	-
Community Development Block Grant - NSP #3	B-11-MN-12-0006	14.218	1,964,066	50,225	-
Total Community Development Block Grant				491,360	58,051
U.S. Department of Transportation					
Highway Planning & Construction	ARI20	20.205	40,349	40,349	-
TOTAL FEDERAL AWARDS				<u>531,709</u>	<u>58,051</u>
<u>STATE FINANCIAL ASSISTANCE</u>					
Florida Department of Environmental Protection					
Statewide Surface Water Restoration and Wastewater Projects	WW641800	37.077		14,803,425	-
Statewide Surface Water Restoration and Wastewater Projects	LP64181	37.039	500,000	126,909	-
Statewide Surface Water Restoration and Wastewater Projects	LP64182	37.039	550,000	360,080	-
<i>Passed Through St John's River Water Management District</i>					
Statewide Surface Water Restoration and Wastewater Projects	27666	37.039	196,000	104,441	-
Total Florida Department of Environmental Protection				<u>15,394,855</u>	<u>-</u>
Florida Housing Finance Corporation					
State Housing Initiatives Partnership Program	FY13/14	52.901	135,350	63,963	-
Total Florida Housing Finance Corporation				<u>63,963</u>	<u>-</u>
TOTAL STATE FINANCIAL ASSISTANCE				<u>15,458,818</u>	<u>-</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE				<u>15,990,527</u>	<u>58,051</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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 12, 2016.

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.

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 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 May 12, 2016.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Durvis, Gray and Company, LLP

May 12, 2016
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, 2015. 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, 2015.

Certified Public Accountants

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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.

Durvis, Gray and Company, LLP

May 12, 2016
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
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 or material weaknesses 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 or material weaknesses 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 and state project 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 Project**
 - Florida Department of Environmental Protection
 - ▶ Waste Water Treatment Facility Construction; CSFA No. 37.077
 - ▶ Statewide Surface Water Restoration and Wastewater Projects; CSFA No. 37.039
8. The threshold for distinguishing Type A and Type B projects was \$300,000 for major federal programs and \$463,765 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, 2015
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, 2015, 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, 2015.

Restriction on Use

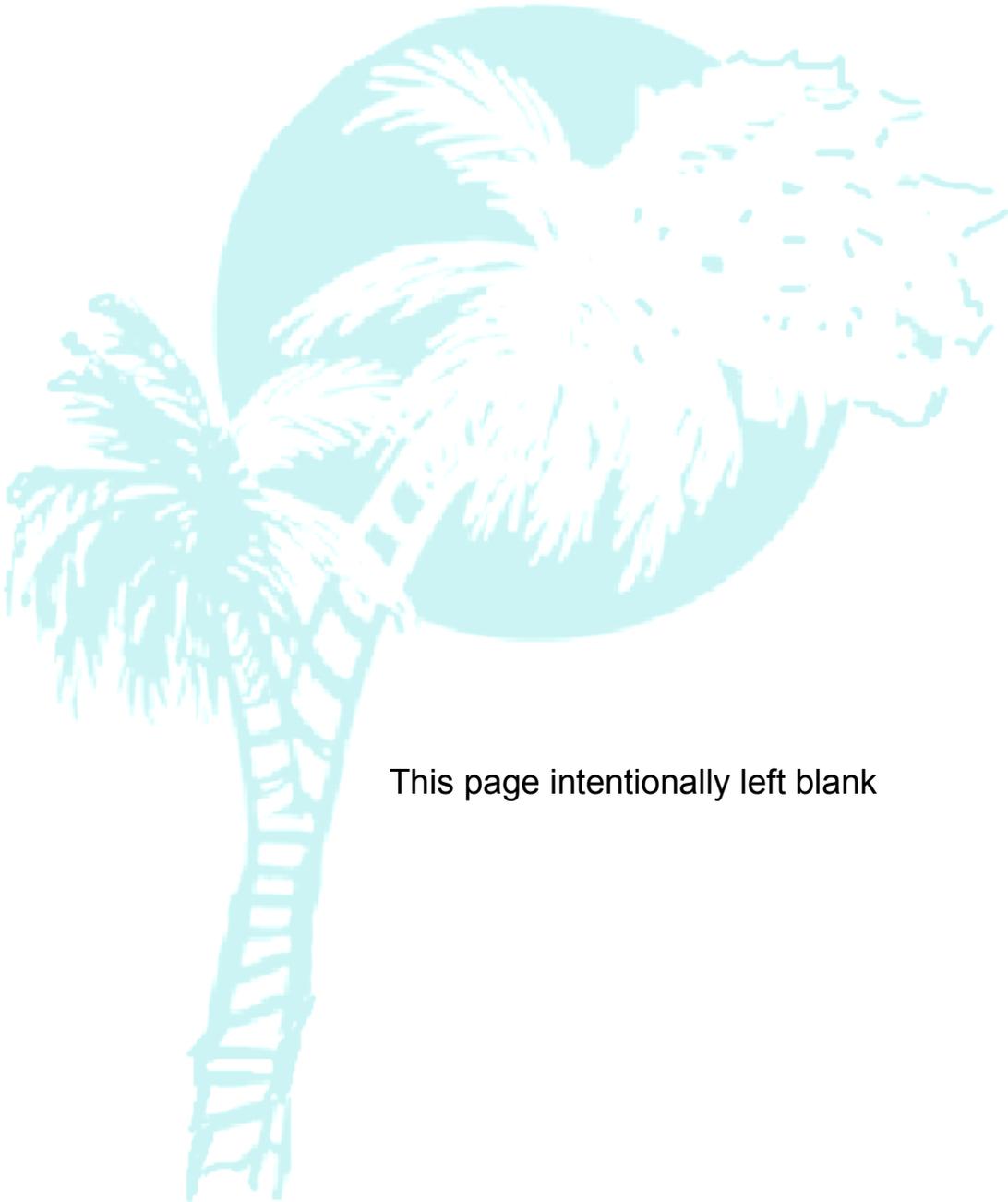
This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Council Members, and applicable management, and is not intended to be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

