



**THE CITY OF  
NEW SMYRNA BEACH,  
FLORIDA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED  
OCTOBER 1, 2017 – SEPTEMBER 30, 2018**



**CITY OF NEW SMYRNA BEACH, FLORIDA**  
**AUDITED FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2018**

**Prepared by:**  
**The Finance Department**

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**September 30, 2018**

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# *City of New Smyrna Beach*

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June 14, 2019

Honorable Mayor Owen, and  
Members of the City Commission  
City of New Smyrna Beach, Florida

The City Charter and Florida Statutes require that all general-purpose local governments publish a complete set of financial statements presented in accordance with generally accepted accounting principles (GAAP) and be audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed public accountants. Pursuant to that requirement, we hereby submit the comprehensive annual financial report of the City of New Smyrna Beach, Florida for the fiscal year ended September 30, 2018, as prepared by the City's Finance Department.

## **Management Representations and Internal Controls**

The City's Finance Department is responsible for the content of this financial report and management's representations of the financial activity of the City of New Smyrna Beach. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of implementing these internal controls should not outweigh their benefits, the City's internal controls have been designed to provide reasonable, but not absolute, assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief we believe that this financial report is complete and, in all respects, free from material misstatement.

## **Independent Audit**

Carr, Riggs & Ingram, LLC, a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on the financial statements for the fiscal year ended September 30, 2018. Their report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federal mandated single audit, which is designed to meet the special needs of the federal grantor agencies. The single audit was conducted in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). There are supplementary reports and a schedule of expenditures of federal awards relative to a single audit presented in the last section of this report.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City of New Smyrna Beach's MD&A can be found immediately following the report of the independent accountants.

Honorable Mayor Hathaway and  
Members of the City Commission  
City of New Smyrna Beach, Florida

### **Financial Reporting Entity**

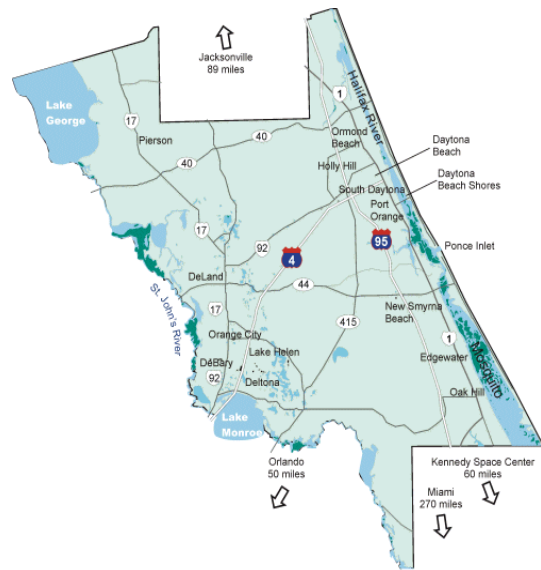
The City provides a full range of municipal services including: general government administration, law enforcement and fire protection, community redevelopment, stormwater management, sanitation and solid waste, as well as construction and maintenance of infrastructure, recreational, and other cultural facilities. The City also operates a municipal airport, golf course, and marina.

The Utilities Commission, City of New Smyrna Beach, is a legally separate entity and is reported separately as a discretely presented component unit. The financial data of the Housing Authority of New Smyrna Beach is not included in this report as it does not qualify as a component unit. Additional information about these legally separate entities is located in Note 1.A. beginning on page 59.

### **City Profile**

New Smyrna Beach is approximately 41.2 square miles in size and serves a population of approximately 26,470. It is located on Florida's east coast, in the County of Volusia, just north of Cape Canaveral with easy access to both Interstate 95 and Interstate 4 and is:

- 15 miles south of Daytona Beach
- 50 miles east of Orlando
- 60 miles north of Kennedy Space Center
- 89 miles south of Jacksonville
- 270 miles north of Miami



The City also boasts an estimated 7 miles of beachfront property and approximately 8 miles of intra-coastal waterway frontage.

The City was created in 1887 by adoption of its first charter, which was eventually replaced by the present charter through Chapter 224.08, Special Acts of Florida, 1943.

The legislative branch of the City is composed of an elected five-member City Commission consisting of the Mayor and four commissioners. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Manager.

### **Economic Condition and Outlook**

New Smyrna Beach prides itself on being a charming historic coastal community with a laid-back attitude. It is recognized as a thriving tourist center and artist community, with many natural preserve areas for fishing and eco-tourism. The white-sand beach area has been internationally recognized for outstanding surfing in magazines including National Geographic and Travel+Leisure, and on websites like SmarterTravel.com. There are also many opportunities to play golf, visit art galleries, and patronize shops and restaurants in two pedestrian friendly historic areas.

The major economic driver for New Smyrna Beach is the tourism/hospitality industry. The City leads the county in retail sales per capita, being both the historic trade center for Southeast Volusia County, as well as being a popular tourist area. Of the top ten employers, the industry sectors represented are:

- Retail
- Health



Honorable Mayor Hathaway and  
Members of the City Commission  
City of New Smyrna Beach, Florida

- Education
- Government
- Utilities
- Restaurant

Among the 16 cities in the County, New Smyrna Beach is the third highest for its share of residential property values in its tax base: 78% of the property tax base is residential; and of the 13 cities that have industrial properties in the tax base, New Smyrna Beach is tied for last with the lowest share of its property tax base in industrial properties: 1%. The City is working very hard to address the disparity. New Smyrna Beach is the fifth lowest among the 16 cities in the County for commercial property share, at 8.3% of the property tax base.

Part of the local economic recovery following the recession, which is outpacing the majority of Volusia County, has been the result of City Commission policy directives in creating an “Open for Business” model. Initiatives range from numerous capital reinvestments in community infrastructure; forming an Economic Development Advisory Board and following an Economic Development Plan, hosting regional economic development summits to identify best practices and review economic development trends; participating with county partners in events and activities; and pro-actively meeting with business owners wishing to expand or to move their business to the City. The City Commission also adopted a Tax Abatement Program that was approved by the voters in the November, 2014 election.

The City’s Economic Development Plan Update that was adopted in 2016 contains many new initiatives based on City Commission goals. A primary goal is to build on the industry sectors that are now in place in the City that provide higher wage jobs.

Specific economic conditions affecting the City’s financial position are discussed in greater detail in the MD&A in this report.

### **Financial Planning and Budgeting**

The City continued to stress expenditure control in preparing the FY2019 General Fund budget. The City ad valorem millage rate for FY2019 is 3.8416, which was 11.2% more than the rolled-back rate of 3.4547. The assessed property tax value increased by 8.046% from FY2018 valuation as a result of increased property assessments and new construction.

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

### **Relevant Financial Policies**

***Budgetary Controls*** The City adopts its annual budget by the end of the previous fiscal year. This annual budget serves as the foundation for the City’s financial planning and control. The budget is prepared by fund, function (i.e. Public safety), and department (i.e. Police). Shifts in appropriations within fund totals may be done administratively on authority of the City manager. Total fund appropriations and use of contingency appropriations must be approved by the City Commission. Original and final budget to actual comparisons are included in this report for each governmental fund.

***Cash Management and Emergency Reserves*** The City administers a cash management and investment program that seeks to maximize, in order of priority, the preservation of funds, liquidity, and interest earnings over its cash and investments. During the fiscal year, the City’s cash resources (excluding

Honorable Mayor Hathaway and  
Members of the City Commission  
City of New Smyrna Beach, Florida

pension investments) were primarily invested in U.S. Agency and Treasury issues. The City did not invest in any derivatives or similar debt and investment instruments. The interest received on cash resources approximated .68 percent.

For the general fund, the City Commission adopted an emergency reserve policy based upon recommendations of management and Government Finance Officers Association (GFOA) recommended practices. The policy states that general fund unassigned fund balance equal to 25% of the current fiscal year budgeted expenditures less capital outlay and transfers out, will be maintained for emergency purposes and are not otherwise to be appropriated. At the end of fiscal year 2018, unassigned fund balance for the general fund stood at 21.5% of the current year budgeted expenditures, net of capital outlay and transfers out. During fiscal year 2017, the City was affected by two major hurricanes and the general fund utilized \$3.4 million in reserves to fund the clean-up and repair costs for damages sustained by the storms. During FY2018 the City received \$3,268,745 in reimbursements from FEMA and the State of Florida. During the next fiscal year the City will address placing the general fund unassigned fund balance to the required policy percentage.

***Risk Management*** The City contracts for all known risk elements through the purchase of insurance from outside insurance companies. The City maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard assets of the City. In the opinion of management and legal counsel, outstanding legal claims are not expected to have a material impact on the financial position of the City.

#### **Other Information**

***Awards*** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of New Smyrna Beach, Florida for its comprehensive annual financial report for the fiscal year ended September 30, 2017. This is the 39<sup>th</sup> consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report meets the requirements for this program and are submitting it to the GFOA to determine its eligibility for another certificate.

***Acknowledgments*** The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. In closing, we would also like to thank the members of the City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Khalid Resheidat  
Acting City Manager



Jonathan C. McKinney  
Finance Director

**City of New Smyrna Beach, Florida  
City Commission Members and Officials  
September 30, 2018**



**City Commission**

Honorable Jim Hathaway  
Jake Sachs  
Judith A. Reiker  
Randy Hartman  
Jason McGuirk

Mayor  
Vice Mayor  
Commissioner  
Commissioner  
Commissioner

**Executive Management Team**

Pam Brangaccio  
Carrie Avallone  
Johnny R. Bledsoe  
[Position Vacant]  
Lewie Wise

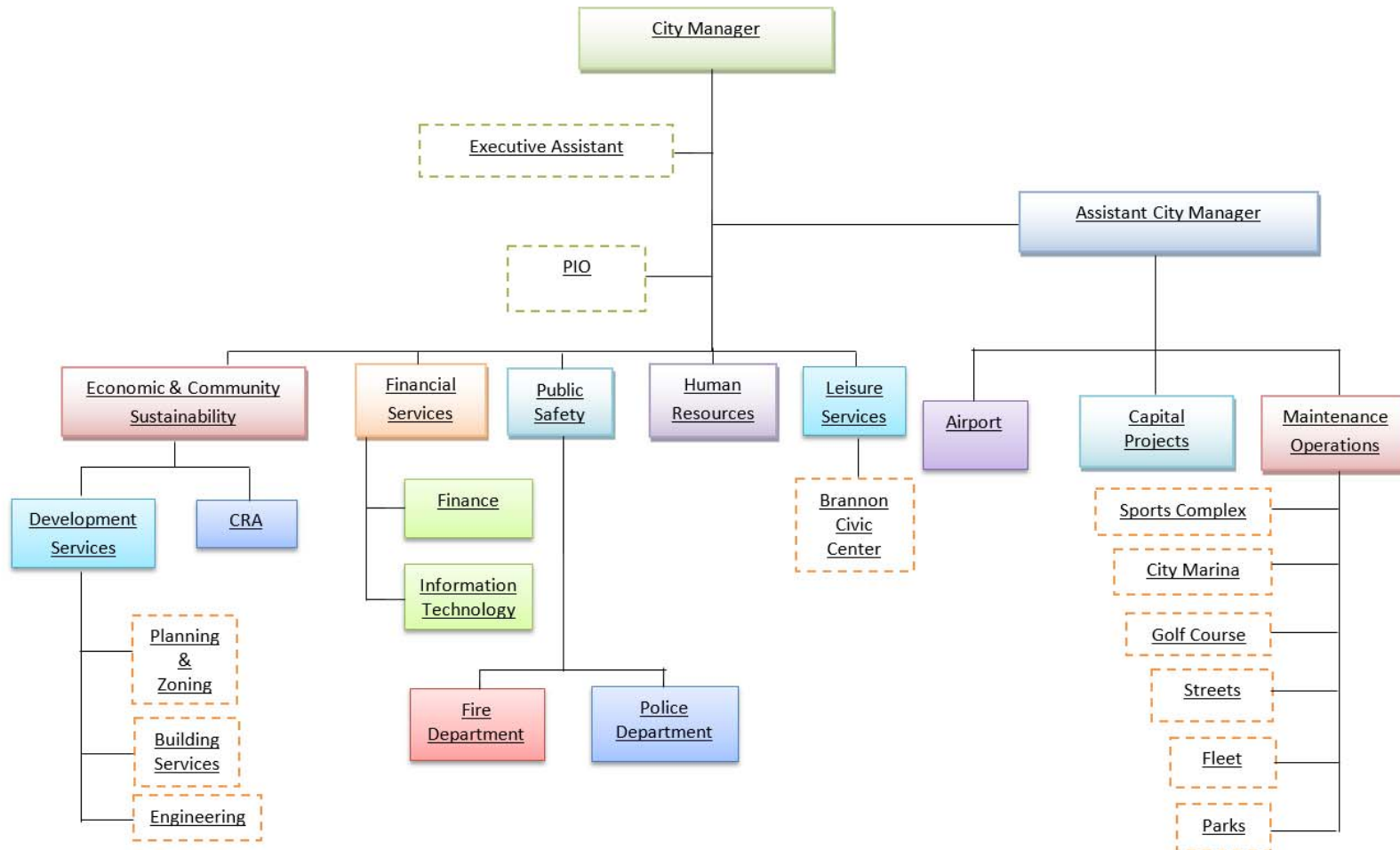
City Manager  
City Attorney  
City Clerk  
Director of Finance  
Assistant Finance Director

*As of September 30, 2018*



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City of New Smyrna Beach, Florida  
 Organizational Chart  
 September 30, 2018





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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of New Smyrna Beach  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morill*

Executive Director/CEO



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## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Members of the City Commission  
City of New Smyrna Beach, 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 New Smyrna Beach, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of New Smyrna Beach, Florida's basic financial statements as 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 did not audit the financial statements of the Utilities Commission, City of New Smyrna Beach, Florida, which represents 100 percent of the net assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Utilities Commission, City of New Smyrna Beach, Florida, is based solely on the report of the other auditors. 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 auditors' 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 auditors consider 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.

### ***Opinions***

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of New Smyrna Beach, Florida, as of September 30, 2018, 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.

### ***Change in Accounting Principle***

As discussed in Note 1.E.12 to the financial statements, in 2018 the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Smyrna Beach, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules of special revenue funds, debt service funds, capital projects funds, and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules of special revenue funds, debt service fund, capital projects funds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements 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, budgetary schedules of special revenue funds, debt service fund, and capital projects funds, and the schedule of expenditures of federal awards 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 June 14, 2019 on our consideration of the City of New Smyrna Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of New Smyrna Beach, Florida's internal control over financial reporting and compliance.

*Carly Riggs & Ingram, L.L.C.*

Melbourne, Florida  
June 14, 2019



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**City of New Smyrna Beach, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

As financial management of the City of New Smyrna Beach, Florida, (hereinafter referred to as the "City"), we offer the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year that ended on September 30, 2018. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section, taken as a whole.

### **Financial Highlights**

- Government-wide, the City's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources at the close of the most recent fiscal year by \$120.2 million at year end, which is an increase in net position of \$11.4 million, or 10.52%, when compared to September 2017.
- At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balances of \$32.9 million, an increase of \$1.9 million (or 6.13%) in comparison with the prior year. Approximately 19.7% or \$6.49 million of the total amount is unassigned fund balance and is available for spending at the City's discretion.
- The City's proprietary funds reported a combined ending net position of \$1.03 million, an increase of \$693,842 (or 275.7%) based on current year activities.
- Capital assets increased in 2018 compared to 2017 by \$10.5 million, Government-Wide.
- The Other Post-Employment Benefits liability increased in 2018 compared to 2017 by \$1.6 million, Government-Wide.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of New Smyrna's basic financial statements prepared in compliance with the pronouncements of the Governmental Accounting Standards Board. The City's basic financial statements are comprised of three separate components: (1) management's discussion and analysis (2) the basic financial statements (including government-wide financial statements, fund financial statements, and notes to the financial statements), and (3) required supplementary information, including budgetary comparisons and other selected financial and fiduciary fund data.

*Management's Discussion and Analysis (MD&A)* is intended to serve as an introduction to the basic financial statements and required supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and financial performance as a whole. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, and other management tools were used for this analysis.

The *basic financial statements* include two types of statements that present different views of the City. The first two statements consist of entity-wide financial statements that provide both the short and long-term financial information about the City's overall financial status, including its

governmental activities and its business-type activities. These statements report information about the City using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the City's assets and liabilities, both financial and capital, and short-term and long-term debt are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid, are reported. However, rate-regulated accounting principles applicable to private sector utilities are not used by governmental utilities. The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements. The governmental funds' statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities which the government operates like businesses, such as the City's municipal golf course, marina, and solid waste collection system (sanitation). Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others (like the retirement plan for the City's employees), to whom the resources in question belong.

#### ***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 basic financial statements of the City include a statement of net position and a statement of activities, which are described as follows:

- The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows and outflows at the end of its fiscal year, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial condition.
- The *statement of activities* presents information showing how the government's net position changed during the most recently completed fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*government activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government services, public safety (police, fire and building inspection), highways and streets, airport operations, stormwater management, economic development, and recreation and leisure services. The business-type activities of the City include its municipal golf course, sanitation and

**City of New Smyrna Beach, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

marina. The government-wide financial statements include not only the City of New Smyrna Beach itself (known as the *primary government*), but also a legally separate electric, water, wastewater and telecommunications utility (Utilities Commission, City of New Smyrna Beach) for which the City of New Smyrna Beach is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 36 - 39.

***Fund Financial Statements***

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

***Governmental funds.*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted into cash. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 43 and 47.

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Stormwater Utility Fund (special revenue), the Community Redevelopment Agency (special revenue) Funds, and the Building Inspections (special revenue) Fund, all of which are considered to be major funds. Data from the eight other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriations budget for each of its governmental funds in accordance with state statutes. The basic governmental fund financial statements can be found on pages 40 to 47 of this report. Budgetary comparison statements have been provided for each fund to

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demonstrate compliance with the budget. The General Fund and major special revenue fund budgetary comparison statements are presented as required supplementary information on pages 109 to 124 of this report. Other budgetary comparison schedules are presented as other supplemental information on pages 130 to 138 of this report.

**Proprietary funds.** The City maintains three types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the fiscal activities of the City's marina, municipal golf course operations, and solid waste (sanitation) operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City various functions. The City uses an internal service fund to account for its vehicle fleet maintenance operations.

Because services accounted for in the internal service fund are charged back to the appropriate fund/department on services provided, it's activities are already included in the financial statements of the governmental and business-type funds. Individual fund data for the internal service fund is provided in the proprietary fund financial statement.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate financial information for the golf course and solid waste (sanitation) operations, both of which are considered to be major funds of the City. Conversely, the internal service fund's financial activities are presented separately in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 48 to 52 of this report.

**Fiduciary funds.** The City is the trustee, or fiduciary, for its public safety employees' pension plans. Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are separately reported in the statements of fiduciary net position and changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. Rather, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The basic fiduciary fund financial statements can be found on pages 53 to 54 of this report.

**Notes to the Financial Statements.** The financial statements also include notes which provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the City's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 55 to 106 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the City's progress in funding its obligation for other post-employment benefits and to provide certain pension benefits to its employees. Required supplementary information can be found on pages 109 to 124 of this report.



The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 126 to 138.

### **Government-wide Financial Analysis**

Reviewing the changes in assets, liabilities, resources and outlays during the fiscal period allows management to assess the City's current financial position and the results of operations for the last year. The following condensed information includes some of the basic data used to measure the City's progress over the past two years.

*Assets* – Government-wide assets increased over the prior year by \$16 million for a balance at year-end of \$168.1 million in total assets. This increase was primarily due to a combination of activities that took place in 2018 which include: an increase in capital assets (less accumulated depreciation) of \$10.5 million, or 8.2%. Cash and cash equivalents increased by 13.99%, or \$4.1 million primarily as a result of the City issuing \$10 million in a Capital Improvement Refunding Note Series 2018 which included \$2.6 million in “new” proceeds to fund additional capital projects combined with the City receiving reimbursement of \$1.5 million from FEMA for Hurricane Matthew claims; amounts due from other government and component units increased by \$663,870; receivables, net of allowance for uncollectible accounts increased by \$728,027; and inventories and prepaid items increased by \$60,882.

*Liabilities* - Total government-wide liabilities increased by \$4.3 million. The increase is due to a combination of factors such as the issuance of new debt, the increase of the net pension liability and the increase in the other postemployment benefits liability.