Purvis, Gray and Company, LLP

May 12, 2016
Ocala, Florida

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
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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, 2015, and have issued our report thereon dated May 12, 2016.

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; Schedule of Findings and Questioned Costs; and Independent Auditors' Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* Disclosures in those reports and schedule, which are dated May 12, 2016, 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, 2015, for this information).

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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
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Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

MANAGEMENT LETTER
(Concluded)

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7) *Rules of the Auditor General*, require that we apply appropriate procedures and 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

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2015, 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, 2015. 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 2015-1.

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.



May 12, 2016
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, 2015, 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 May 12, 2016, on the basic financial statements of the City.

Our comments are summarized as follows:

Current Year Recommendations

2015-1 Information Technology (IT) General Controls

During our review of the City's use of IT in the financial reporting process, we noted opportunities to improve and strengthen the control environment and the quality and integrity of information generated by the IT systems. Recommendations for management's consideration are:

- **Password Security**—We recommend the City implement a policy to require more complex password configuration and a lockout threshold after several incorrect login attempts. We also recommend implementation of a minimum password age that restricts users from cycling through the passwords repeatedly. Implementing stronger password controls will reduce the risk of unauthorized system access.
- **Security Awareness**—We recommend the City implement a formal training policy and program to increase awareness of user's responsibilities. Formal training enhances user's ability to recognize and report potential indicators of insider threat and other potential security and privacy risks.

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Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

MANAGEMENT LETTER COMMENTS
(Concluded)

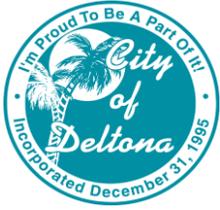
Current Year Recommendations *(Concluded)*

2015-1 Information Technology (IT) General Controls *(Concluded)*

- Computer and Network Standard Operating Procedures Manual—We recommend the development and implement current policies and procedures that address IT controls.
- Disaster Recovery Procedures—We recommend the disaster recovery plan be updated and tested to determine the City's ability to recover their applications timely.

Purvis, Gray and Company, LLP

May 12, 2016
Ocala, Florida



City of Deltona

RESPONSES TO MANAGEMENT LETTER COMMENTS

Honorable Mayor and City Commissioners
City of Deltona
Deltona, Florida

Current Year Recommendations:

2015-1 – Information Technology (IT) General Controls:

- Password Security - ITSD staff is requesting an automated password re-set platform as part of the FY 2016 / 2017 budget process. Ultimately this automated platform will allow for the use of more complex passwords and will give City staff with the ability to re-set their password without the manual assistance of ITSD staff. ITSD will be evaluating the option of using security tokens for remote users in order to facilitate a two factor authentication solution.
- Security Awareness – The City’s policy regarding computer conduct / use is provided to all new hire employees. ITSD will distribute this policy annually, along with the City’s fraud policy provided by Finance, and will require a signature verifying it has been read and is understood. ITSD currently notifies all employees on current security issues via email. ITSD will seek management approval to develop and implement an employee security awareness training program on a bi-annual basis through various avenues such as “lunch-n-learn” or third party training.
- Computer and Network Standard Operating Procedures Manual – ITSD has already taken the first steps in developing an SOP manual by securing two essential tests so that a baseline on which to build the document can be developed. By conducting a PEN test, along with social engineering components, the City now has data with which to gauge the effectiveness of current policy. This data will work as a guideline for a comprehensive document. Additionally ITSD has completed a PCI Compliance test and that data will be incorporated into the final SOP document as well. In the future, ITSD will be requesting funding for this project to secure the services of an expert in this field so as to ensure this document is comprehensive and correct.
- Disaster Recovery Procedure – ITSD currently has in place a robust disaster recovery solution that is tested annually. ITSD also has an updated continuing operations plan as required by City management. There are areas of concern that have been identified and documented by ITSD staff however, previous administrations have not supported these projects and therefore funding for these projects was never approved.