*Net Position* - As noted previously, net position may serve as a useful indicator of a government's financial position over time. Approximately 84.6% of the City's net position reflects its investment in capital assets (land, equipment, buildings, improvements other than buildings, machinery and equipment and infrastructure). The City uses these capital assets to provide services to its citizens; so consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay for these liabilities.

In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, Government-wide, at the end of the fiscal year by over \$120.2 million. Total net position increased \$11.4 million from last year. Net position of the City's governmental activities increased alone by \$10.8 million and totaled \$119.2 million at the end of the fiscal year. Of this amount, approximately 96.7% is either restricted as to the purposes they can be used for or is invested in capital assets. Consequently, unrestricted net position, the part of net position than can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, totaled \$3.9 million at the end of 2018.

In fiscal year 2018, the City's business-type activities experienced an increase in net position of \$693,842 for a total of \$1,032,848 compared to \$339,006 total net position (as restated) in 2017.

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The increase is the primarily the result of \$602,757 change in net position of the Sanitation Fund due to rate increases implemented in the current year combined with operating efficiencies.

The following is a summary of net position for the years ended September 30, 2018 and 2017:

<b>Net Position</b>						
As of September 30,						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
<b>Assets:</b>						
Current and other assets	\$ 38,957,372	\$ 33,863,084	\$ 1,120,540	\$ 680,568	\$ 40,077,912	\$ 34,543,652
Capital assets, net	126,997,229	116,890,876	1,064,128	706,642	128,061,357	117,597,518
<b>Total Assets</b>	<b>165,954,601</b>	<b>150,753,960</b>	<b>2,184,668</b>	<b>1,387,210</b>	<b>168,139,269</b>	<b>152,141,170</b>
<b>Deferred Outflows of Resources:</b>						
Deferred outflows related to pension costs	1,494,054	1,665,223	65,498	74,224	1,559,552	1,739,447
Deferred amounts on refunding	445,220	494,104			445,220	494,104
	1,939,274	2,159,327	65,498	74,224	2,004,772	2,233,551
<b>Total assets and deferred outflow of resources</b>	<b>167,893,875</b>	<b>152,913,287</b>	<b>2,250,166</b>	<b>1,461,434</b>	<b>\$ 170,144,041</b>	<b>\$ 154,374,721</b>
<b>Liabilities:</b>						
Current liabilities	9,290,371	2,839,603	722,335	607,797	10,012,706	3,447,400
Long-term debt outstanding	26,602,270	28,152,359	129,848	88,701	26,732,118	28,241,060
Other liabilities	12,322,195	12,997,022	326,838	389,956	12,649,033	13,386,978
<b>Total Liabilities</b>	<b>48,214,836</b>	<b>43,988,984</b>	<b>1,179,021</b>	<b>1,086,454</b>	<b>49,393,857</b>	<b>45,075,438</b>
<b>Deferred Inflows of Resources:</b>						
Deferred Inflows related to pension costs	486,091	483,358	38,297	35,974	524,388	519,332
Deferred energy cost and fuel adjustments	-	-	-	-	-	-
	486,091	483,358	38,297	35,974	524,388	519,332
<b>Net Position:</b>						
Invested in capital assets	100,614,187	94,927,137	1,064,128	610,651	101,678,315	95,537,788
Restricted	14,686,532	9,520,265	-	-	14,686,532	9,520,265
Unrestricted	3,892,229	3,993,543	(31,280)	(271,645)	3,860,949	3,721,898
<b>Total net position</b>	<b>\$ 119,192,948</b>	<b>\$ 108,440,945</b>	<b>\$ 1,032,848</b>	<b>\$ 339,006</b>	<b>\$ 120,225,796</b>	<b>\$ 108,779,951</b>

**Changes in Net Position.** While the statement of net position shows a snapshot of the City's financial position at the end of the fiscal year, the statement of activities provides answers as to the nature and source of those changes. During 2018, the City's combined net position totaled \$120.2 million, which is up \$11.4 million over last year's reported \$108.8 million. The principal reason net position increased by \$11.4 million is due to an improved change in net position from the prior year (\$3.3 million) as a result of increases in capital contributions from St. Johns Water Management District and the Utilities Commission of \$4.4 million combined with sanitation and stormwater rate increases and general economic improvement resulting in an increase in government-wide revenues, grants and contributions of \$5.9 million over the prior fiscal year. These increases were offset by an increase in government-wide expenses of approximately \$560,000 and a prior period adjustment for the implementation of GASB Statement No. 75 of \$1.5 million.

During fiscal year 2018, the City's total revenues increased by approximately \$10.3 million to a total of \$53.6 million. In fiscal year 2017, the City's total revenues increased by \$1.3 million to a total of \$43.3 million. Approximately 25% of the City's combined activities revenue are derived from property taxes (33% in 2017), and 18% (20% in 2017) of every dollar raised comes from another type of tax or franchise fee. Another 33% (37% in 2017) comes from fees charged for services and

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22% (13% in 2017) is from grant or contributions, while most of the remaining revenue is interest and other earnings.

Government-wide operating expenses increased by \$560,202 or 1.40% during the period.

The following is a summary of government-wide activities for the years ended September 30, 2018 and 2017:

	<b>Activities</b>					
	As of September 30,					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 10,098,394	\$ 9,099,680	\$ 7,782,028	\$ 6,911,977	\$ 17,880,422	\$ 16,011,657
Operating grants/contributions	4,284,628	2,003,075	-	-	4,284,628	2,003,075
Capital grants/contributions	7,577,522	3,587,890	-	-	7,577,522	3,587,890
<b>General Revenues</b>						
Property taxes	13,606,365	12,125,345	-	-	13,606,365	12,125,345
Other taxes	5,526,799	5,157,605	-	-	5,526,799	5,157,605
6% payment from the Utilities Commission	3,666,586	3,615,948	-	-	3,666,586	3,615,948
Intergovernmental revenues	548,880	515,469	-	-	548,880	515,469
Other revenues	489,047	314,521	34,368	31,170	523,415	345,691
Gain on capital assets	31,106	23,787	-	-	31,106	23,787
<b>Total revenues</b>	<b>45,829,327</b>	<b>36,443,320</b>	<b>7,816,396</b>	<b>6,943,147</b>	<b>53,645,723</b>	<b>43,386,467</b>
<b>Expenses:</b>						
General government	5,793,676	7,645,291	-	-	5,793,676	7,645,291
Public safety	13,750,597	13,040,957	-	-	13,750,597	13,040,957
Transportation	4,799,649	3,998,592	-	-	4,799,649	3,998,592
Economic environment	1,067,964	1,113,714	-	-	1,067,964	1,113,714
Physical environment	1,970,217	1,358,031	-	-	1,970,217	1,358,031
Culture/recreation	4,554,202	4,543,918	-	-	4,554,202	4,543,918
Buildings & maintenance	724,766	696,938	-	-	724,766	696,938
Interest on long-term debt	733,514	702,554	-	-	733,514	702,554
Golf course operations	-	-	1,277,317	1,238,918	1,277,317	1,238,918
Marina operations	-	-	248,544	207,740	248,544	207,740
Solid waste operations	-	-	5,763,687	5,577,278	5,763,687	5,577,278
<b>Total expenses</b>	<b>33,394,585</b>	<b>33,099,995</b>	<b>7,289,548</b>	<b>7,023,936</b>	<b>40,684,133</b>	<b>40,123,931</b>
Increase in net position, before transfers	12,434,742	3,343,325	526,848	(80,789)	12,961,590	3,262,536
Transfers in (out)	(254,301)	(206,302)	254,301	206,302	-	-
<b>Changes in net position</b>	<b>12,180,441</b>	<b>3,137,023</b>	<b>781,149</b>	<b>125,513</b>	<b>12,961,590</b>	<b>3,262,536</b>
Net Position, beginning of year as restated	107,012,507	105,303,922	251,699	213,494	107,264,206	105,517,416
<b>Net Position, end of year</b>	<b>\$ 119,192,948</b>	<b>\$ 108,440,945</b>	<b>\$ 1,032,848</b>	<b>\$ 339,007</b>	<b>\$ 120,225,796</b>	<b>\$ 108,779,951</b>

**Governmental Activities**

In 2018, net position for governmental activities improved by \$10.8 million, accounting for 94% of the total growth in the City's net position. This is \$7.6 million more than the previous year's total of \$3.1 million.

The increase in overall revenues of \$10.3 million or 23.6% from the previous year is due to changes in several revenue streams. The increase in property tax revenue of \$1.5 million represents a 12.2% increase from the previous year. The increase in property taxes is primarily due to the increase in property values. Capital grants/contributions increased by \$3.99 million, as some projects related to capital grants were completed and placed into service. The 6% payment from the City's

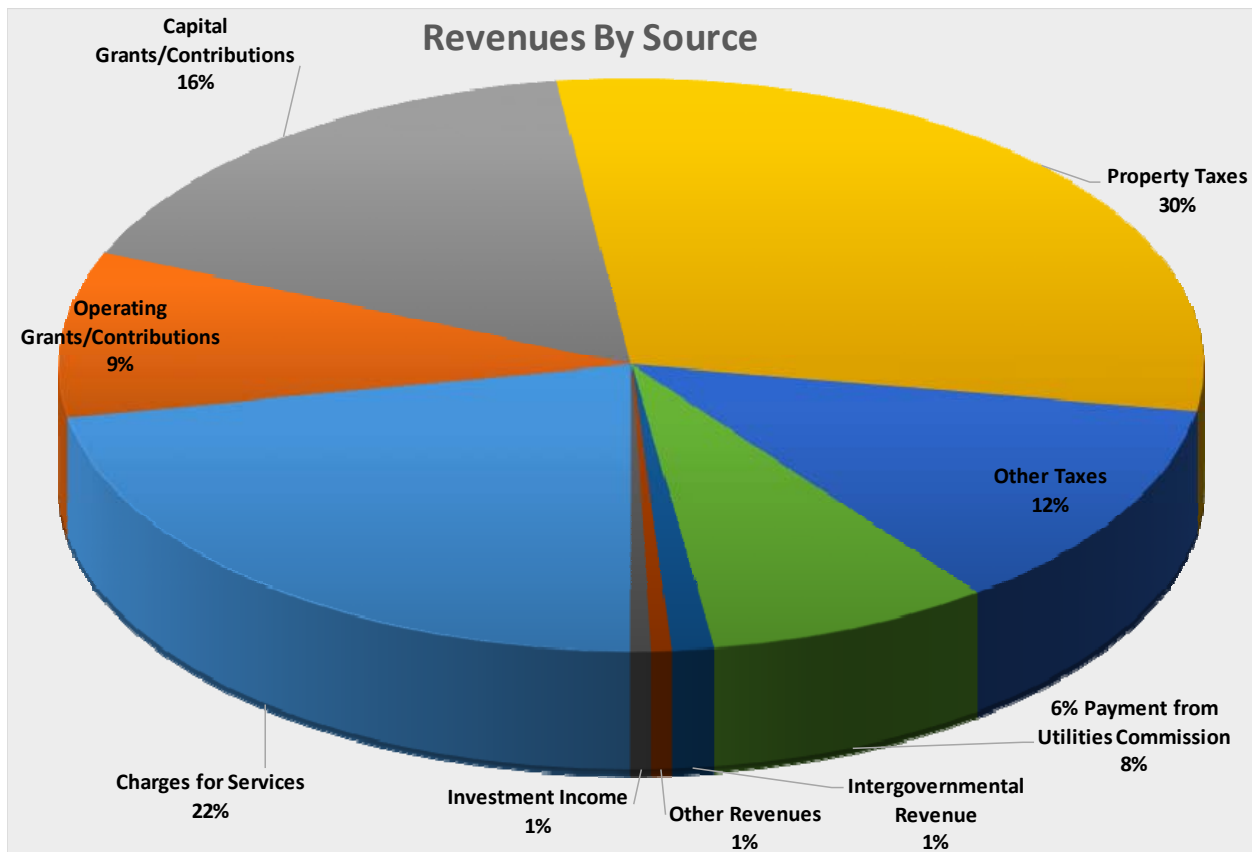
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component unit increased \$50,638 or 1.4%. As the parking program and building permits continue to thrive, charges for services increased by \$1.9 million (11.7%, when compared to 2017); public service tax increased by \$265,318 (8.5%); and gain on capital assets increased by \$7,319. Operating grants increased by \$2.3 million (113.9%) primarily due to FEMA projects for Hurricanes Matthew and Irma being obligated in FY2018.

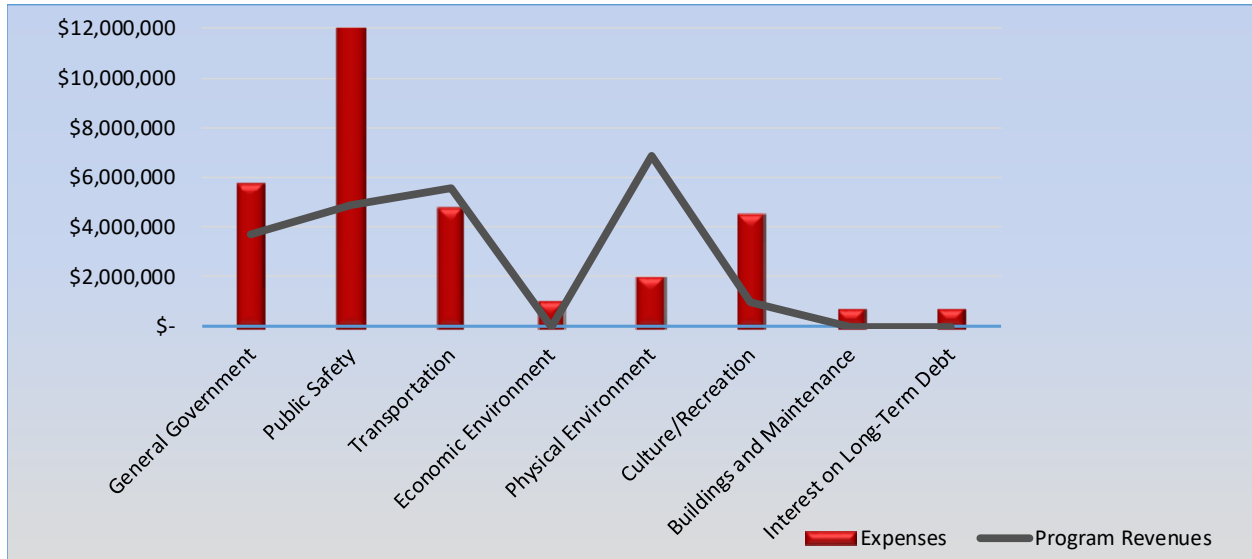
The following is a summary of the City's governmental revenues - by source for fiscal year 2018:

**Revenues by Source - Governmental Activities**

An individual comparison of the City's functional program revenues and costs of providing program services to its citizens during fiscal year 2018 is useful in identifying the programs, and the extent of which each are dependent on taxes and other non-exchange revenues to subsidize their program operations. They are presented in the following graph:



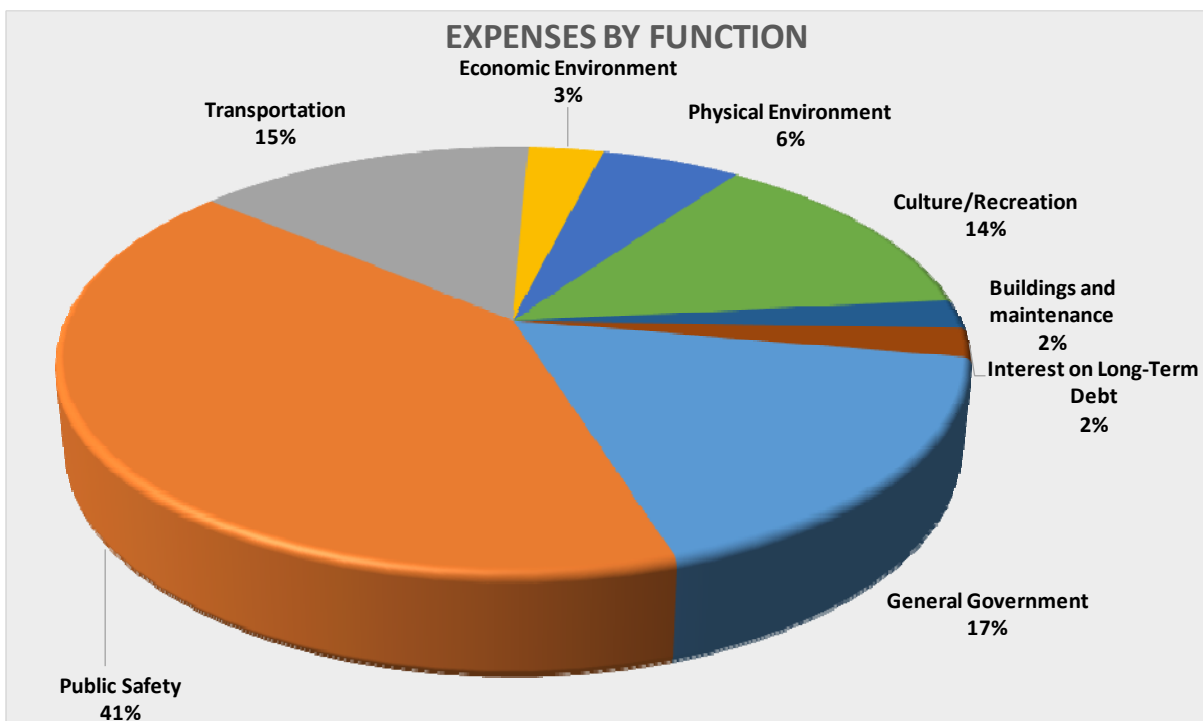
**Expenses and Program Revenues – Governmental Activities**



Combined governmental activities expenses for fiscal year 2018 totaled \$33.4 million which represents an increase of \$295K or .9% more than last year's expenses of \$33.1 million. The increase in expenses is primarily due to a 3% pay increase to all employees for the fiscal year.

The following is a summary of the City's governmental expenses - by function for fiscal year 2018:

**Expenses by Function - Governmental Activities**



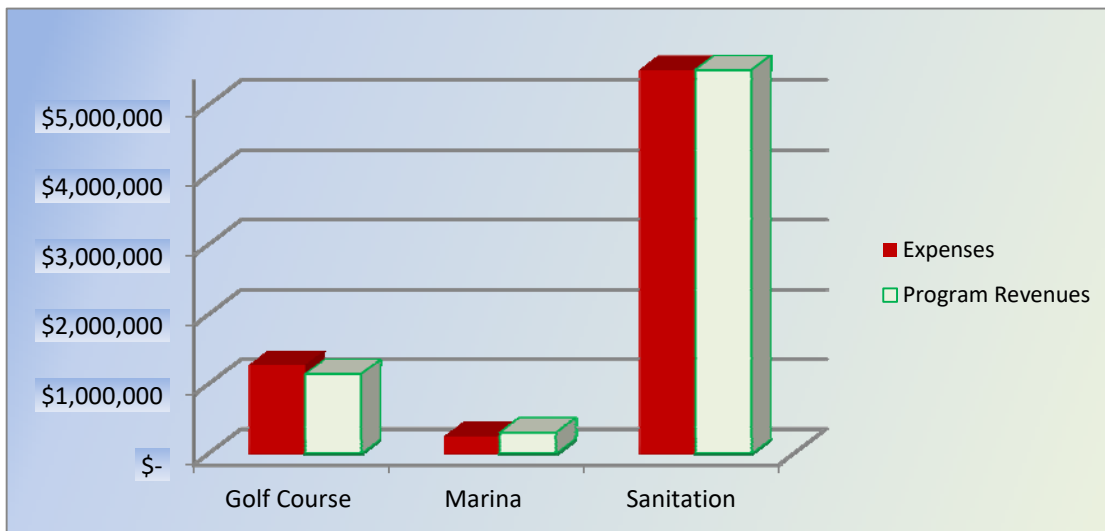
**Business-type Activities**

Business-type activities increased the City's total net position by \$693,842 in 2018, which is an increase of \$568,329 when compared to 2017. Overall, net position from the City's business-type activities account for only .86% and .31% of the City's combined total net position at September 30, 2018 and 2017, respectively. The Golf Course fund is reporting an operating loss of \$136,223, which is a decrease from the 2017 operating loss of \$136,666. The Sanitation fund had operating income of \$602,757; this is an increase of \$608,343 of \$5,586 from the prior year's operating loss. In 2017 the City renegotiated the Sanitation Fund's waste collection contract; the rate increase was implemented in FY2018 to offset the increase in fees. The new rate is projected to continue assisting the fund in building its reserves. The Marina fund had operating income in the amount of \$60,757. The City continues to review the operations of its Enterprise Funds to identify costs savings and revenue generating opportunities and to continue to increase the strength of its business-type activities operations.

The major sources of operating revenues for the City's business-type activities include charges for services for solid waste utilities (Municipal Sanitation Fund), the City Marina charges for live aboard fees, and for use of the City-owned golf course facility (Municipal Golf Course Fund). Combined operating revenues from these three activities increased in 2018 and totaled \$7.8 million compared to \$6.9 million generated in 2017 and \$6.4 million reported in 2016.

A comparison of the City's functional program revenues and costs of providing business-type services to its customers in fiscal year 2018 is useful in identifying the capabilities of producing revenues sufficient to operate their programs. They are presented in the following graph:

**Expenses and Program Revenues - Business-type Activities**



Operating expenses of the business-type activities increased in 2018 to \$7.3 million, as compared to \$7 million incurred in 2017, and \$6.8 million in 2016.

### Financial Analysis of the City's Funds

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

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

As the City completed the current fiscal year, its governmental funds reported a combined fund balance of \$32.9 million, which is \$1.9 million or 6.1% more than the \$31 million reported in 2017. Approximately 19.7% of this amount (\$6.5 million) is comprised of unassigned General Fund balance, which is available for spending at the City's discretion. The remainder of fund balance at the end of 2018 is restricted or committed for specific purposes. Restricted fund balance (totaling \$15.8 million) has legal restrictions from an outside third party and can only legally be spent for the following: Economic Environment (CRA); Capital projects; Debt service; and public safety. Committed fund balance is comprised of items which have been pledged for specific purposes by the City Commission. While these amounts are not legally restricted, they have been committed via Resolution or Ordinance by the Commission. Committed fund balance is comprised of items set-aside for stormwater improvements (\$4.6 million). Assigned fund balance is comprised of items which have been "ear-marked" by the City for a particular purpose and the subsequent year's budget (\$4.6 million).

As of September 30, 2018, the unassigned fund balance in the general fund totaled \$6.5 million, while total fund balance for the general fund reached \$9.4 million. General fund unassigned fund balance increased 18.9%, or \$1 million from the 2017 general fund unassigned fund balance of \$5.5 million. The increase is attributable to the general fund receiving reimbursement from FEMA for costs related to damages sustained by two major hurricanes in the prior fiscal year.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance at the end of 2018 represents approximately 23.8% of the total general fund expenditures and transfers out (\$27.3 million).

**Community Redevelopment Agency.** The 1985 Community Redevelopment Agency trust fund is a major special revenue fund that accounts for tax increment revenue that is used to finance improvements in the community redevelopment district of the City. As of September 30, 2015, the CRA ended after 30 years with the conveyance of its assets to the City. Although the 1985 CRA ended, F.S. Ch.163.370 allowed the City to complete projects within 3 years of appropriation. The unspent portion as of September 30, 2018 will be returned to Volusia County and to the City during fiscal year 2019.

The Volusia County Council approved a new 2015 CRA in the City, which will fund projects on US.1 and in the Historic Westside Community in its first 10 years. The new CRA was approved for a total of 20 years and is expected to generate \$15 million for capital projects and economic development

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incentives. Revenues generated in 2018, \$291,289 in tax revenue. Total expenses recorded in 2018, \$295,203.

**Stormwater Utility Fund.** The stormwater utility fund is a major special revenue fund that accounts for the maintenance of the City's sewer system. Stormwater utility fees are charged to City residents and collected through the property tax bill as a non-ad-valorem assessment. Each year the fees are adjusted based on the consumer price index, which is not to exceed 3%. In 2018, the fund experienced a decrease in fund balance of \$4.3 million, which is mostly attributable to construction of two large stormwater projects.

**Capital Projects Fund.** In 2018, the City obtained \$594K in grant revenues for capital projects. Additionally, proceeds from a refinancing note in the amount of \$10 million, with a net payout of \$2.6 million, is to provide for current and future capital projects. During FY18, the City started construction of the Live Oak Cultural Center (\$1.5 million) along with \$605K expended for the completion of the Holland Park project. An additional \$136K has been expended towards the construction of a City Hall Annex.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Please refer to the government-wide analysis on page 28 for more information on the City's Golf Course, Sanitation, and Marina funds.

### **General Fund Budgetary Highlights**

Accurate revenue projection is critical to sound budgeting. The amount of resources available for appropriation is the foundation for any budget and should be the basis for decision-making in the budget process. The City Commission periodically revises the budget throughout the year to recognize projects carried over from the previous year, grant awards received during the year and to adjust budgets to reflect actual circumstances. In fiscal year 2018, the City Commission amended the General Fund budget on ten separate occasions for changes in various departmental appropriations, to increase the amount of appropriated fund balance to cover estimated operating and capital expenditures. Actual expenditures in the General Fund for the current fiscal year were less than the budgetary amounts appropriated by \$2.8 million. This is largely due to capital projects budgeted in entirety, but not completed in a single fiscal year, resulting in additional amounts budgeted, not yet spent.

### **Capital Assets and Debt Administration**

**Capital Assets.** At September 30, 2018, the City's investment in capital assets for its governmental and business-type activities totaled \$128.1 million (net of accumulated depreciation of \$54.1 million). The capital assets include land, building, improvements other than buildings, machinery and equipment and infrastructure. This investment in capital assets, net of depreciation, for all activities is reflected in the following comparative schedule:



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**Capital Assets**  
As of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	20017
<b>Assets:</b>						
Land and Improvements	\$ 29,254,004	\$ 29,254,004	\$ -	\$ -	\$ 29,254,004	\$ 29,254,004
Construction in progress	16,328,010	13,821,456	-	91,437	\$ 16,328,010	\$ 13,912,893
Buildings	45,604,991	45,446,208	32,260	32,260	\$ 45,637,251	\$ 45,478,468
Improvements other than buildings	25,246,029	24,484,534	391,029	391,029	\$ 25,637,058	\$ 24,875,563
Machinery and Equipment	18,166,135	17,532,005	681,650	431,716	\$ 18,847,785	\$ 17,963,721
Infrastructure	46,108,668	36,164,640	323,148	34,825	\$ 46,431,816	\$ 36,199,465
Accumulated depreciation	(53,710,608)	(49,811,971)	(363,959)	(274,625)	\$ (54,074,567)	\$ (50,086,596)
Total net of accumulated depreciation	\$ 126,997,229	\$ 116,890,876	\$ 1,064,128	\$ 706,642	\$ 128,061,357	\$ 117,597,518

This year's major additions to capital assets are as follows:

	<u>Amount</u>
<b>General Government:</b>	
City Hall Annexation – design & construction in progress	\$895,091
Swoope Boat Ramp Phase III	241,902
<b>Physical Environment:</b>	
Islesboro Drainage Project – improvements in progress	\$9,707,512
Cunningham Drainage Project - improvements in progress	1,005,589
Sidewalks	983,625
<b>Transportation:</b>	
Airport Projects – in progress	\$1,055,930
<b>Culture/ Recreation:</b>	
Live Oak Street- construction in progress	\$1,413,236
Manatee Marine – Dock improvements in progress	397,460
<b>Items completed from construction in progress and placed in service include:</b>	
Central Beach Phase III Stormwater Project	\$9,799,396
<b>Significant additions</b>	<u>\$25,499,741</u>

Additional information on the City's capital assets can be found in Note 10 to the financial statements.

**Capital Leases.** At year end, the City had present value of minimum lease payments totaling \$1.7 million, primarily related to the financing of the acquisition of one fire truck and 2 fire engines placed into service in fiscal year 2017. More detailed information about the City's capital leases is presented in Note 11 to the financial statements.

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**Long-term Debt.** At year end, the City had \$26.8 million in notes, all of which are secured solely by specified revenue sources. More detailed information about the City's long-term debt is presented in Note 11 to the financial statements.

The City has an outstanding refunding general obligation note in the amount of \$6.6 million and an outstanding capital improvement refunding revenue note of \$4.8 million. The proceeds of the notes were used to finance the construction of a police station, three fire stations, an emergency operations center, certain public sidewalks and to provide financing resources for several capital projects programs. These notes are payable from all of the City's general revenues with the exception of its ad valorem tax revenue and are payable in varying amounts through 2029.

The City has four promissory note obligations payable to the State of Florida, Department of Environmental Protection State Revolving Fund Loan Program totaling \$.9 million at year end. The proceeds of these loans were used to finance the construction of needed stormwater drainage improvements. These notes are secured by the City's stormwater utility revenues and are payable in varying amounts through 2028.

The \$5,000,000 note issued in March of 2017 to finance the Islesboro Subdivision stormwater improvements has a balance of \$4.6 million at year end. The note is secured by a lien and pledged of stormwater revenues and is payable through 2027.

On May 10, 2018, the City issued a Capital Improvement Revenue and Refunding Note, Series 2018, in the amount of \$10,000,000 to refund the City's outstanding Capital improvement Note 2013, and to provide residual proceeds of \$2.6 million to finance construction of a cultural and educational center and for renovations to the city hall annex facility. The proceeds of the original Series 2013 note financed the construction of a new civic center, city hall building renovations, park improvements and has replaced the municipal sports complex stadium bleachers.

The City's total long-term debt increased by .7%, which is attributable to the issuance of the Series 2018 note net of current year debt service payments.

#### **Economic Factors and Next Year's Budgets and Rates**

Many factors are considered each year by the City Commission in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop uniform user fees that are reasonable, and more importantly, capable of cost recovery. Some of the major factors considered in this process are the local economy, civilian labor force, unemployment rates, and inflation rates.

- Local Governments (cities, counties, and school boards) primarily rely on property and a limited array of other permitted taxes (sales, gas, utilities services, etc.) and fees (franchise, business taxes, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments. For the business-type and certain governmental activities (permitting, recreational programs, etc.) the user pays a related fee or charge associated with the services.

**City of New Smyrna Beach, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

- The most recent estimates available for unemployment data in Volusia County, Florida are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Database (FRED). This agency estimates a countywide unemployment rate of 3.2% at the end of September 2018, which is lower than the 3.7% rate experienced one year earlier. The 2018 estimate is slightly lower than the State of Florida unemployment rate of 3.3% for fiscal year 2018.
- Total taxable assessed property values for 2018 (revenues to be collected during fiscal year 2018) saw an increase of 8.854%. Total property tax values increased to \$3.4 billion, up from \$3.1 billion. For the budget year fiscal year 2018, the City Commission voted to adopt an operating millage rate of 3.8416 which is slightly higher (7.6%) than the previous year's (2017) operating millage rate of 3.5699.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Office of the Finance Director, City of New Smyrna Beach, 210 Sams Avenue, New Smyrna Beach, Florida 32168-9985.



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# **CITY OF NEW SMYRNA BEACH, FLORIDA**

## Basic Financial Statements

**City of New Smyrna Beach, Florida**  
**Statement of Net Position**

<i>September 30, 2018</i>	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Utilities Commission
<b>ASSETS</b>				
Equity in pooled cash	\$ 28,088,357	\$ 1,279,691	\$ 29,368,048	\$ 1,931,530
Receivables, net	1,796,310	19,255	1,815,565	8,087,889
Due from other governments	3,020,038	-	3,020,038	768,171
Due from primary government	-	-	-	802,903
Due from component unit	724,305	537,103	1,261,408	-
Internal balances	777,519	(777,519)	-	-
Inventories and prepaids	677,061	42,096	719,157	2,427,964
Restricted equity in pooled cash	3,873,782	19,914	3,893,696	43,479,303
Capital assets not being depreciated	45,582,014	-	45,582,014	10,821,719
Capital assets, net of accumulated depreciation	81,415,215	1,064,128	82,479,343	165,922,740
Total assets	165,954,601	2,184,668	168,139,269	234,242,219
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension costs	1,494,054	65,498	1,559,552	869,386
Deferred amounts on refunding	445,220	-	445,220	-
Total deferred outflows of resources	1,939,274	65,498	2,004,772	869,386

*The accompanying notes are an integral part of this financial statement.*

September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Utilities Commission
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	4,506,255	527,501	5,033,756	4,458,368
Due to other governments	-	-	-	52,858
Due to primary government	-	-	-	1,261,408
Due to component unit	802,903	-	802,903	-
Unearned revenues	226,771	83,459	310,230	-
Payable from restricted assets:				
Deposits	205,645	19,914	225,559	5,533,239
Accrued interest payable	310,755	-	310,755	448,556
Accounts payable	-	-	-	804,445
Noncurrent liabilities:				
Due within one year:				
Bonds and notes payable	2,111,235	-	2,111,235	5,595,000
State revolving fund notes	222,318	-	222,318	-
Capital lease obligations	190,146	43,216	233,362	-
Compensated absences payable	714,343	48,245	762,588	-
Due in more than one year:				
Bonds and notes payable	23,822,851	-	23,822,851	22,745,000
State revolving fund notes	670,254	-	670,254	-
Capital lease obligations	1,425,923	12,602	1,438,525	-
Compensated absences payable	683,242	117,246	800,488	521,224
Total OPEB liability	2,906,828	178,152	3,084,980	671,115
Net pension liability	9,415,367	148,686	9,564,053	2,372,850
<b>Total liabilities</b>	<b>48,214,836</b>	<b>1,179,021</b>	<b>49,393,857</b>	<b>44,464,063</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension costs	486,091	38,297	524,388	506,543
Deferred inflows related to OPEB costs	-	-	-	25,192
Deferred energy cost and fuel adjustments	-	-	-	1,641,418
<b>Total deferred inflows of resources</b>	<b>486,091</b>	<b>38,297</b>	<b>524,388</b>	<b>2,173,153</b>
<b>NET POSITION</b>				
Net investment in capital assets	100,614,187	1,064,128	101,678,315	148,404,459
Restricted for:				
Capital projects	7,371,153	-	7,371,153	-
Debt service	459,630	-	459,630	5,595,000
Economic environment	183,563	-	183,563	-
Public safety	6,672,186	-	6,672,186	-
Renewal and replacement	-	-	-	9,932,649
Unrestricted	3,892,229	(31,280)	3,860,949	24,542,281
<b>Total net position</b>	<b>\$ 119,192,948</b>	<b>\$ 1,032,848</b>	<b>\$ 120,225,796</b>	<b>\$ 188,474,389</b>

**City of New Smyrna Beach, Florida**  
**Statement of Activities**

*For the Year Ended September 30, 2018*

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 5,793,676	\$ 1,229,224	\$ 2,460,388	\$ 36,000
Public safety	13,750,597	3,704,648	608,779	568,255
Transportation	4,799,649	2,738,819	1,215,461	1,587,802
Economic environment	1,067,964	-	-	-
Physical environment	1,970,217	2,089,596	-	4,785,500
Culture and recreation	4,554,202	336,107	-	599,965
Buildings and maintenance	724,766	-	-	-
Interest on long-term debt	733,514	-	-	-
<b>Total governmental activities</b>	<b>33,394,585</b>	<b>10,098,394</b>	<b>4,284,628</b>	<b>7,577,522</b>
Business-type activities:				
Golf course	1,277,317	1,140,256	-	-
Marina	248,544	303,216	-	-
Sanitation	5,763,687	6,338,556	-	-
<b>Total business-type activities</b>	<b>7,289,548</b>	<b>7,782,028</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 40,684,133</b>	<b>\$ 17,880,422</b>	<b>\$ 4,284,628</b>	<b>\$ 7,577,522</b>
<b>Component Unit:</b>				
Utilities Commission	\$ 60,474,017	\$ 61,345,181	-	\$ 5,715,556

General revenues:

Property taxes  
Sales tax  
Public utility and telecommunications tax  
State revenue sharing not restricted to specific programs  
Franchise fees  
Required payment from component unit  
Investment income  
Miscellaneous revenue

Transfers, net

Total general revenues and transfers
Change in net position
Net position, beginning of year, as previously reported
Prior period adjustment (See Note 1.E.12)
Net position, beginning of year, as restated
Net position, end of year

*The accompanying notes are an integral part of this financial statement.*



Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Utilities Commission
\$ (2,068,064)	\$ -	\$ (2,068,064)	\$ -
(8,868,915)	-	(8,868,915)	-
742,433	-	742,433	-
(1,067,964)	-	(1,067,964)	-
4,904,879	-	4,904,879	-
(3,618,130)	-	(3,618,130)	-
(724,766)	-	(724,766)	-
(733,514)	-	(733,514)	-
<b>(11,434,041)</b>	<b>-</b>	<b>(11,434,041)</b>	<b>-</b>
-	(137,061)	(137,061)	-
-	54,672	54,672	-
-	574,869	574,869	-
-	492,480	492,480	-
<b>(11,434,041)</b>	<b>492,480</b>	<b>(10,941,561)</b>	<b>-</b>
-	-	-	<b>6,586,720</b>
13,606,365	-	13,606,365	-
1,467,385	-	1,467,385	-
3,388,718	-	3,388,718	-
548,880	-	548,880	-
670,696	-	670,696	-
3,666,586	-	3,666,586	-
261,110	7,153	268,263	332,974
259,043	27,215	286,258	706,637
(254,301)	254,301	-	-
<b>23,614,482</b>	<b>288,669</b>	<b>23,903,151</b>	<b>1,039,611</b>
<b>12,180,441</b>	<b>781,149</b>	<b>12,961,590</b>	<b>7,626,331</b>
<b>108,440,945</b>	<b>339,006</b>	<b>108,779,951</b>	<b>181,290,824</b>
<b>(1,428,438)</b>	<b>(87,307)</b>	<b>(1,515,745)</b>	<b>(442,766)</b>
<b>107,012,507</b>	<b>251,699</b>	<b>107,264,206</b>	<b>180,848,058</b>
<b>\$ 119,192,948</b>	<b>\$ 1,032,848</b>	<b>\$ 120,225,796</b>	<b>\$ 188,474,389</b>

**City of New Smyrna Beach, Florida**  
**Balance Sheet – Governmental Funds**

<i>September 30, 2018</i>	General	Stormwater Utility	Building Inspections
<b>ASSETS</b>			
Equity in pooled cash	\$ 8,555,522	\$ 4,995,256	\$ 6,384,363
Restricted equity in pooled cash	-	-	-
Receivables, net	1,370,605	-	227,733
Due from component unit	708,460	15,845	-
Due from other governments	1,262,900	757,527	-
Advances to other funds	777,519	-	-
Inventories	5,200	-	-
Prepaid items	528,782	-	9,034
Total assets	\$ 13,208,988	\$ 5,768,628	\$ 6,621,130
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities			
Accounts payable and accrued liabilities	\$ 2,429,450	\$ 1,181,417	\$ 83,280
Deposits	156,283	-	-
Unearned revenues	222,119	-	-
Due to component unit	802,903	-	-
Total liabilities	3,610,755	1,181,417	83,280
Deferred inflows of resources:			
Unavailable revenue - taxes	32,092	-	-
Unavailable revenue - special assessments	151,948	-	-
Total deferred inflows of resources	184,040	-	-
Fund balances:			
Nonspendable			
Inventories and prepaids	533,982	-	9,034
Advances	777,519	-	-
Spendable			
Restricted for:			
Public safety - Police	30,816	-	6,528,816
Community redevelopment	-	-	-
Tree replacement	6,000	-	-
Debt service	-	-	-
Capital projects	30,000	-	-
Committed to:			
System maintenance and improvements	-	4,587,211	-
Assigned for:			
General government encumbrances	590,117	-	-
Public safety	117,197	-	-
Airport park maintenance and improvements	-	-	-
Culture and recreation - Facility repairs	322,502	-	-
Parks and recreation assistance program	-	-	-
Transportation	510,214	-	-
Special events and memorials	1,469	-	-
Unassigned	6,494,377	-	-
Total fund balances	9,414,193	4,587,211	6,537,850
Total liabilities, deferred inflows of resources and fund balances	\$ 13,208,988	\$ 5,768,628	\$ 6,621,130