In regards to overall security, ITSD is hoping to increase staffing over the next couple of years to assist with the security effort, among other things. Additionally, ITSD plans to evaluate partnering for security services in the future.

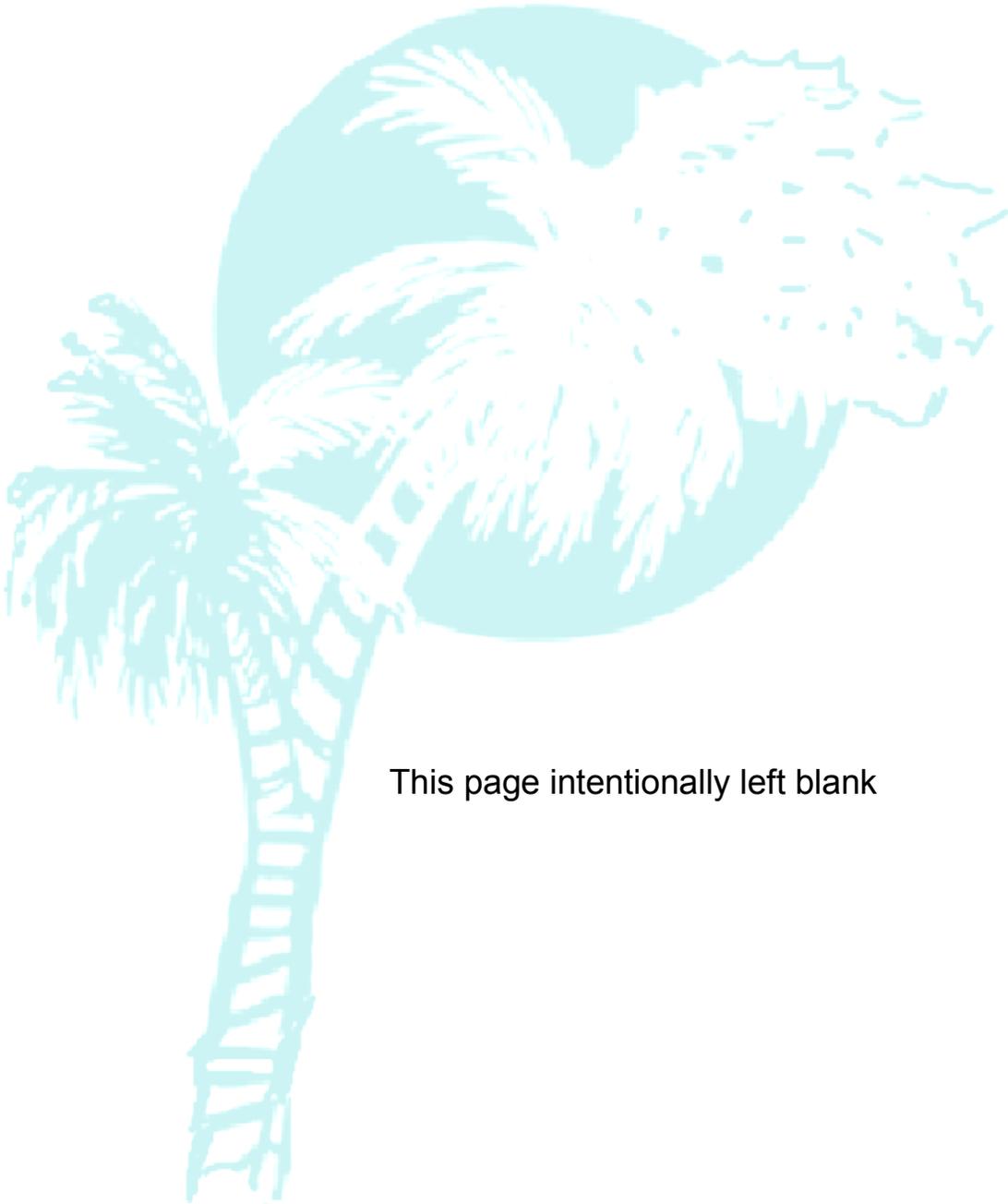
May 18, 2016
Deltona, FL

DEPARTMENT OF FINANCE & INTERNAL SERVICES

2345 Providence Boulevard, Deltona, Florida 32725

(386) 878-8100 • Fax (386) 878-8551

webpage: www.deltonafl.gov



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