*The accompanying notes are an integral part of this financial statement.*

Community Redevelopment Agency, 1985	Community Redevelopment Agency, 2015	Capital Projects	Nonmajor Funds	Total Governmental Funds
\$ 28,357	\$ 180,706	\$ -	\$ 7,887,862	\$ 28,032,066
-	-	3,414,152	459,630	3,873,782
-	-	-	197,528	1,795,866
-	-	-	-	724,305
-	-	542,770	456,841	3,020,038
-	-	-	-	777,519
-	-	-	49,249	54,449
-	-	-	3,360	541,176
<b>\$ 28,357</b>	<b>\$ 180,706</b>	<b>\$ 3,956,922</b>	<b>\$ 9,054,470</b>	<b>\$ 38,819,201</b>
\$ -	\$ 25,500	\$ 409,038	\$ 319,569	\$ 4,448,254
-	-	-	49,362	205,645
-	-	-	4,652	226,771
-	-	-	-	802,903
-	25,500	409,038	373,583	5,683,573
-	-	-	4,397	36,489
-	-	-	-	151,948
-	-	-	4,397	188,437
-	-	-	52,609	595,625
-	-	-	-	777,519
-	-	-	112,554	6,672,186
28,357	155,206	-	-	183,563
-	-	-	-	6,000
-	-	-	459,630	459,630
-	-	3,547,884	4,943,897	8,521,781
-	-	-	-	4,587,211
-	-	-	-	590,117
-	-	-	-	117,197
-	-	-	1,595,044	1,595,044
-	-	-	-	322,502
-	-	-	1,512,756	1,512,756
-	-	-	-	510,214
-	-	-	-	1,469
-	-	-	-	6,494,377
<b>28,357</b>	<b>155,206</b>	<b>3,547,884</b>	<b>8,676,490</b>	<b>32,947,191</b>
<b>\$ 28,357</b>	<b>\$ 180,706</b>	<b>\$ 3,956,922</b>	<b>\$ 9,054,470</b>	<b>\$ 38,819,201</b>



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**City of New Smyrna Beach, Florida**  
**Reconciliation of the Balance Sheet of the Governmental Funds to the**  
**Statement of Net Position**

*Year Ended September 30, 2018*

<b>Fund balances - total governmental funds</b>	<b>\$</b>	<b>32,947,191</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Governmental capital assets	\$	179,920,411
Accumulated depreciation		<u>(53,188,996)</u>
		<b>126,731,415</b>
Deferred outflows and inflows of resources related to pension costs are not available in the current period and, therefore are not reported in the governmental funds		
Deferred outflows and inflows of resources at year-end consist of:		
Deferred outflows related to pension costs		<b>1,494,054</b>
Deferred inflows related to pension costs		<b>(486,091)</b>
Internal service funds are used by management to charge the costs of certain activities, such as vehicle maintenance to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		
		<b>279,563</b>
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. Interest expense on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and non-current, are reported in the statement of net position.		
Long term liabilities at year end consist of:		
Notes payable		<b>(26,826,658)</b>
Deferred amounts on refunding		<b>445,220</b>
Capital lease obligation		<b>(1,616,069)</b>
Accrued interest payable		<b>(310,755)</b>
Compensated absences		<b>(1,383,444)</b>
Other postemployment benefits liability		<b>(2,854,548)</b>
Net pension liability		<b>(9,415,367)</b>
Because some taxes (\$36,489) and special assessments revenues (\$954,851) will not be collected within 60 days after the close of the City's fiscal year-end, they are not considered as "available" revenue in the governmental funds, and therefore, are reported as deferred inflow of resources. In the statement of net position, which is on the accrual basis, no deferral is reported since the revenue is fully recognized in the statement of activities.		
		<b>188,437</b>
<b>Net position of governmental activities</b>	<b>\$</b>	<b>119,192,948</b>

*The accompanying notes are an integral part of this financial statement.*

**City of New Smyrna Beach, Florida**  
**Statement of Revenues, Expenditures and Changes in Fund Balances –**  
**Governmental Funds**

<i>Year Ended September 30, 2018</i>	General	Stormwater Utility	Building Inspections
<b>Revenues</b>			
Taxes	\$ 16,833,839	\$ -	\$ -
Licenses and permits	4,581,325	-	2,559,692
Intergovernmental	5,181,394	4,785,500	-
Charges for services	1,089,541	2,128,797	35,238
Fines and forfeitures	169,410	-	-
Investment income	104,591	53,861	38,685
Miscellaneous	367,740	-	7,751
Total revenues	28,327,840	6,968,158	2,641,366
<b>Expenditures</b>			
Current:			
General government	5,452,357	-	-
Public safety	12,014,106	-	1,223,991
Transportation	1,464,222	-	-
Economic environment	-	-	-
Physical environment	-	926,523	-
Culture / recreation	3,662,103	-	-
Buildings and maintenance	639,592	76,512	-
Debt service:			
Principal	166,216	-	-
Interest and fiscal charges	50,827	-	-
Capital outlay	1,695,719	9,428,041	79,288
Total expenditures	25,145,142	10,431,076	1,303,279
Excess (deficiency) of revenues over (under) expenditures	3,182,698	(3,462,918)	1,338,087
<b>Other financing sources (uses)</b>			
Transfers in	30,699	-	-
Transfers out	(2,113,194)	(810,624)	-
Proceeds from sale of capital asset	31,106	-	-
Proceeds from issuance of debt	-	-	-
Proceeds from insurance recovery	23,564	-	-
Net other financing sources (uses)	(2,027,825)	(810,624)	-
Net change in fund balances	1,154,873	(4,273,542)	1,338,087
Fund balances, beginning	8,259,320	8,860,753	5,199,763
Fund balances, ending	\$ 9,414,193	\$ 4,587,211	\$ 6,537,850

*The accompanying notes are an integral part of this financial statement.*

Community Redevelopment Agency, 1985	Community Redevelopment Agency, 2015	Capital Projects	Nonmajor Funds	Total Governmental Funds
\$ -	\$ 291,289	\$ -	\$ 1,248,281	\$ 18,373,409
-	-	-	-	7,141,017
-	-	593,600	682,057	11,242,551
-	-	-	4,903,333	8,156,909
-	-	-	9,737	179,147
-	1,934	7,766	54,274	261,111
-	-	-	97,699	473,190
-	293,223	601,366	6,995,381	45,827,334
-	-	25,644	-	5,478,001
-	-	3,740	87,074	13,328,911
-	-	-	2,928,556	4,392,778
-	14,468	-	-	14,468
-	-	-	-	926,523
-	-	-	-	3,662,103
-	-	-	-	716,104
-	-	7,290,000	2,232,706	9,688,922
-	-	86,914	707,993	845,734
-	280,735	2,262,666	931,205	14,677,654
-	295,203	9,668,964	6,887,534	53,731,198
-	(1,980)	(9,067,598)	107,847	(7,903,864)
-	-	872,315	1,797,924	2,700,938
-	-	-	(31,421)	(2,955,239)
-	-	-	-	31,106
-	-	10,000,000	-	10,000,000
-	-	-	6,837	30,401
-	-	10,872,315	1,773,340	9,807,206
-	(1,980)	1,804,717	1,881,187	1,903,342
28,357	157,186	1,743,167	6,795,303	31,043,849
\$ 28,357	\$ 155,206	\$ 3,547,884	\$ 8,676,490	\$ 32,947,191



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**City of New Smyrna Beach, Florida**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of the Governmental Funds to the Statement of Activities**

*Year Ended September 30, 2018*

**Net change in fund balances - total governmental funds** **\$ 1,903,342**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	\$ 14,677,654	
Less: current year depreciation	(4,549,486)	
Less: expenditure attributed to capital outlay which do not meet the City's criteria for capitalization	<u>(10,850)</u>	<b>10,117,318</b>

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale (\$31,106). In the statement of activities, a gain or (loss) is recorded for the disposals of (\$24,532). **(55,638)**

Internal service funds are used by management to charge the costs of certain activities, such as vehicle maintenance to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. **(41,734)**

Deferred outflows and deferred inflows of resources related to pension costs are not recognized in the governmental funds; however they are recorded in the statement of net position under full accrual accounting. **(173,902)**

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of long-term debt	(10,000,000)	
Repayment of principal of long-term debt	9,709,632	
Accrued interest on debt	91,394	
Deferred amounts on refunding	<u>(48,884)</u>	<b>(247,858)</b>

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available.

Compensated absences	57,820	
Other postemployment benefits liability	(77,360)	
Net pension liability	<u>726,856</u>	<b>707,316</b>

Some taxes and special assessment revenues will not be collected within 60 days of year end, therefore they are not considered as available resources in the governmental funds. In the statement of activities, presented on the accrual basis, these revenues are recognized.

Unearned revenue - taxes	18,068	
Unearned revenue - special assessments	(7,270)	
Unearned revenue - fees	<u>(39,201)</u>	<b>(28,403)</b>

**Change in net position of governmental activities** **\$ 12,180,441**

*The accompanying notes are an integral part of this financial statement.*

**City of New Smyrna Beach, Florida**  
**Statement of Net Position – Proprietary Funds**

<i>September 30, 2018</i>	Business-type Activities - Enterprise Funds				Governmental
	Golf		Nonmajor		Activities -
	Course	Sanitation	Marina	Total	Internal Service Fund Garage
<b>ASSETS</b>					
Current assets:					
Equity in pooled cash	\$ (517)	\$ 694,679	\$ 585,529	\$ 1,279,691	\$ 56,291
Restricted equity in pooled cash	5,000	-	14,914	19,914	-
Accounts receivable, net	8,408	8,962	1,885	19,255	444
Due from component unit	-	537,103	-	537,103	-
Inventories	39,512	-	-	39,512	80,412
Prepaid items	1,161	-	1,423	2,584	1,024
Total current assets	53,564	1,240,744	603,751	1,898,059	138,171
Capital assets, net:					
Buildings and improvements	32,260	-	-	32,260	254,654
Infrastructure	34,825	-	288,323	323,148	-
Improvements other than buildings	391,029	-	-	391,029	219,622
Equipment	681,650	-	-	681,650	313,150
Less accumulated depreciation	(351,946)	-	(12,013)	(363,959)	(521,612)
Total capital assets, net	787,818	-	276,310	1,064,128	265,814
<b>Total assets</b>	<b>841,382</b>	<b>1,240,744</b>	<b>880,061</b>	<b>2,962,187</b>	<b>403,985</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to					
pension costs	65,498	-	-	65,498	-
<b>Total deferred outflow of resources</b>	<b>65,498</b>	<b>-</b>	<b>-</b>	<b>65,498</b>	<b>-</b>

*The accompanying notes are an integral part of this financial statement.*

<i>September 30, 2018</i>	Business-type Activities - Enterprise Funds				Governmental
	Golf Course	Sanitation	Nonmajor Marina	Total	Activities - Internal Service Fund Garage
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	64,299	455,167	8,035	527,501	58,001
Compensated absences	44,738	2,743	764	48,245	9,229
Capital lease obligation	43,216	-	-	43,216	-
Unearned revenue	76,881	-	6,578	83,459	-
Deposits	5,000	-	14,914	19,914	-
<b>Total current liabilities</b>	<b>234,134</b>	<b>457,910</b>	<b>30,291</b>	<b>722,335</b>	<b>67,230</b>
Noncurrent liabilities:					
Compensated absences	113,114	1,169	2,963	117,246	4,912
Advances from other funds	777,519	-	-	777,519	-
Capital lease obligation	12,602	-	-	12,602	-
Net pension liability	148,686	-	-	148,686	-
Total OPEB liability	162,321	15,831	-	178,152	52,280
<b>Total noncurrent liabilities</b>	<b>1,214,242</b>	<b>17,000</b>	<b>2,963</b>	<b>1,234,205</b>	<b>57,192</b>
<b>Total liabilities</b>	<b>1,448,376</b>	<b>474,910</b>	<b>33,254</b>	<b>1,956,540</b>	<b>124,422</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to					
pension costs	38,297	-	-	38,297	-
<b>Total deferred inflow of resources</b>	<b>38,297</b>	<b>-</b>	<b>-</b>	<b>38,297</b>	<b>-</b>
<b>NET POSITION</b>					
Net investment in capital assets	787,818	-	276,310	1,064,128	265,814
Unrestricted	(1,367,611)	765,834	570,497	(31,280)	13,749
<b>Total net position</b>	<b>\$ (579,793)</b>	<b>\$ 765,834</b>	<b>\$ 846,807</b>	<b>\$ 1,032,848</b>	<b>\$ 279,563</b>

**City of New Smyrna Beach, Florida**  
**Statement of Revenues, Expenses and Changes in Fund Net Position -**  
**Proprietary Funds**

Year Ended September 30, 2018	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund Garage
	Golf Course	Sanitation	Nonmajor Marina	Total	
<b>Operating revenues:</b>					
Charges for services	\$ 1,140,256	\$ 6,338,556	\$ 303,216	\$ 7,782,028	\$ 929,784
Miscellaneous	395	24,995	1,825	27,215	3,952
<b>Total operating revenues</b>	<b>1,140,651</b>	<b>6,363,551</b>	<b>305,041</b>	<b>7,809,243</b>	<b>933,736</b>
<b>Operating expenses:</b>					
Personal services	771,448	66,724	104,692	942,864	266,705
Utilities	53,129	1,012	28,106	82,247	7,229
Supplies and materials	174,317	943	4,737	179,997	13,430
Consulting engineers and contractual services	15,840	-	-	15,840	1,729
Cost of sales	46,245	5,694,973	823	5,742,041	585,985
Depreciation	77,320	-	12,014	89,334	22,296
Repairs and maintenance	83,596	-	7,883	91,479	60,785
Other services and charges	55,422	35	90,289	145,746	18,249
<b>Total operating expenses</b>	<b>1,277,317</b>	<b>5,763,687</b>	<b>248,544</b>	<b>7,289,548</b>	<b>976,408</b>
<b>Operating income (loss)</b>	<b>(136,666)</b>	<b>599,864</b>	<b>56,497</b>	<b>519,695</b>	<b>(42,672)</b>
<b>Nonoperating revenues (expenses):</b>					
Interest revenue	-	2,893	4,260	7,153	938
<b>Total nonoperating revenues (expenses)</b>	<b>-</b>	<b>2,893</b>	<b>4,260</b>	<b>7,153</b>	<b>938</b>
<b>Income (loss) before transfers</b>	<b>(136,666)</b>	<b>602,757</b>	<b>60,757</b>	<b>526,848</b>	<b>(41,734)</b>
Transfers in	285,000	-	-	285,000	-
Transfers out	-	-	(30,699)	(30,699)	-
<b>Change in net position</b>	<b>148,334</b>	<b>602,757</b>	<b>30,058</b>	<b>781,149</b>	<b>(41,734)</b>
<b>Net position (deficit), beginning of year as previously stated</b>	<b>(648,399)</b>	<b>170,656</b>	<b>816,749</b>	<b>339,006</b>	<b>346,914</b>
<b>Prior period adjustment, (See Note 1.E.12)</b>	<b>(79,728)</b>	<b>(7,579)</b>	<b>-</b>	<b>(87,307)</b>	<b>(25,617)</b>
<b>Net position (deficit) beginning of year, as restated</b>	<b>(728,127)</b>	<b>163,077</b>	<b>816,749</b>	<b>251,699</b>	<b>321,297</b>
<b>Net position (deficit), ending</b>	<b>\$ (579,793)</b>	<b>\$ 765,834</b>	<b>\$ 846,807</b>	<b>\$ 1,032,848</b>	<b>\$ 279,563</b>

*The accompanying notes are an integral part of this financial statement.*

**City of New Smyrna Beach, Florida**  
**Statement of Cash Flows - Proprietary Funds**

<i>Year Ended September 30, 2018</i>	Business-type Activities - Enterprise Funds				Governmental
	Golf Course	Sanitation	Nonmajor Marina	Total	Activities - Internal Service Fund Garage
<b>Cash flows from operating activities:</b>					
Cash received from customers for sales and services	\$ 1,138,189	\$ 6,289,047	\$ 311,924	\$ 7,739,160	\$ 934,207
Cash payments to suppliers for goods and services	(416,657)	(5,694,606)	(133,321)	(6,244,584)	(633,487)
Cash paid to employees	(747,013)	(65,213)	(104,692)	(916,918)	(265,069)
Net cash provided by (used in) operating activities	(25,481)	529,228	73,911	577,658	35,651
<b>Cash flows from noncapital financing activities:</b>					
Cash transfers out to other funds	-	-	(30,699)	(30,699)	-
Cash transfers in from other funds	285,000	-	-	285,000	-
Net cash provided by (used in) non capital financing activities	285,000	-	(30,699)	254,301	-
<b>Cash flows from capital and related financing activities:</b>					
Advances from other funds	-	-	-	-	-
Interest paid on advances	-	-	-	-	-
Payments on capital lease	(40,173)	-	-	(40,173)	-
Acquisition and construction of capital assets	(249,933)	-	(196,887)	(446,820)	(66,970)
Net cash used in capital and related financing activities	(290,106)	-	(196,887)	(486,993)	(66,970)
<b>Cash flows from investment activities:</b>					
Interest income	-	2,893	4,260	7,153	938
Net cash provided by investing activities	-	2,893	4,260	7,153	938
<b>Net increase (decrease) in cash</b>	<b>(30,587)</b>	<b>532,121</b>	<b>(149,415)</b>	<b>352,119</b>	<b>(30,381)</b>
<b>Cash balances, beginning of year</b>	<b>35,070</b>	<b>162,558</b>	<b>749,858</b>	<b>947,486</b>	<b>86,672</b>
<b>Cash balances, end of year</b>	<b>\$ 4,483</b>	<b>\$ 694,679</b>	<b>\$ 600,443</b>	<b>\$ 1,299,605</b>	<b>\$ 56,291</b>

*The accompanying notes are an integral part of this financial statement.*

**City of New Smyrna Beach, Florida**  
**Statement of Cash Flows - Proprietary Funds (Continued)**

<i>Year Ended September 30, 2018</i>	Business-type Activities - Enterprise Funds				Governmental
	Golf Course	Sanitation	Nonmajor Marina	Total	Activities - Internal Service Fund Garage
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (136,666)	\$ 599,864	\$ 56,497	\$ 519,695	\$ (42,672)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	77,320	-	12,014	89,334	22,297
Deferred outflows, pensions	8,726	-	-	8,726	-
Deferred inflows, pensions	2,323	-	-	2,323	-
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	(2,175)	(80,755)	(772)	(83,702)	471
Inventories	(4,144)	-	-	(4,144)	13,333
Prepaid items	(7)	-	-	(7)	5
Increase (decrease) in liabilities:					
Compensated absences	14,586	684	2,977	18,247	70
Accounts payable and accrued liabilities	16,043	8,608	(1,483)	23,168	40,581
Unearned revenue	(4,769)	-	6,067	1,298	-
Net pension liability	(1,200)	-	-	(1,200)	-
Deposits	-	-	(1,389)	(1,389)	-
Total OPEB liability	4,482	827	-	5,309	1,566
Total adjustments	111,185	(70,636)	17,414	57,963	78,323
Net cash provided by (used in) operating activities	\$ (25,481)	\$ 529,228	\$ 73,911	\$ 577,658	\$ 35,651

*The accompanying notes are an integral part of this financial statement.*

**City of New Smyrna Beach, Florida**  
**Statement of Fiduciary Net Position – Pension Trust Funds**

<i>September 30, 2018</i>	Total Pension Trust Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 14,093
Receivables:	
Employee contribution	19,128
Employer contributions	972,933
State subsidy	277,107
Other receivables	79,881
Accrued income	80,626
Total receivables	1,429,675
Investments, at fair value:	
Money funds	1,495,272
Common stock	13,451,898
Government bonds	3,037,605
Corporate bonds	2,070,742
Mutual funds	9,821,259
Real estate investment trust	4,022,139
Annuity contracts	4,395,457
Private investment	981,004
Total investments	39,275,376
Prepaid expenses	132,582
Total assets	40,851,726
<b>LIABILITIES</b>	
Accounts payable	48,520
Total liabilities	48,520
<b>NET POSITION</b>	
Net position restricted for pensions	\$ 40,803,206

*The accompanying notes are an integral part of this financial statement.*

City of New Smyrna Beach, Florida

**Statement of Changes in Fiduciary Net Position – Pension Trust Funds**

<i>For the Year Ended September 30, 2018</i>	Total Pension Trust Funds
<b>ADDITIONS:</b>	
Contributions:	
Employees	\$ 454,467
Employer	1,930,145
State	518,485
Total contributions	2,903,097
Investment income:	
Net appreciation in fair value of investments	2,319,031
Interest and dividends	810,355
Total investment income	3,129,386
Less: investment expense	(227,138)
Net investment income	2,902,248
Total additions	5,805,345
<b>DEDUCTIONS:</b>	
Benefit payments	3,640,581
Administrative expenses	72,799
Total deductions	3,713,380
Change in net position	2,091,965
Net position restricted for pensions, beginning of year	38,711,241
Net position restricted for pensions, end of year	\$ 40,803,206

*The accompanying notes are an integral part of this financial statement.*



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The City of New Smyrna Beach, Florida, was created in 1887 by adoption of its first charter, which was eventually replaced by the present charter through Chapter 224.08, Special Acts of Florida, 1943. The legislative branch of the City is composed of an elected five-member City Commission consisting of the Mayor and four commissioners. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Manager. The Utilities Commission, City of New Smyrna Beach, Florida (a discretely presented component unit) was created by a Special Act of the Legislature through Chapter 67-1754 in 1967 and is governed by a five member board of Commissioners who are appointed by the City Commission. The financial statements of the City of New Smyrna Beach, Florida, have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

The accompanying financial statements present the financial position, results of operations and cash flows of the applicable fund types controlled by or dependent on the City. In evaluating the City as a reporting entity, management has addressed all potential component units for which the entity may or may not be financially accountable and, as such, be included within the City's financial statements.

***Discretely presented component unit***

The component unit column in the basic financial statements includes the financial data of the Utilities Commission, City of New Smyrna Beach (the "Utilities Commission"). The financial statements of the Utilities Commission, City of New Smyrna Beach, are discretely reported in separate columns to emphasize that it is legally separate from the City (primary government). The Utilities Commission provides electric, water, and wastewater utility services to the City, its citizens, and surrounding service areas located outside of the City limits. It is included as a component unit because the City Commission appoints the Commissioners, as well as approves the operating budget and issuance of debt. Therefore, its exclusion from the financial reporting entity would render the City's financial statements misleading.

Complete financial statements of the component unit can be obtained directly from the Utilities Commission's administrative office, which is as follows:

**Administrative Office:**  
Utilities Commission  
City of New Smyrna Beach  
P.O. Box 100  
New Smyrna Beach, FL 32170

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Blended component unit***

The following component units are blended with the primary government for financial statement purposes. A blended component unit, is in substance, part of the primary government's operations, even though it is a legally separate entity. Thus, the blended component units are appropriately presented as a fund of the primary government in the City's Comprehensive Annual Financial Report for the year ended September 30, 2018. The blended component units do not issue separate financial statements.

The Community Redevelopment Agency (1985) of New Smyrna Beach, Florida was organized under Section 163 of the Florida Statutes and formally came into existence May 28, 1985. Although legally separate from the City, the CRA is governed by a board of directors which is comprised of the City Commission, the City manages their operations and the component unit exclusively serves the City. The Community Redevelopment Agency (1985) of New Smyrna Beach, Florida uses property tax incremental revenues derived from taxable real property within the geographic boundaries of the community redevelopment area to finance development within that area.

The Community Redevelopment Agency (2015) of the City of New Smyrna Beach was organized under Section 163 of the Florida Statutes and formally came into existence February 24, 2015. Although legally separate from the City, the CRA is governed by a board of directors which is comprised of the City Commission, the City manages their operations and the component unit exclusively serves the City. The Community Redevelopment Agency (2015) uses property tax incremental revenues derived from taxable real property within the geographic boundaries of the community redevelopment area to finance development within that area.

***Related organizations***

The City Commission is also responsible for appointing the members of the board of directors for the Housing Authority of New Smyrna Beach. The City's accountability for this organization does not extend beyond making the appointments. The board members do not serve at the discretion of the Commission and can only be removed for cause. The City cannot impose its will on the Housing Authority and does not derive any financial benefit or burden from the relationship.

**B. Government-wide and fund financial statements**

The government-wide financial statements, comprised of the statement of net position and the statement of activities, report aggregated information for the overall government for all of the activities of the primary government and the discretely presented component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange revenues are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services for support. Likewise, the primary government is reported separately from the legally separate component unit, for which the primary government is financially accountable.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements (continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other non-exchange revenues not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual business-type funds are reported in 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 proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The City reports as program revenues: (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. Likewise, general revenues include all taxes.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Proprietary fund and pension trust fund financial statements are reported using the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports the following major governmental funds:

The **general fund** is the principal fund of the City, which accounts for all financial transactions not accounted for in other funds.

The **stormwater utility fund** is a special revenue fund used to maintain, repair, and improve the stormwater systems in the City. The fees are added to property tax bills as non-ad valorem fees.

The **building inspections fund** accounts for revenues generated from licenses and permits charged by the City to enforce State and City building codes.

The **community redevelopment agency trust fund, 1985** ("Community Redevelopment Agency, 1985") is a blended component unit reported as a special revenue fund established by the City as authorized under Chapter 163, Part III, Florida Statutes, for the economic development of designated areas of the City. This fund receives special incremental ad-valorem tax levies to pay for rehabilitation and redevelopment of the specified area in need of improvement to sustain the tax base.

The **community redevelopment agency trust fund, 2015** ("Community Redevelopment Agency, 2015") is a blended component unit reported as a special revenue fund established by the City as authorized under Chapter 163, Part III, Florida Statutes, for the economic development of designated areas of the City. This fund receives special incremental ad-valorem tax levies to pay for rehabilitation and redevelopment of the specified area in need of improvement to sustain the tax base.

The **capital projects fund** is used to account for the financial resources (other than impact fees) to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

The City reports the following major proprietary funds:

The **municipal golf course fund** ("golf course") accounts for the costs and recovery of costs in the form of user charges related to the use of the 18-hole golf course owned and operated by the City. The maintenance and improvements of the golf course required to provide these goods and services are financed primarily from user charges, existing cash resources, and other City funds.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

The ***municipal sanitation fund*** (“sanitation”) provides the community with refuse and recycling services provided by third-party contracted vendors, the costs of which are recovered by user charges.

Additionally, the City reports the following fund types:

***Special revenue funds*** – These funds account for the proceeds of specific revenue sources (other than special assessments or capital projects) which are legally restricted to finance particular functions or activities of the City.

***Capital project funds*** – These funds account for the accumulation of resources that are restricted for capital projects and expansion.

***Nonmajor enterprise fund*** – The City’s only nonmajor enterprise fund accounts for the financial activities of the City owned and operated marina. Revenues are derived from fees charged to customers.

***Internal service fund – garage*** - The City’s only internal service fund accounts for the financial activities of the municipal garage that provides fleet management services to other departments and agencies of the City, or to other governments, on a cost reimbursement basis.

***Pension trust funds*** – Pension trust funds are accounted for by the City to provide data on the accumulation of financial resources to pay pension benefits to qualified participants in the City’s Police and Fire pension trust funds.

Amounts reported in the funds as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances due to and due from these different types of activities within the primary government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing activities. For the City, operating revenues come from municipal golf course greens fees and related charges and refuse and recycling collection fees for sanitation services, which are the principal ongoing operations of the City’s Golf Course and Sanitation funds. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgets and budgetary accounting**

Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (i) On or before July 1st, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
- (ii) Budget workshop sessions are scheduled by the City Manager as needed.
- (iii) The general summary of the budget and notice of public hearing is published in the local newspaper.
- (iv) Prior to October 1, the budgets are legally enacted through passage of an ordinance.
- (v) The City Commission, by ordinance, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue in accordance with Sections 54 to 57 of the City Charter. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.
- (vi) The City Commission must approve all interfund budget amendments and/or appropriations transfers. Budgetary control is exercised at the fund level.
- (vii) Every appropriation lapses at the close of the fiscal year.

**E. Assets, deferred outflows, liabilities, deferred inflows and net position or equity**

**1. Cash and investments**

Cash and cash equivalents include amounts in demand deposits as well as investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

**2. Deposits and investments**

The City's investment policies are governed by state statutes and local resolution. These policies authorize the City to invest in bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the United States of America, interest bearing savings accounts, interest bearing certificates of deposit and interest bearing time deposits. The City does not have investments as of September 30, 2018.

Within the pension trust fund, the City of New Smyrna Beach's Police Officers' and Firefighters' Retirement System is authorized within certain limitations by its governing board to invest in time, savings and money market deposits, obligations of the U.S. government and government agencies, stocks, commingled funds administered by national or state banks, mutual funds, bonds and foreign securities.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, deferred outflows, liabilities, deferred inflows and net position or equity (continued)**

**2. Deposits and investments (continued)**

Pension trust fund investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value. The average cost method is used for computing realized gains and losses on marketable equity securities in the pension funds. The difference between the excess of fair value over cost represents unrealized gains.

**3. Receivables and payables**

*Interfund receivables and obligations* – 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 interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

*Allowance for doubtful accounts* – Accounts receivable have been reported net of an allowance for doubtful accounts. Accounts receivable in excess of 120 days are subject to being considered as uncollectible.

*Unearned revenue* – Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

**4. Inventories and prepaid items**

The cost of inventory is accounted for on the consumption method wherein inventories are charged as expenditures when used rather than when purchased. Inventories such as the golf course pro shop are valued on a moving average cost basis. All other inventories, including fleet management and fuel, are valued at cost on the first-in, first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and are accounted for using the consumption method.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, deferred outflows, liabilities, deferred inflows and net position or equity (continued)**

**5. Restricted assets**

Certain proceeds of the City's revenue note obligations, as well as certain resources set aside for their repayment, are classified as restricted assets in the government-wide financial statements because their use is limited by applicable bond covenants or laws/regulations imposed by other governmental agencies. The restricted assets are used to report resources set aside to 1) provide a reserve for debt service, 2) provide a reserve for maintenance and replacement costs, and 3) acquire capital assets.

**6. Capital assets**

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant, and equipment with initial, individual costs that equal \$5,000 and estimated useful lives of over one year are recorded as capital assets. For all infrastructure assets, costs must exceed \$5,000 or more before the assets are capitalized. Capital assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received.

Buildings, improvements other than buildings, machinery and equipment, and infrastructure assets of the government are depreciated using the straight line method based upon the following estimated useful lives in years: Buildings 10 – 40, Improvements other than buildings 6 – 40, Machinery and equipment 1 – 30, and Infrastructure 10 – 50.

**7. Unearned revenues**

Cash received but for which the revenue recognition criteria have not been met are reported as unearned revenue in the government-wide, governmental, enterprise and fiduciary fund financial statements. Unearned revenues recorded on the government-wide statement of net position and governmental funds balance sheet in the amount of \$226,771 primarily consisted of \$221,244 of business service taxes collected in advance.

Unearned revenues recorded on the business-type activities and funds statement of net position in the amount of \$83,459 consist of memberships and rentals paid in advance and gift cards outstanding as of year-end.

**8. Long-term obligations**

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



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, deferred outflows, liabilities, deferred inflows and net position or equity (continued)**

**8. Long-term obligations (continued)**

For refundings of debt reported in the government-wide and proprietary fund financial statements, the difference between the reacquisition price and the net carrying amount of the old debt will be deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. On the statement of net position, the deferred amount is reported as deferred outflows/inflows of resources. Debt issuance costs (excluding prepaid insurance) are reported as an expense in the period incurred.

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

**9. Compensated absences**

It is the government's policy to permit employees to accumulate earned but unused compensatory time, vacation and sick pay benefits, subject to limits based on date of hire. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements.

**10. Deferred outflows/inflows of resources**

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City presents a deferred amount on refunding which is reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has *unavailable revenue* from property taxes and special assessments, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category and, accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The Utilities Commission, the City's component unit, records its deferred energy costs and fuel adjustments in the government-wide statement of net position in this category. This is a result of unearned rate and fuel adjustment collections. This amount is deferred and recognized in the period it becomes available.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, deferred outflows, liabilities, deferred inflows and net position or equity (continued)**

**10. Deferred outflows/inflows of resources (continued)**

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows of resources related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years. The deferred inflows of resources related to pensions will be recognized as a reduction to pension expense in future reporting years.

The deferred inflows related to other postemployment benefits (OPEB) are an aggregate of items related to OPEB as calculated in accordance with GASB Codification Section P52: *Postemployment Benefits Other Than Pensions – Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria*. The deferred inflows of resources related to OPEB will be recognized as a reduction to OPEB expense in future reporting years.

**11. Fund equity**

The governmental fund financial statements present fund balance classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

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

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

*Committed fund balance* - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority through formal action. The City commission is the highest level of decision-making authority that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

*Assigned fund balance* - amounts the City intends to use for a specific purpose, but do not meet the criteria to be classified as committed. The City Commission has by resolution, authorized the City Manager to assign fund balance.

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

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, deferred outflows, liabilities, deferred inflows and net position or equity (continued)**

**11. Fund equity (continued)**

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

**12. Recently issued and implemented accounting pronouncements**

The City has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of the GASB Statement are effective for the year ended September 30, 2018.

This pronouncement required the restatement of the September 30, 2017 net position in the statement of governmental activities. This change is in accordance with generally accepted accounting principles.

The cumulative effect of the change is illustrated below:

	Government-wide Statements			Component Unit
	Governmental Activities	Business-type Activities	Total	Utilities Commission
Net position, September 30, 2017, as previously reported	\$ 108,440,945	\$ 339,006	\$ 108,779,951	\$ 181,290,824
Cumulative effect of application of GASBS 75	(1,428,438)	(87,307)	(1,515,745)	(442,766)
Net position, September 30, 2017, as restated	\$ 107,012,507	\$ 251,699	\$ 107,264,206	\$ 180,848,058
	Enterprise Funds		Internal	
	Golf Course	Sanitation	Service Fund Garage	
Net position, September 30, 2017, as previously reported	\$ (648,399)	\$ 170,656	\$ 346,914	
Cumulative effect of application of GASBS 75	(79,728)	(7,579)	(25,617)	
Net position, September 30, 2017, as restated	\$ (728,127)	\$ 163,077	\$ 321,297	

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, deferred outflows, liabilities, deferred inflows and net position or equity (continued)**

**12. Recently issued and implemented accounting pronouncements (continued)**

The Governmental Accounting Standards Board has issued statements that will become effective in future years. The statements address:

- Asset retirement obligations;
- Fiduciary activities;
- Leases;
- Disclosure related to debt; and
- Accounting for interest cost incurred before the end of a construction period.

The City is currently evaluating the effects that these statements will have on its financial statements.

**13. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Police Officers' and Firefighters' pension trust funds and the Florida Retirement System Pension Plan and Health Insurance Subsidy Program and additions to/ deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**14. Use of estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

**NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in the above referenced financial statement.

**NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(Continued)**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities**

Following the governmental fund statement of revenues, expenditures and changes in fund balances, there is a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in the above referenced financial statement.

**NOTE 3: FUND BALANCE POLICY**

The City has a policy establishing minimum levels of unassigned fund balance for the general fund, which is fund balance equal to 25% (or 90 days) of the current fiscal year budgeted expenditures less capital outlay and transfers out not related to debt, using the adopted budget figures. At September 30, 2018, the minimum fund balance requirement is \$6,350,655.

**NOTE 4: PROPERTY TAX CALENDAR**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the offices of the County Property Appraiser and Chief Financial Officer. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City on the tax roll certified on June 26, 2016 was 3.8416.

The property tax calendar is as follows:

Valuation Date	January 1
Property Appraiser prepares the assessment roll with values as of January 1, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.	July 1
City Commission holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year	September
Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy date)	November 1
A Notice of Taxes is mailed to each property owner on the assessment roll.	November 1

**NOTE 4: PROPERTY TAX CALENDAR (Continued)**

Taxes may be paid November through March, with the following applicable discounts:

<u>Month Paid</u>	<u>Discount Percent</u>	
November	4	November 1, 2017
December	3	through
January	2	March 31, 2018
February	1	
March	0	
All unpaid taxes on real and tangible personal property become delinquent.		April 1
A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.		April and May
Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date).		May 31
A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent personal property taxes.		August 29

**NOTE 5: DEPOSITS AND INVESTMENTS**

The City maintains a cash pool that is used by all funds. This pool consists of an interest bearing checking account and a zero balance checking account.

**Deposits** - All bank balance deposit amounts are covered by federal depository insurance or collateral with the State of Florida under the Florida Security for Public Deposits Act.

The Florida Security for Public Deposits Act, establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under the Act, City deposits in qualified public depositories are fully insured. The qualified public depository must pledge 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer.

**Investments** - The City's investment policies are governed by state statutes and City Ordinances. As of September 30, 2018, no separate written investment policy had been adopted, and therefore, the City is restricted to investments as authorized under Section 218.415(17), Florida Statutes. Investments authorized under this provision of the state statutes are limited to: the Florida Local Government Surplus Funds Trust Fund (SBA), 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; interest bearing time deposits or savings accounts in state-certified qualified public depositories; and direct obligations of the U.S. Treasury.

**NOTE 5: DEPOSITS AND INVESTMENTS (Continued)**

Investments administered by the trustees of the City's Municipal Firefighters' Pension Trust Fund Board and Municipal Police Officers' Pension Trust Fund Board are restricted to investments as defined under State statutes; specifically, Section 175.071(a) and (b), Florida Statutes, and Section 185.06(a) and (b), Florida Statutes, respectively. The City created a policy for the Firefighters' Pension Trust Board on May 8, 2014, and a policy for the Municipal Police Officers' Pension Trust Fund on February 13, 2014. The provision under both statutes limit investments to: investment in annuity and life insurance contracts of life insurance companies; time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund, or savings, building and loan association insured by the Savings Association Insurance Fund which is administered by the Federal Deposit Insurance Corporation or a state or federal chartered credit union with share accounts insured by the National Credit Union Share Insurance Fund; obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States; bonds issued by the State of Israel; and bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided that the corporation is listed on any one or more of the recognized national stock exchanges or on the National Market System of the NASDAQ Stock Market and, in case of bonds only, holds a rating in one of the three highest classifications by a major rating service.

Also, the board of trustees shall not invest more than 5 percent of its assets in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 12 percent of the outstanding capital stock of that company.

At the close of the fiscal year, the City's pension trust funds held investments in United States government bonds, notes, money funds, corporate stocks and bonds, real estate investments trusts, a private investment fund, and an annuity contract.

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. In accordance with the provisions of the state statutes governing allowable investments, the City manages its exposure to declines in fair values by limiting the maturity of specific investments to provide sufficient liquidity to pay obligations as they come due.

**Credit Risk** - Credit rate risk is the risk of losses due to the failure of the security issue or backer. This is mitigated by investing in the assets allowed under State Ordinance and by diversifying the portfolio so that potential losses on individual securities will be minimized.

**Custodial Credit Risk** - 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. As of September 30, 2018, the City's investment in the guaranteed annuity contract is not subject to custodial credit risk. The City's investments are held in street name in the form of stock, corporate bonds, and U.S. Government bonds through a financial brokerage firm segregated out from the assets and investments held by other clients of the investment firm and their own assets.

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 5: DEPOSITS AND INVESTMENTS (Continued)**

**Concentrations of Credit Risk** - The provisions under Sections 218.415(17), 175.071 (b) and 185.06(b), Florida Statutes, for general investments, and investments held by the trustees for the Municipal Firefighters' and Municipal Police Officers' Pension Trust Funds, respectively, generally limit the City's investment to securities that by their nature are either guaranteed by a life insurance company or the United States, or have the highest credit rating. With respect to investments in common or capital stock, the City is restricted to investing not more than 5% of its total assets held in the pension trust funds in any one issuing company. These provisions exist to limit the concentration of credit risk that can arise from the failure to adequately diversify investments.

**Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The City has no investments in foreign currencies.

At September 30, 2018 the City had the following deposits and investments:

Investment Type	Credit Quality	Value	Maturity		
			Within 1 year	1 - 5 years	6 - 10 years
Money funds	N/A	\$ 1,495,272	\$ 1,495,272	-	-
Common stock	N/A	13,451,898	13,451,898	-	-
Government bonds	AAA	3,037,605	35,134	2,219,728	782,743
Corporate bonds	AA+ thru A-	2,070,742	199,271	1,871,471	-
Mutual funds	N/A	9,821,259	9,821,259	-	-
Real estate investments	N/A	4,022,139	4,022,139	-	-
Fixed income annuity contracts	N/A	4,395,457	4,395,457	-	-
Private investment fund	N/A	981,004	981,004	-	-
<b>Total fiduciary fund investments</b>		<b>39,275,376</b>	<b>34,401,434</b>	<b>4,091,199</b>	<b>782,743</b>
Cash and cash equivalents		29,382,141	N/A	N/A	N/A
Restricted cash and cash equivalents		3,893,696	N/A	N/A	N/A
<b>Total carrying value of cash and investments</b>		<b>\$ 72,551,213</b>	<b>\$ 34,401,434</b>	<b>\$ 4,091,199</b>	<b>\$ 782,743</b>

Fair Value

GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).



**NOTE 5: DEPOSITS AND INVESTMENTS (Continued)**

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2: Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value as of September 30, 2018:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs Other than Quoted Prices (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Fiduciary funds:</b>				
Investments by fair value level:				
Money funds	\$ 1,495,272	\$ 1,495,272	-	-
Common stocks	13,451,898	13,451,898	-	-
Government bonds	3,037,605	3,037,605	-	-
Corporation bonds	2,070,742	2,070,742	-	-
Mutual funds	9,821,259	9,821,259	-	-
Fixed income annuity contracts	4,395,457	-	4,395,457	-
<b>Total investments by fair value level</b>	<b>34,272,233</b>	<b>29,876,776</b>	<b>4,395,457</b>	<b>-</b>
Investments measured at the net asset value (NAV):				
Private investment fund	981,004			
Real estate funds	4,022,139			
<b>Total investments measured at fair value</b>	<b>\$ 39,275,376</b>			

**NOTE 5: DEPOSITS AND INVESTMENTS (Continued)**

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2018.

*Debt and equity securities* – Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique based on the price or yield of similar debt securities.

*Mutual funds* – Mutual funds classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those investments.

*Fixed income annuity contracts* – Fixed income annuity contracts are valued using quoted prices in active markets in Level 1 of the fair value hierarchy.

*Real estate investment trusts* – Real estate investment trusts are valued using quoted prices in active markets in Level 1 of the fair value hierarchy.

*Real estate funds and private investment fund* – Real estate funds and the private investment fund are valued at net asset value, which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair Value of Investments in Entities that Use Net Asset Value (NAV)

The following table summarizes investments measured at fair value based on NAV per share as of September 30, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Private investment fund	\$ 981,004	None	N/A	N/A
Real estate fund	2,247,873	None	Quarterly	60 days prior to the end of the quarter
Real estate fund	1,774,266	None	Quarterly	Last day of the calendar quarter during which the Fund receives the notice
<b>Total</b>	<b>\$ 5,003,143</b>			

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 5: DEPOSITS AND INVESTMENTS (Continued)**

*Private investment fund* – The fund primarily invests in units of alternative funds that specialize in a variety of investment strategies and types of investments. The fund was formed as closed-end management investment company and will have perpetual existence unless terminated by the ownership. Because the fund offers shares of beneficial interest at net asset value per share, the fair value of the investment has been determined using the NAV per share (or its equivalent) of the City’s ownership interest in the fund.

*Real estate funds* – The real estate funds invest primarily in U.S. commercial and multi-family residential real estate. Distributions from each fund will be received as the underlying investments of the funds are liquidated. The funds were formed as open-ended investments and will have perpetual existence unless terminated by the ownership (partners). Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the City’s ownership interest in partners’ capital.

**NOTE 6: RESTRICTED ASSETS**

A summary of restricted cash of the City at September 30, 2018, is as follows:

Debt service	\$ 459,630
Deposits	19,914
Capital projects	3,414,152
<b>Total restricted assets</b>	<b>\$ 3,893,696</b>

**NOTE 7: RECEIVABLES**

The City's receivables at September 30, 2018, consist of the following:

	Accounts Receivable	Special Assessments Receivable	Notes and Other Receivables	Allowance for Doubtful Accounts	Accounts Receivable, Net
<b>Governmental activities:</b>					
General fund	\$ 275,759	\$ 1,094,846	\$ -	\$ -	\$ 1,370,605
Special revenue funds:					
Airport industrial park	212,541	-	14,940	(49,886)	177,595
Building inspections	227,733	-	-	-	227,733
Beach parking	15,536	-	-	-	15,536
Debt service	4,397	-	-	-	4,397
Internal service fund	444	-	-	-	444
<b>Total governmental activities</b>	<b>736,410</b>	<b>1,094,846</b>	<b>14,940</b>	<b>(49,886)</b>	<b>1,796,310</b>

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 7: RECEIVABLES (Continued)**

	Accounts Receivable	Special Assessments Receivable	Notes and Other Receivables	Allowance for Doubtful Accounts	Accounts Receivable, Net
<b>Business-type activities:</b>					
Golf course	8,408	-	-	-	8,408
Municipal marina	1,885	-	-	-	1,885
Sanitation	8,962	-	-	-	8,962
Total business-type activities	19,255	-	-	-	19,255
Totals	\$ 755,665	\$ 1,094,846	\$ 14,940	\$ (49,886)	\$ 1,815,565
<b>Component Unit</b>	<b>\$ 8,575,297</b>	<b>-</b>	<b>-</b>	<b>(487,408)</b>	<b>\$ 8,087,889</b>

In fiscal year 2018, the City levied a special assessment for certain benefiting property owners to fund sanitary sewer improvements along State Road 44. Based on the payment schedule for this assessment, \$706,438 is not expected to be collected within the next year.

**NOTE 8: INTERFUND ACCOUNTS**

Individual fund interfund receivables and payables, at September 30, 2018, consist of the following:

	Advances to Other Funds	Advances from Other Funds
<b>Governmental fund:</b>		
General fund	\$ 777,519	\$ -
<b>Enterprise fund:</b>		
Golf course fund	-	777,519
<b>Total</b>	<b>\$ 777,519</b>	<b>\$ 777,519</b>

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system and when payments between funds are made.

	Due from Component Unit	Due to Primary Government
<b>Primary government:</b>		
General fund	\$ 708,460	\$ -
Stormwater Utility	15,845	
Sanitation fund	537,103	-
<b>Component unit:</b>		
Utilities Commission, City of New Smyrna Beach	-	1,261,408
<b>Total</b>	<b>\$ 1,261,408</b>	<b>\$ 1,261,408</b>

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 8: INTERFUND ACCOUNTS (Continued)**

The interfund loan from the general fund to the municipal golf course fund was made to cover operating costs of the golf course in excess of revenues received by the golf course. The loan payable by the municipal golf course fund to the general fund bears interest at a variable rate, based on the average annual yield of the City's invested cash and cash equivalents.

For the year ended September 30, 2018, the applicable interest rate on the loan was .25% per annum and total interest charged on the loan was \$991. The loan will balloon in 2025, if the principal has not been paid off with the use of available cash.

Amounts due to the City from the City's component unit arose from franchise fees, utility taxes, and user fees collected by the Utilities Commission on behalf of the City.

**NOTE 9: INTERFUND TRANSFERS**

Transfers occur to move monies from various funds to debt service funds as debt service principal and interest payments become due and to move funds to finance various programs, provide grant matching funds, or to subsidize operations that the City must account for in other funds in accordance with budgetary authorizations. During the fiscal year ended September 30, 2018, the City made the following transfers:

	General Fund	Capital Projects	Enterprise - Golf Course	Nonmajor Funds	Total Transfers Out
<b>Governmental funds:</b>					
General fund	\$ -	\$ 840,894	\$ 285,000	\$ 987,300	\$ 2,113,194
Stormwater utility	-	-	-	810,624	810,624
Nonmajor funds	-	31,421	-	-	31,421
<b>Enterprise funds:</b>					
Nonmajor - Marina	30,699	-	-	-	30,699
<b>Total transfers in</b>	<b>\$ 30,699</b>	<b>\$ 872,315</b>	<b>\$ 285,000</b>	<b>\$ 1,797,924</b>	<b>\$ 2,985,938</b>

The general fund transferred \$285,000 to the golf course to support continuing operation of the course and \$840,894 to the capital projects fund to reimburse the fund for construction costs in excess of designated debt proceeds. The stormwater utility fund and general fund transferred \$1,797,924 to the debt service fund for debt service payments. The nonmajor debt service fund transferred \$31,421 to the capital projects fund which represented excess cash from the refunding of the 2013 Capital Improvement Note. The nonmajor marina fund transferred \$30,699 to the general fund to cover administration services provided to the marina.

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 10: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended September 30, 2018 was as follows:

	Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 29,013,058	\$ -	\$ -	\$ 29,013,058
Improvements	240,946	-	-	240,946
Construction in progress	13,821,456	13,518,829	(11,012,275)	16,328,010
<b>Total capital assets, not being depreciated</b>	<b>43,075,460</b>	<b>13,518,829</b>	<b>(11,012,275)</b>	<b>45,582,014</b>
Capital assets, being depreciated/amortized:				
Buildings and improvements	45,446,208	158,783	-	45,604,991
Improvements other than buildings	24,484,534	761,495	-	25,246,029
Machinery and equipment	17,532,005	1,329,214	(695,084)	18,166,135
Infrastructure	36,164,640	9,977,728	(33,700)	46,108,668
<b>Total capital assets, being depreciated</b>	<b>123,627,387</b>	<b>12,227,220</b>	<b>(728,784)</b>	<b>135,125,823</b>
Less accumulated depreciation for:				
Buildings and improvements	(13,392,843)	(948,222)	-	(14,341,065)
Improvements other than buildings	(15,808,151)	(812,851)	-	(16,621,002)
Machinery and equipment	(9,811,816)	(1,128,412)	673,145	(10,267,083)
Infrastructure	(10,799,161)	(1,682,297)	-	(12,481,458)
<b>Total accumulated depreciation</b>	<b>(49,811,971)</b>	<b>(4,571,782)</b>	<b>673,145</b>	<b>(53,710,608)</b>
<b>Total capital assets being depreciated, net</b>	<b>73,815,416</b>	<b>7,655,438</b>	<b>(55,639)</b>	<b>81,415,215</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 116,890,876</b>	<b>\$ 21,174,267</b>	<b>\$ (11,067,914)</b>	<b>\$ 126,997,229</b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 91,437	\$ -	\$ (91,437)	\$ -
Capital assets, being depreciated:				
Buildings	32,260	-	-	32,260
Improvements other than buildings	391,029	-	-	391,029
Infrastructure	34,825	288,323	-	323,148
Machinery and equipment	431,716	249,934	-	681,650
<b>Total capital assets, being depreciated</b>	<b>889,830</b>	<b>538,257</b>	<b>-</b>	<b>1,428,087</b>
Less accumulated depreciation for:				
Buildings	(1,702)	(1,228)	-	(2,930)
Improvements other than buildings	(14,120)	(13,034)	-	(27,154)
Infrastructure	(1,682)	(13,314)	-	(14,996)
Machinery and equipment	(257,121)	(61,758)	-	(318,879)
<b>Total accumulated depreciation</b>	<b>(274,625)</b>	<b>(89,334)</b>	<b>-</b>	<b>(363,959)</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 706,642</b>	<b>\$ 448,923</b>	<b>\$ -</b>	<b>\$ 1,064,128</b>

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 10: CAPITAL ASSETS (Continued)**

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

<b>Governmental activities:</b>	
General government	\$ 558,385
Public safety	1,053,197
Transportation	471,187
Economic environment	722,258
Physical environment	872,446
Culture and recreation	860,297
Buildings and maintenance	11,716
Garage - Internal service fund	22,296
Total depreciation expense for governmental activities	\$ 4,571,782
<b>Business-type activities:</b>	
Municipal golf course	\$ 77,320
Nonmajor marina	12,014
Total depreciation expense for business-type activities	\$ 89,334

**NOTE 11: LONG-TERM DEBT AND LIABILITIES**

**A. Capital leases**

Governmental Activities:

In September 2016, the City entered into a capital lease for the acquisition of one (1) fire truck and two (2) fire engines valued at \$1,999,328. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments. The general fund is responsible for all payments on the lease, which are due in semi-annual installments of \$108,522, including interest at 1.71%. The future minimum lease payments and the net present value as of September 30, 2018, were as follows:

<i>Year ending September 30,</i>	
2019	\$ 217,043
2020	217,043
2021	217,043
2022	217,043
2023	217,043
2024-2028	651,130
Total minimum lease payments	1,736,345
Less amounts representing interest	(120,276)
Present value of minimum lease payments	\$ 1,616,069

**NOTE 11: LONG-TERM DEBT AND LIABILITIES (Continued)**

**A. Capital leases (continued)**

Business-Type Activities:

In November 2015, the City entered into a capital lease for the acquisition of golf carts valued at \$163,570. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments. The golf course fund is responsible for all payments on the lease, which are due in monthly installments of \$3,490 through December 2019 and \$3,692 for the remainder of the lease term, including interest at 3.14%. The future minimum lease payments and the net present value as of September 30, 2018 were as follows:

<i>Year ending September 30,</i>	
2019	\$ 45,382
2020	11,618
Total minimum lease payments	57,000
Less amounts representing interest	(1,182)
Present value of minimum lease payments	\$ 55,818

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Equipment	\$ 1,999,328	\$ 284,539
Less: accumulated depreciation	(216,593)	(170,723)
Total	\$ 1,782,735	\$ 113,816

**B. Notes payable**

Governmental Activities:

The City has entered into several long-term debt obligations where it pledges specific income streams or income derived from the acquired or constructed assets to pay debt service.

The City's revenue obligations outstanding at September 30, 2018 are summarized as follows:

**Governmental activities:**

Stormwater Revenue Note, Series 2017 - 2.24% dated March 15, 2017, due serially to 2027, secured by a lien and pledge of stormwater revenues	<b>\$ 4,563,086</b>
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**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 11: LONG-TERM DEBT AND LIABILITIES (Continued)**

**B. Notes payable (continued)**

General Obligations Refunding Note, Series 2014 - 1.95% dated September 16, 2014, due serially to 2024; general obligations of the City secured by full faith, credit and taxing power as pledged by the City	<b>6,576,000</b>
Capital Improvements Refunding Revenue Note, Series 2014 - 2.74% dated September 16, 2014 due serially to 2029, secured by a lien and pledge of the non-ad valorem tax revenues and any other revenue appropriated by the City	<b>4,795,000</b>
Capital Improvement Revenue and Refunding Note, Series 2018 - 3.17% dated May 10, 2018 requiring annual payments of principal and interest through October 1, 2033. Secured by a pledge of non-ad valorem and other revenue appropriated by the City.	<b>10,000,000</b>
3.03% to 3.07% State Revolving Fund promissory note payable dated May 4, 2001 with various maturities and amortization; secured by the stormwater utility revenue of the City. Loan payments made May 15, 2001 through 2021	<b>365,698</b>
3.09% State Revolving Fund promissory note payable dated August 12, 2002; with semiannual loan payments of \$20,204 beginning August 15, 2003 through 2022; secured by the stormwater utility revenue of the City	<b>168,549</b>
2.96% State Revolving Fund promissory note payable dated December 31, 2003; with semiannual loan payments of \$16,655 beginning November 15, 2004 through 2023; secured by the stormwater utility revenue of the City	<b>181,892</b>
2.47% State Revolving Fund promissory note payable dated September 19, 2006; with semiannual loan payments of \$10,000 beginning January 15, 2009 through 2028; secured by the stormwater utility revenue of the City	<b>176,433</b>
Total governmental activities	<b>26,826,658</b>
Less: current maturities	<b>(2,333,553)</b>
Total governmental long-term debt	<b>\$ 24,493,105</b>

On March 14, 2017 the City adopted Resolution 04-17 authorizing the issuance of a note not to exceed \$5,000,000 for the purpose financing certain stormwater improvement projects. The note bears interest at a fixed rate of 2.24%. The note is secured by a pledge of the City's stormwater utility fees. Repayments are made semiannually on November 1st and May 1st with principal and interest payments of \$280,436 each period. The remaining principal balance at September 30, 2018 was \$4,563,086.

On September 15, 2014, the City adopted Resolution 25-14 authorizing the issuance of a note not to exceed \$11,000,000 for the purpose of refunding the City's outstanding General Obligation Bonds, Series 2005. On September 16, 2014, the City issued \$10,595,000 General Obligation Refunding Note, Series 2014 for this purpose. The Note bears interest at a fixed rate of 1.95%. The difference in cash flows required to service the new debt versus the old debt is a decrease of \$2,490,324. The remaining principal balance at September 30, 2018 was \$6,576,000.

**NOTE 11: LONG-TERM DEBT AND LIABILITIES (Continued)**

**B. Notes payable (continued)**

On September 15, 2014, the City adopted Resolution 26-14 authorizing the issuance of not to exceed \$6,250,000 in principal for the purpose of refunding the City's outstanding Capital Improvement Refunding Revenue Bonds, Series 2005 issued pursuant to Resolution 12-05 adopted by the City on March 8, 2005. On September 16, 2014, the City issued \$6,140,000 Capital Improvement Refunding Revenue Note, Series 2014 for this purpose. The Note bears interest at a fixed rate of 2.74%. The remaining principal balance at September 30, 2018 was \$4,795,000.

On May 8, 2018, the City adopted Ordinance 28-18 and Resolution 28-18 authorizing the issuance of not to exceed \$10,000,000 Capital Improvement Revenue and Refunding Note, Series 2018 for the purpose of financing capital projects and refunding the City's outstanding Capital Improvement Revenue Note, Series 2013. On May 10, 2018, the City issued \$10,000,000 Capital Improvement Revenue and Refunding Note, Series 2018 for this purpose. The note bears interest at a rate of 3.17%. The remaining principal balance at September 30, 2018 was \$10,000,000.

On June 30, 1999, the City executed a Master Plan Improvements Loan Agreement with the Florida Department of Environmental Protection to provide State Revolving Fund assistance for the construction of stormwater system improvements. The loan proceeds were disbursed on a reimbursement basis with loans made at various interest rates. The original award of \$959,000 was loaned at a fixed interest rate of 3.03%, with the first amendment award of \$1,010,000 loaned at a fixed interest rate of 3.05%, and the final amendment award of \$285,670 loaned at a fixed interest rate of 3.07%. The loan is secured by a pledge of the City's stormwater utility fees. Repayments are made semiannually on November 15th and May 15th with principal and interest payments of \$76,516 each period. The remaining principal balance at September 30, 2018 was \$365,698.

On August 12, 2002, the City executed a separate loan agreement with the Florida Department of Environmental Protection to provide State Revolving Fund assistance for the construction of additional stormwater system improvements. The total amount disbursed under this agreement was \$651,331. The loan terms require 40 semiannual payments at a fixed interest rate of 3.09%. The loan is secured by a pledge of the City's stormwater utility fees. Repayments are made semiannually on August 15th and February 15th with principal and interest payments of \$20,204 each period. The remaining principal balance at September 30, 2018 was \$168,549.

On December 31, 2003, the City executed a loan agreement with the Florida Department of Environmental Protection to provide State Revolving Fund assistance for the construction of additional stormwater system improvements. The loan terms require 40 payments at a fixed interest rate of 2.96%. Repayments are made semiannually on November 15th and May 15th, with principal and interest payments of \$16,655 each period. The remaining principal balance at September 30, 2018 was \$181,892.

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 11: LONG-TERM DEBT AND LIABILITIES (Continued)**

**B. Notes payable (continued)**

On September 19, 2006, the City executed a Clean Water State Revolving Fund Loan Agreement with the Florida Department of Environmental Protection to borrow \$466,402 to finance costs related to the Central Beach Phase 2 Flood Mitigation Improvements project. The loan terms require 40 payments at a fixed interest rate of 2.47%. Repayments are made semiannually on January 15th and July 15th, with principal and interest payments of \$10,000 each period until paid in full. The remaining principal balance at September 30, 2018 was \$176,433.

Business-Type Activities – The City had no outstanding notes payable in its business-type activities.

**C. Loan payable**

On February 2, 2017, the City established an agreement with the Utilities Commission, City of New Smyrna Beach, Florida (the “Utilities Commission”) for a loan of up to \$850,000 to finance the cost of replacement of septic tanks through the extension of sanitary sewer gravity mains and services within the Islesboro subdivision. The loan is to be repaid within 5 years at a fixed interest rate of 2.18%. Repayment is to be made annually with principal and interest payments until paid in full. The loan is secured by annual payments collected by the City from the Utilities Commission. At September 30, 2018, the City has not drawn upon the loan and there is no balance due to the Utilities Commission.

**D. Changes in long-term debt and liabilities**

A summary of the changes in the City's total long-term debt for the year ended September 30, 2018, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital Improvement Notes	\$ 12,640,000	\$ 10,000,000	\$ (7,845,000)	\$ 14,795,000	\$ 607,000
Stormwater Notes	5,000,000	-	(436,914)	4,563,086	461,235
General Obligation Refunding Note	7,601,000	-	(1,025,000)	6,576,000	1,043,000
State revolving fund notes	1,108,364	-	(215,792)	892,572	222,318
<b>Total notes payable</b>	<b>26,349,364</b>	<b>10,000,000</b>	<b>(9,522,706)</b>	<b>26,826,658</b>	<b>2,333,553</b>
Capital lease obligation	1,802,995	-	(186,926)	1,616,069	190,146
Compensated absences payable	1,455,335	1,397,588	(1,455,338)	1,397,585	714,343
<b>Total governmental activities</b>	<b>\$ 29,607,694</b>	<b>\$ 11,397,588</b>	<b>\$ (11,164,970)</b>	<b>\$ 29,840,312</b>	<b>\$ 3,238,042</b>
<b>Business-Type Activities:</b>					
Capital lease obligation	\$ 95,991	-	\$ (40,173)	\$ 55,818	\$ 43,216
Compensated absences payable	147,244	126,559	(108,312)	165,491	48,245
<b>Total business-type activities</b>	<b>\$ 243,235</b>	<b>\$ 126,559</b>	<b>\$ (148,485)</b>	<b>\$ 221,309</b>	<b>\$ 91,461</b>

Aggregate long-term debt obligation debt service requirements in each of the next five years and to maturity are as follows:

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 11: LONG-TERM DEBT AND LIABILITIES (Continued)**

**D. Changes in long-term debt and liabilities (continued)**

Fiscal Year Ending September 30,	General Obligation Refunding Note, Series 2014		Capital Improvement Refunding & Revenue Note, Series 2018		Capital Improvement Refunding Revenue Note, Series 2014	
	Principal	Interest	Principal	Interest	Principal	Interest
	2019	\$ 1,043,000	\$ 128,232	\$ 264,000	\$ 274,952	\$ 345,000
2020	1,064,000	107,894	409,000	302,149	350,000	117,135
2021	1,082,000	87,146	418,000	289,041	360,000	107,408
2022	1,107,000	66,047	431,000	275,584	375,000	102,476
2023	1,130,000	4,460	450,000	261,620	380,000	97,339
2024 - 2028	1,150,000	22,425	2,479,000	1,080,891	2,075,000	320,306
2029 - 2033	-	-	4,387,000	585,938	910,000	37,538
2034 - 2037	-	-	1,162,000	18,418	-	-
<b>Totals</b>	<b>\$ 6,576,000</b>	<b>\$ 416,204</b>	<b>\$ 10,000,000</b>	<b>\$ 3,088,593</b>	<b>\$ 4,795,000</b>	<b>\$ 908,859</b>

Fiscal Year Ending September 30,	State Revolving Fund Promissory Notes		Stormwater Revenue Note		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
	2019	\$ 222,318	\$ 24,432	\$ 461,235	\$ 99,638	\$ 2,335,553
2020	229,042	17,708	471,624	89,248	2,523,666	634,134
2021	159,454	10,780	482,248	78,624	2,501,702	572,999
2022	85,561	7,157	493,110	67,762	2,491,671	519,026
2023	68,905	7,157	504,218	56,654	2,533,123	427,230
2024 - 2028	127,292	11,804	2,150,651	109,352	7,981,943	1,544,778
2029 - 2033	-	-	-	-	5,297,000	623,476
2034 - 2037	-	-	-	-	1,162,000	18,418
<b>Totals</b>	<b>\$ 892,572</b>	<b>\$ 79,038</b>	<b>\$ 4,563,086</b>	<b>\$ 501,278</b>	<b>\$ 26,826,658</b>	<b>\$ 4,993,972</b>

Internal service funds predominately serve the governmental funds. Accordingly, \$14,141 of internal service fund compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

**Utilities Commission, City of New Smyrna Beach, Florida** (a discretely presented component unit) - A summary of long term debt activity for the year ended September 30, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Utilities revenue certificates	\$ 34,000,000	\$ -	\$ (5,660,000)	\$ 28,340,000	\$ 5,595,000
Total bonds payable	\$ 34,000,000	\$ -	\$ (5,660,000)	\$ 28,340,000	\$ 5,595,000

The above Utilities Commission, City of New Smyrna Beach, Florida (the "Utilities Commission") long-term debt presentation contains highly summarized select data. A more detailed debt presentation is available in the Utilities Commission's separately issued financial report, which may be obtained by contacting the administrative office of the Director of Finance, Post Office Box 100, New Smyrna Beach, Florida 32170-0100.

**NOTE 12: TAX ABATEMENTS**

The City has adopted a tax abatement program in accordance with Florida Statute 196.1995. The abatement program was approved by the City Commission via Ordinance No. 73-14 and approved by the voters during a November 2014 referendum. The program allows a qualifying business to apply for tax reductions of up to 100% of the City's assessed millage for up to ten years for meeting certain requirements. Each tax abatement application is considered on a case-by-case basis by the City Commission. The City entered into an abatement agreement with a company effective March 31, 2018 with the first abatement to become effective during fiscal year 2019. For the fiscal year ended September 30, 2018, the City has not abated any property taxes.

**NOTE 13: EMPLOYEES' PENSION PLANS**

**A. Florida Retirement System**

*General Information.* The City's general employees hired prior to January 1, 1996 participate in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The only internal service fund employee who participated in the Florida Retirement System retired during 2016; therefore the balance in the internal service fund was moved to the general fund. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries.

Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

*Plan Description.* The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

**NOTE 13: EMPLOYEES' PENSION PLANS (Continued)**

**A. Florida Retirement System (continued)**

*Benefits Provided.* Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

*Contributions.* The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. The employer's contribution rates as of September 30, 2018, were as follows:

	FRS	HIS
Regular Class	<b>6.60%</b>	<b>1.66%</b>
Special Risk Class	<b>22.84%</b>	<b>1.66%</b>
Senior Management Service Class	<b>22.40%</b>	<b>1.66%</b>
Elected Officials	<b>47.04%</b>	<b>1.66%</b>
DROP from FRS	<b>12.37%</b>	<b>1.66%</b>

The employer's contributions for the year ended September 30, 2018, were \$95,359 to the FRS and \$10,867 to the HIS.

*Pension Liabilities and Pension Expense.* In its financial statements for the year ended September 30, 2018, the City reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2018 and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2018. The City's proportion of the net pension liabilities were based on the City's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net pension liability	\$ 1,007,839	\$ 212,101
Proportion at:		
Current measurement date	<b>0.00335%</b>	<b>0.00200%</b>
Prior measurement date	<b>0.00340%</b>	<b>0.00212%</b>
Increase (decrease) in proportionate share	<b>-0.00005%</b>	<b>-0.00012%</b>
Pension expense (benefit)	\$ 185,476	\$ (2,128)

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 13: EMPLOYEES' PENSION PLANS (Continued)**

**A. Florida Retirement System (continued)**

*Deferred outflows/inflows of resources related to pensions.* At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 85,379	\$ 3,099	\$ 3,247	\$ 360
Changes of assumptions	329,313	-	23,588	22,425
Net difference between projected and actual earnings on pension plan investments	-	77,868	128	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	72,017	136,995	1,003	79,684
Employer contributions subsequent to the measurement date	23,068	-	2,639	-
<b>Total</b>	<b>\$ 509,777</b>	<b>\$ 217,962</b>	<b>\$ 30,605</b>	<b>\$ 102,469</b>

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2019. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<i>Year ending September 30,</i>	FRS		HIS	
2019		\$ 142,784		\$ (14,984)
2020		68,746		(15,026)
2021		(22,404)		(14,712)
2022		37,340		(16,263)
2023		36,235		(9,718)
Thereafter		6,046		(3,800)
<b>Total</b>		<b>\$ 268,747</b>		<b>\$ (74,503)</b>

*Actuarial Assumptions.* The total pension liability for each of the defined benefit plans, measured as of June 30, 2018, was determined by an actuarial valuation dated July 1, 2018, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.00%	N/A
Discount rate	7.00%	3.87%

**NOTE 13: EMPLOYEES' PENSION PLANS (Continued)**

**A. Florida Retirement System (continued)**

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions used in the valuation dated July 1, 2018 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation.

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	2.9%	2.9%
Fixed income	18%	4.4%	4.3%
Global equity	54%	7.6%	6.3%
Real estate (property)	11%	6.6%	6.0%
Private equity	10%	10.7%	7.8%
Strategic investments	6%	6.0%	5.7%
<b>Total</b>	<b>100%</b>		

*Discount Rate.* The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.00%. FRS' 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 calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.87% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

*Sensitivity Analysis.* The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the employer's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

	FRS		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Employer's proportionate share of the net pension liability	\$ 1,839,348	\$ 1,007,839	\$ 317,221



**NOTE 13: EMPLOYEES' PENSION PLANS (Continued)**

**A. Florida Retirement System (continued)**

	HIS		
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Employer's proportionate share of the net pension liability	\$ 241,571	\$ 212,101	\$ 187,536

*Pension Plans' Fiduciary Net Position.* Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

*Payables to the Pension Plans.* As of September 30, 2018, the City had an outstanding payable to the plans of \$11,547 for regular employee and employer contributions that were legally required to be paid to the plans but not remitted prior to the end of the year.

**B. General Employees - Defined Contribution Plan**

The City contributes to a defined contribution plan which is administered by the Principal Mutual Life Insurance Company, P. O. Box 9396, Des Moines, IA 50306-9396. The City established the plan for all regular full time and regular part time employees hired on or after January 1, 1996 by revoking its participation in the FRS, with respect to such employees. All qualifying employees at least 18 years of age participate in the plan on the date of employment. Normal retirement and disability benefits are available after 5 years of service and attaining age 62.

Early retirement and disability benefits are available after 5 years of service and attaining age 55. Employer contributions to the plan are 8% of the employee gross wages. Employees may make supplemental contributions to the extent permitted by law. The City Commission has the authority to amend the Plan's provisions including any amendments to the contribution rate.

Employer contributions to the defined contribution plan for the years ended September 30, 2018, 2017 and 2016 were \$518,836, \$508,904, and \$450,288, respectively. Employee contributions to the defined contribution plan for the years ended September 30, 2018, 2017, and 2016 were \$17,861, \$19,034, and \$25,967, respectively.

**C. Municipal Police Officers' and Firefighters' Defined Benefit Pension Plans**

The City maintains and administers separate single-employer pension plans for all eligible police officers and firefighters, which assets are included in the Municipal Police Officers' Retirement Trust Fund (the "Police Officers' Pension Plan") and the Municipal Firefighters' Pension Trust Fund (the "Firefighters' Pension Plan"). The plans do not issue stand-alone financial reports and are not included in any other retirement systems or entities financial report.

**NOTE 13: EMPLOYEES' PENSION PLANS (Continued)**

**C. Municipal Police Officers' and Firefighters' Defined Benefit Pension Plans (continued)**

*Plan Description.* All certified police officers and firefighters are eligible to participate in the respective plans after a six month probationary period. Benefits vest with eligible employees after ten years of participation. The funding methods and the determination of benefits payable are provided in the various acts of the Florida Legislature, which created the funds, including subsequent amendments thereto. These statutes provide, in general, that funds are to be accumulated from employee contributions, City contributions, State appropriations and income from investments from accumulated funds. The statutes also provide that should the accumulated funds at any time be insufficient to meet and pay the benefits due, the City shall supplement the funds by an appropriation from current funds or from any revenues which may be lawfully used for said purposes in an amount sufficient to make up the deficiency. The investments of the two funds are administered, managed, and operated by their respective boards of trustees using the services of the City staff and local financial institutions.

*Benefits Provided.* Both plans provide retirement, termination, disability and death benefits to plan Members and beneficiaries.

*Basis of Accounting.* The financial statements of the Plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

*Method Used to Value Investments.* Plan investments are reported at fair value and are managed by an independent third party money manager.

Investments that do not have an established market are reported at estimated fair value. Performance reporting, administrative expenses and the City's asset valuation are based on the custodians' determination of value. Administrative costs of the Plan are financed through investment earnings or, at the exclusive annual option of the City, from expense reimbursements made by the City.

*Funding Policy.* The State of Florida has established guidelines for state and local pension plan funding and requires submission to and approval of the local government's actuarial reports by a State Bureau at least every third year. Authority to establish and amend benefits rests with the City Commission. The contribution requirements are actuarially determined and employees covered under the plans are required to make contributions of 10% of their eligible compensation.

The City uses the Frozen Initial Liability Actuarial Cost Method for the Police Officers' Retirement Plan and Entry Age Normal Actuarial Cost Method for the Firefighters' Retirement Plan to determine required contribution under its retirement systems because it provides for the systematic funding of the normal cost and any unfunded actuarial accrued liabilities. These are acceptable methods to the State of Florida.

**NOTE 13: EMPLOYEES' PENSION PLANS (Continued)**

**C. Municipal Police Officers' and Firefighters' Defined Benefit Pension Plans (continued)**

*Plan Administration.* The Plans are administered by a Board of Trustees comprised of the following:

Police Officers' Pension Plan	Firefighters' Pension Plan
a) Two legal residents of the City, appointed by the City Commission;	a) Two legal residents of the City, appointed by the City Commission;
b) Two Members of the Plan elected by a majority of the Police Officers who are members of the Plan; and	b) Two Members of the Plan elected by a majority of the Firefighters who are members of the Plan; and
c) A fifth Trustee who is chosen by a majority of the first four Trustees.	c) A fifth Trustee who is chosen by a majority of the first four Trustees.

*Plan Membership.* At October 1, 2017, Plan membership consisted of the following:

	Police Officers' Pension Plan	Firefighters' Pension Plan
Inactive plan members or beneficiaries currently receiving benefits	50	44
Inactive plan members entitled to but not yet receiving benefits	17	9
Active plan members	40	34
<b>Total plan membership</b>	<b>107</b>	<b>87</b>

***Police Officers' Pension Plan:***

**Normal Retirement:** Normal retirement occurs at the earlier of: 1) age 55 and the completion of 10 years of credited service, or 2) the completion of 20 years of credited service, regardless of age. Pension benefits are paid at 3.0% of Average Final Compensation (AFC) times credited service.

**Early Retirement:** A Member is eligible for early retirement upon attaining age 50 and 10 years of credited service. Pension benefits under early retirement are determined as for normal retirement and reduced 3.0% for each year that early retirement precedes normal retirement.

**Disability:** Eligibility for a service incurred disability is covered from date of employment. Eligibility for a non-service incurred disability vests after 10 years of credited service. Benefits are accrued to date of disability. The minimum benefit for service incurred is 42% of AFC and 25% of AFC for non-service incurred.

**NOTE 13: EMPLOYEES' PENSION PLANS (Continued)**

**C. Municipal Police Officers' and Firefighters' Defined Benefit Pension Plans (continued)**

Pre-Retirement Death Benefits: For vested or eligible-to-retain Members, a monthly benefit equal to 50% of the Member's AFC is payable for the life of the spouse or date there is no longer a surviving dependent. For non-vested Members, the Plan provides a refund of the required contribution account.

Termination of Employment: If a Member terminates employment with the City in less than 10 years, the Member receives a refund of accumulated contributions without interest. If a Member terminates employment with the City after 10 years or more of credited service, the Member receives a refund of contributions with an actuarially discounted benefit payable upon reaching retirement age or the accrued benefit payable at retirement age.

Contributions: Effective October 1, 2014, all Members will contribute 10% of their salary. For City and State contributions, it is the remaining amount required in order to pay current costs and amortize unfunded past service costs, if any, as provided in Part VII, Chapter 112, Florida Statutes.

Concentrations: The Plan did not hold investments in any one organization that represents 5 percent or more of the Pension Plan's fiduciary net position.

***Firefighters' Pension Plan:***

Normal Retirement: Normal retirement occurs at the earlier of: 1) age 55 and the completion of 10 years of credited service, or 2) the completion of 20 years of credited service, regardless of age. Pension benefits are paid at 3.0% of average final compensation times credited service for Members hired before July 1, 2012 and are paid at 2.0% of average final base compensation times credited service for Members hired on and after July 1, 2012.

Early Retirement: A Member is eligible for early retirement upon attaining age 50 and 10 years of credited service. Pension benefits under early retirement are determined as for normal retirement and reduced 3.0% for each year that early retirement precedes normal retirement.

Disability: Eligibility for a service incurred disability is covered from date of employment. Eligibility for a non-service incurred disability vests after 5 years of credited service. Benefits are accrued to date of disability. The minimum benefit for service incurred is 42% of AFC and 25% of average monthly earnings for non-service incurred.

Vesting: A Member is fully vested (100%) after 10 years of credited service. A Member will receive the vested portion of his (her) accrued benefit payable at the otherwise normal retirement date.

**NOTE 13: EMPLOYEES' PENSION PLANS (Continued)**

**C. Municipal Police Officers' and Firefighters' Defined Benefit Pension Plans (continued)**

Pre-Retirement Death Benefits: For pre-retirement death in the line of duty, 50% of AFC is payable for the life of the spouse. For the pre-retirement death of a Member (not in the line of duty) with less than 10 years of credited service, the Plan provides a refund of accumulated contributions. In the event of the pre-retirement death of a Member (not in the line of duty) with more than 10 years of credited service, the Plan provides a monthly spouse benefit assuming the Member retired and selected 50% Joint and Survivor Annuity.

Contributions: Effective October 1, 2014, all Members will contribute 10% of their base compensation. For City and State contributions, it is the remaining amount required in order to pay current costs and amortize unfunded past service costs, if any, as provided in Part VII, Chapter 112, Florida Statutes.

Concentrations: The Plan did not hold investments in any one organization that represents 5 percent or more of the Pension Plan's fiduciary net position.

State Contributions. The City of New Smyrna Beach, Florida participates under Chapters 175 and 185, Florida Statutes in establishing its own Municipal Police Officers' and Firefighters' Retirement Trust Funds. As a participating city, the City of New Smyrna Beach, Florida receives annual distributions of fire insurance premium tax and casualty insurance premium tax on property and casualty insurance policies written within the City's legal limits. The tax monies are collected by the

Florida Department of Revenue and disbursed by the Florida Division of Retirement to each participating city or district. Amounts received by the City are legally restricted to be deposited directly into the respective retirement trust funds. These contributions are recorded and recognized in the General Fund as intergovernmental revenue with a corresponding expenditure reported in Public Safety personal service costs.

*Investment Policy.* The following was the Pension Board's adopted asset allocation policy as of September 30, 2018:

<i>Asset class</i>	Target Allocation	
	Police Officers' Pension Plan	Firefighters' Pension Plan
Domestic equity	45.0%	50.0%
International equity	15.0%	10.0%
Fixed income	0.0%	27.5%
Private investment fund	0.0%	5.0%
Private real estate	10.0%	7.5%
Bonds	25.0%	0.0%
Cash	5.0%	0.0%
Total	100.0%	100.0%

**NOTE 13: EMPLOYEES' PENSION PLANS (Continued)**

**C. Municipal Police Officers' and Firefighters' Defined Benefit Pension Plans (continued)**

*Rate of Return.* The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended September 30, 2018 the annual money-weighted rate of return on the Police and Fire Pension Plan investments, net of pension plan investment expense, was 6.63%, and 8.71%, respectively.

*Deferred Retirement Option Program.* The provisions for the deferred retirement option program (DROP) for both Plans are as follows:

	Police Officers' Pension Plan	Firefighters' Pension Plan
Eligibility	Eligibility for Normal Retirement. Members hired on or after January 23, 2013 are not eligible.	Satisfaction of Normal Retirement requirements and hired prior to July 1, 2012.
Participation	Not to exceed 60 months.	Not to exceed 60 months.
Rate of Return	Interest is credited after each month at a fixed rate of 6.50% for members who entered prior to October 1, 2012. Other members receive the actual plan earnings, subject to a maximum of 6.50% and a minimum of 0% per year.	At participant's election (prior to October 1, 2012): a) 6.5% interest or b) actual net rate of investment return credited each fiscal quarter.  May change election once during the DROP period.  For those members entered DROP on or after October 1, 2012, actual rate of investment return up to a maximum of 6.5% per annum and a minimum of 0.0% per annum credited quarterly.
DROP balance as of September 30, 2018	\$ -	\$ 370,856

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 13: EMPLOYEES' PENSION PLANS (Continued)**

**C. Municipal Police Officers' and Firefighters' Defined Benefit Pension Plans (continued)**

*Net Pension Liability of the Sponsor.* The components of the net pension liability at September 30, 2018 were as follows:

	Police Officers' Pension Plan	Firefighters' Pension Plan
Total pension liability	\$ 21,881,468	\$ 27,265,851
Plan fiduciary net position	(17,662,144)	(23,141,062)
Sponsor's net pension liability	\$ 4,219,324	\$ 4,124,789

Plan fiduciary net position as a percentage of total pension liability	80.7%	84.9%
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*Actuarial Assumptions.* The total pension liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 using the following actuarial assumptions applied to all measurement periods.

	Police Officers' Pension Plan	Firefighters' Pension Plan
Inflation	2.70%	2.30%
Salary Increases	Graduated	5.75%
Discount Rate	7.75%	7.90%
Investment Rate of Return	7.75%	7.90%

Police Officers' Pension Plan	Firefighters' Pension Plan
RP-2000 Combined Healthy Mortality Table, using scale BB. Based on a study of over 650 public safety funds, this tables reflects more than a 10% margin for future mortality improvements.	RP-2000 Table with no projection - Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 4 years).

The actuarial assumptions used in the October 1, 2017 valuation which were updated to September 30, 2018 were based on the results of an actuarial experience study dated November 8, 2018.

The actuarial assumptions used in the October 1, 2017 valuation which were updated to September 30, 2018 were based on the results of an actuarial experience study dated December 11, 2016.

**NOTE 13: EMPLOYEES' PENSION PLANS (Continued)**

**C. Municipal Police Officers' and Firefighters' Defined Benefit Pension Plans (continued)**

The long-term expected rate of return on pension 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 pension 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 weighting 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 pension plan's target asset allocation as of September 30, 2018 are summarized in the following table:

<i>Asset class</i>	<u>Long Term Expected Real Rate of Return</u>	
	Police Officers' Pension Plan	Firefighters' Pension Plan
Domestic equity	8.1%	6.9%
International equity	3.4%	6.4%
Fixed Income	-	2.5%
Private investment fund	-	3.1%
Real estate	4.9%	3.4%
Bonds	3.6%	-
Cash	0.7%	-

*Discount Rate.* The discount rate used to measure the total pension liability for the Police and Fire Pension Plan investments was 7.75% and 7.9%, respectively.

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 sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 13: EMPLOYEES' PENSION PLANS (Continued)**

**C. Municipal Police Officers' and Firefighters' Defined Benefit Pension Plans (continued)**

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability of the City, calculated using the discount rate, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<i>Sponsor's Net Pension Liability</i>	Current Discount		
	1% Decrease	Rate	1% Increase
<b>Police Officers' Pension Plan:</b>			
Rate	6.75%	7.75%	8.75%
Amount	\$ 6,777,356	\$ 4,219,324	\$ 2,090,540
<b>Firefighters' Pension Plan:</b>			
Rate	6.90%	7.90%	8.90%
Amount	\$ 7,235,422	\$ 4,124,789	\$ 1,527,672

*Net Pension Liability and Changes in the Net Pension Liability.* The net pension liability for the Plans was measured as of September 30, 2018 and the total pension liability used to calculate the net pension liability was also determined as of that date.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<i>Police Officers' Pension Plan</i>			
Reporting period ending September 30, 2017	\$ 20,965,839	\$ 17,466,415	\$ 3,499,424
Changes for the year:			
Service cost	411,234	-	411,234
Interest	1,610,755	-	1,610,755
Share plan allocation	118,915	-	118,915
Differences between expected and actual experience	441,756	-	441,756
Contributions - Employer	317,507	649,833	(332,326)
Contributions - State	-	241,378	(241,378)
Contributions - Employee	-	226,774	(226,774)
Net investment income	-	1,100,357	(1,100,357)
Benefit payments, including refunds of employee contributions	(1,984,538)	(1,984,538)	-
Administrative expense	-	(38,075)	38,075
Net changes	915,629	195,729	719,900
Reporting period ending September 30, 2018	\$ 21,881,468	\$ 17,662,144	\$ 4,219,324

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 13: EMPLOYEES' PENSION PLANS (Continued)**

**C. Municipal Police Officers' and Firefighters' Defined Benefit Pension Plans (continued)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<i>Firefighters' Pension Plan</i>			
Reporting period ending September 30, 2017	\$ 26,804,600	\$ 21,244,826	\$ 5,559,774
Changes for the year:			
Service cost	259,492	-	259,492
Interest	2,072,778	-	2,072,778
Differences between expected and actual experience	(214,976)	-	(214,976)
Contributions - Employer	-	1,280,312	(1,280,312)
Contributions - State	-	277,107	(277,107)
Contributions - Employee	-	227,693	(227,693)
Net investment income	-	1,801,891	(1,801,891)
Benefit payments, including refunds of employee contributions	(1,656,043)	(1,656,043)	-
Administrative expense	-	(34,724)	34,724
Net changes	461,251	1,896,236	(1,434,985)
Reporting period ending September 30, 2018	\$ 27,265,851	\$ 23,141,062	\$ 4,124,789

*Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions.* For the year ended September 30, 2018, the City recognized a pension expense of \$766,476 and \$979,042 for the Police Officers' and Firefighters' Pension Plans, respectively.

At September 30, 2018, the City reported deferred outflows and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Police Officers' Pension Plan</i>		
Differences between expected and actual experiences	\$ 378,887	\$ 35,977
Change in assumptions	334,602	-
Net difference between projected and actual earnings on pension plan investments	280,080	-
Total Police Officers' Pension Plan	993,569	35,977

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 13: EMPLOYEES' PENSION PLANS (Continued)**

**C. Municipal Police Officers' and Firefighters' Defined Benefit Pension Plans (continued)**

<i>Firefighters' Pension Plan</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,601	\$ 143,318
Net difference between projected and actual earnings on pension plan investments	-	24,662
<b>Total Firefighters' Pension Plan</b>	<b>25,601</b>	<b>167,980</b>
Total deferred outflows and deferred inflows of resources related to pensions	\$ 1,019,170	\$ 203,957

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Years ending September 30,</i>	Police Officers' Pension Plan	Firefighters' Pension Plan
2019	\$ 482,168	\$ 144,033
2020	229,451	(139,601)
2021	193,819	(122,914)
2022	52,154	(23,897)
<b>Total</b>	<b>\$ 957,592</b>	<b>\$ (142,379)</b>

The Plans' fiduciary net position has been determined on the same basis used by the pension plans and is equal to the market value of assets calculated under the accrual basis of accounting.

***Fiduciary Fund Financial Statements***

The City does not issue separate financial statements for the Municipal Police Officers' Retirement Trust Fund or the Municipal Firefighters' Retirement Trust Fund. The basic financial statements of the City include a statement of fiduciary net position and a statement of changes in fiduciary net position that presents a single column presented by fund type for both pension trust funds. The pension trust funds fiduciary net position activity as of September 30, 2018 was as follows:

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 13: EMPLOYEES' PENSION PLANS (Continued)**

**C. Municipal Police Officers' and Firefighters' Defined Benefit Pension Plans (continued)**

	Pension Trust Funds		
	Police Officers' Pension Plan	Firefighters' Pension Plan	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ -	\$ 14,093	\$ 14,093
Receivables:			
Employee contribution	9,210	9,918	19,128
Employer contributions	351,992	620,941	972,933
State subsidy	-	277,107	277,107
Other receivables	-	79,881	79,881
Accrued income	23,336	57,290	80,626
Total receivables	384,538	1,045,137	1,429,675
Investments, at fair value:			
Money funds	803,414	691,858	1,495,272
Common stock	-	13,451,898	13,451,898
Government bonds	-	3,037,605	3,037,605
Corporate bonds	-	2,070,742	2,070,742
Mutual funds	9,672,008	149,251	9,821,259
Real estate investments	2,412,199	1,609,940	4,022,139
Annuity contracts	4,395,457	-	4,395,457
Private investment fund	-	981,004	981,004
Total investments	17,283,078	21,992,298	39,275,376
Prepaid expenses	-	132,582	132,582
Total assets	17,667,616	23,184,110	40,851,726
<b>Liabilities:</b>			
Accounts payable	5,472	43,048	48,520
Total liabilities	5,472	43,048	48,520
<b>Net position, held in trust for pension benefits</b>	<b>\$ 17,662,144</b>	<b>\$ 23,141,062</b>	<b>\$ 40,803,206</b>

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 13: EMPLOYEES' PENSION PLANS (Continued)**

**C. Municipal Police Officers' and Firefighters' Defined Benefit Pension Plans (continued)**

The pension trust funds change in fiduciary net position activity as of September 30, 2018 was as follows:

	Pension Trust Funds		
	Police Officers' Pension Plan	Firefighters' Pension Plan	Total
<b>Additions:</b>			
Contributions:			
Employees	\$ 226,774	\$ 227,693	\$ 454,467
Employer	649,833	1,280,312	1,930,145
State	241,378	277,107	518,485
<b>Total contributions</b>	<b>1,117,985</b>	<b>1,785,112</b>	<b>2,903,097</b>
Investment income:			
Net appreciation in fair value of investments	769,959	1,549,072	2,319,031
Interest and dividends	387,292	423,063	810,355
<b>Total investment income</b>	<b>1,157,251</b>	<b>1,972,135</b>	<b>3,129,386</b>
Less: investment expense	(56,894)	(170,244)	(227,138)
<b>Net investment income</b>	<b>1,100,357</b>	<b>1,801,891</b>	<b>2,902,248</b>
<b>Total additions</b>	<b>2,218,342</b>	<b>3,587,003</b>	<b>5,805,345</b>
<b>Deductions:</b>			
Benefits paid	1,984,538	1,656,043	3,640,581
Administrative expenses	38,075	34,724	72,799
<b>Total deductions</b>	<b>2,022,613</b>	<b>1,690,767</b>	<b>3,713,380</b>
Changes in net position	195,729	1,896,236	2,091,965
Net position held in trust for pension benefits, beginning of year	17,466,415	21,244,826	38,711,241
Net position held in trust for pension benefits, end of year	\$ 17,662,144	\$ 23,141,062	\$ 40,803,206

**D. Pension Expense**

The total pension expense for the year ended September 30, 2018 is aggregated as follows:

Florida Retirement System	\$ 183,348
General Employees Defined Contribution Plan	518,836
Police Officers' Defined Benefit Plan	844,031
Firefighters' Defined Benefit Plan	979,042
<b>Total pension expense</b>	<b>\$ 2,525,257</b>

**NOTE 14: DEFERRED EMPLOYEE BENEFITS**

The City provides its employees with a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of these plans are administered by the International City Managers Association Retirement Corporation. The plans have been amended to include provisions changed by the Economic Growth and Tax Relief Reconciliation Act of 2001. Annual contributions, determined by the participant, may not exceed the lesser of \$18,500 or 100% of gross annual compensation for plan years beginning in 2018. Deferred compensation withheld from a participating employee's pay is taxable as current income. Such compensation is not available to the employees until employment termination, retirement, or death. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

**NOTE 15: OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The City follows Section P52: *Postemployment Benefits Other Than Pensions – Employer Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria* of the GASB Codification, for certain postemployment health care benefits provided by the City.

***Plan Description***

The City administers a single-employer defined benefit healthcare plan (the “Plan”) that provides medical insurance to its employees and their eligible dependents. Pursuant to Section 112.0801 Florida Statutes, the City is required to provide eligible retirees (as defined in the City’s ordinances) the opportunity to participate in this Plan at the same cost that is applicable to active employees. Eligible participants include all employees who retire from the City either under disability or after attaining age 62 or at least 30 years of service for general employees, or after attaining age 55 or at least 25 years of service for sworn employees.

Employees and their dependents may elect to remain in the Plan upon retirement up to age 65. After age 65 the City's insurance coverage becomes secondary to the retiree’s Medicare insurance.

Benefit provisions for the Plan are established under the authority and policies of the City Manager and may be amended by the City Manager. The Council approves the City’s annual budget and, therefore, indirectly approves the annual costs associated with the Plan. The City has not established a trust or agency fund for the Plan. The City does not issue stand-alone financial statements for this Plan. All financial information related to the Plan is accounted for in the City’s basic financial statements.

***Funding Policy***

The City is funding the Plan on a pay-as-you-go basis. Employees and their dependents are required to pay 100% of the estimated pro rata annual cost of the Plan. There is an implied subsidy in the insurance premiums for these employees because the premium charged for retirees is the same as the premium charged for active employees, who are younger than retirees on average.

**NOTE 15: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

For the year ended September 30, 2018, the City will recognize OPEB expense of \$84,235, which includes an estimate of the implied subsidy contributions described above. There were no contributions by Plan members for the year ended September 30, 2018.

***Plan Membership***

Plan membership as of September 30, 2018 was:

	Number of covered individuals
Inactive members currently receiving benefits	201
Inactive members entitled to but not yet receiving benefits	-
Active members	25
Total	226

***Actuarial Assumptions***

The OPEB liability was determined based on the following assumptions and information:

Employer’s reporting date: September 30, 2018  
 Measurement date: September 30, 2018  
 Valuation date: October 1, 2017

*Discount Rate:* 3.64% per annum; this rate was used to discount all future benefit payments and is based on the return on the S&P Municipal Bond 20-year High Grade Index as of the measurement date.

*Salary Increases:* 3.00% per annum

*Cost-of-living increases:* Retiree contributions, health insurance premiums, and the implied subsidy have been assumed to increase in accordance with the healthcare cost trend rates.

*Healthcare cost trend rates:* Increases in healthcare costs are assumed to be 8.00% for FY2018 graded down by 0.50% per year to 5.00% for FY2024 and later fiscal years.

*Age-related morbidity:* Healthcare costs are assumed to increase at the rate of 3.50% for each year of age.

*Plan Choice:* Current and future retirees are assumed to elect coverage in accordance with their current election, except that those who have selected the T66 HMO or T56 HMO plans are assumed to select the T42 HMO plan upon retirement and those who have selected the 3559 PPO plan are assumed to select the 37 48 PPO plan upon retirement.

**NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

Implied Subsidy: Because the insurance carrier charges the same monthly rate for health insurance regardless of age, an implied monthly subsidy of \$650 per individual has been assumed at age 62 for FY2018; at other ages, the implied subsidy was developed based on the age-related morbidity assumption and, for other fiscal years, the implied subsidy was increased in accordance with the healthcare cost trend rates; the implied subsidy is assumed to disappear at age 65.

Mortality Basis: Sex-distinct rates set forth in the RP-2000 Combined Mortality Table (general employees) or RP-2000 Blue Collar Mortality Table (police officers), both with full generational improvements in mortality using Scale BB.

Retirement: For general employees, retirement is assumed to occur at age 62 with 10 years of service or at any age with 30 years of service; for firefighters, retirement is assumed to occur at age 55 with 10 years of service or at any age with 25 years of service; for police officers, retirement is assumed to occur at age 55 with 10 years of service, or at any age with 20 years of service.

Other decrements: Assumed employment termination is based on the Scale 155 table; assumed disability is based on the Wyatt 1985 Disability Study (Class 1 for general employees and Class 4 for police officers).

Coverage Election: 25% of eligible employees are assumed to elect medical coverage upon retirement or disability, with 50% of electing retirees also covering their spouse.

Spouses and dependents: Husbands are assumed to be three years older than wives; retirees are not assumed to have any dependent children.

COBRA: Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation, because the COBRA premium is determined periodically based on plan experience, the COBRA premium to be paid by the participant is assumed to fully cover the cost of providing healthcare coverage during the relevant period.

Changes: No assumptions were changed since the prior measurement date.

**Total OPEB Liability**

The components of the total OPEB liability at September 30, 2018 were as follows:

Total OPEB liability	Fiduciary net position	OPEB liability	Funded percentage
\$ 3,084,980	\$ -	\$ 3,084,980	\$ -



**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

The changes in the OPEB liability for the year ended September 30, 2018 were as follows:

	Total OPEB Liability	Fiduciary Net Position	OPEB Liability
Balance as of September 30, 2017	\$ 3,000,745	\$ -	\$ 3,000,745
Service cost	123,075	-	123,075
Interest	111,004	-	111,004
Benefit payments	(149,844)	-	(149,844)
Net changes	84,235	-	84,235
Balance as of September 30, 2018	\$ 3,084,980	\$ -	\$ 3,084,980

***Sensitivity of the Total OPEB Liability***

The following presents the City's OPEB liability as if it were calculated using a discount rate that is one percentage point lower or higher than the current discount rate.

	1% decrease 2.64%	Discount rate 3.64%	1% increase 4.64%
OPEB liability	\$ 3,486,873	\$ 3,084,980	\$ 2,756,949

The following presents the City's OPEB liability as if it were calculated using a healthcare trend rate that is one percentage-point lower or higher than the current trend rate.

	1% decrease in trend rate (4.00% - 7.00%)	Current trend rate (5.00% - 8.00%)	1% increase in trend rate (6.00% - 9.00%)
OPEB liability	\$ 2,712,734	\$ 3,084,980	\$ 3,542,506

***Deferred Inflows and Outflows of Resources***

At September 30, 2018, the City reported no deferred outflows or inflows of resources related to OPEB. During the year ended September 30, 2018 there were no changes to the total OPEB liability as a result of amortization of deferred inflows or outflows.

**NOTE 16: LEGAL MATTERS**

The City is engaged in routine litigation incidental to the conduct of its business and municipal affairs. In the opinion of its Counsel, no legal proceedings are pending against them, not covered by insurance, which would inhibit the City's ability to perform its operations or materially affect its financial condition.

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 17: FUND DEFICITS**

The golf course proprietary fund had unrestricted net position deficit of \$1,367,168 at September 30, 2018. The deficit is primarily a result of expenses exceeding revenues over time.

**NOTE 18: COMMITMENTS AND CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts not recorded, if any, to be immaterial. The City has active construction projects as of September 30, 2018.

At year-end, the City's commitments with contractors are as follows:

	Outstanding Commitments
General fund	\$ 1,540,031
Airport fund	501,841
Stormwater utility	1,977,367
Community redevelopment agency fund, 2015	29,500
Capital projects fund	969,968
Building inspections fund	81,638
Total outstanding commitments	\$ 5,100,345

Airport improvements are mainly funded by federal and state matching grants. Stormwater Utility improvement projects are primarily funded by debt and stormwater utility tax revenue. Capital projects, general fund, and Marina commitments are funded by general tax revenue. However many of these commitments relate to hurricane related repair projects and may receive partial reimbursement from the Federal Emergency Management Agency (FEMA) and the State of Florida.

**NOTE 19: ENCUMBRANCES**

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts and other commitments are recorded in order to reserve the portion of appropriations necessary to liquidate the commitment.

**City of New Smyrna Beach, Florida**  
**Notes to Financial Statements**

**NOTE 19: ENCUMBRANCES (Continued)**

Non-capital related encumbrances outstanding are cancelled and are not re-appropriated; however, encumbrances outstanding at year end for capital projects are cancelled and re-appropriated in the succeeding year's budget by way of a budget amendment. These amounts for are recorded as part of *restricted, committed* or *assigned* fund balances, depending on the classification of the resources that will be used to liquidate the encumbrance in a subsequent fiscal year. At September 30, 2018, encumbrances were reported under various fund balance classifications as follows:

	Outstanding Encumbrances
General fund	\$ 1,540,031
Airport fund	501,841
Stormwater utility	1,977,367
Community redevelopment agency fund, 2015	28,357
Capital projects fund	969,968
Building inspections fund	81,638
Total outstanding commitments	\$ 5,099,202

**NOTE 20: 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, all of which are, in the opinion of management, satisfactorily insured by general liability insurance. Commercial insurance policies are also obtained for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the City has identified specific locations which may require site remediation due to various soil and groundwater pollutants. An assessment has been performed at two locations on the City's airport property as well as at the City garage. As of September 30, 2018, no costs of cleanup have been determined with regards to the airport sites, rather the possible contaminated portions of the property have been roped off so as not to be disturbed. The garage property is undergoing additional assessments to determine the extent of the pollution. If it is determined the City is liable for clean-up, the maximum exposure to the City will be the pollution remediation insurance deductible of \$25,000. All estimates of liability are subject to change over time due to changes in the costs of goods and services, changes in remediation technology, or changes in laws and regulations governing remediation efforts.

**NOTE 21: STATE ROAD 44 SPECIAL ASSESSMENT**

In fiscal year 2018, pursuant to Ordinance No. 31-18, the City levied a special assessment for certain benefiting property owners to fund sanitary sewer improvements along State Road 44. The sanitary sewer improvements will be constructed by the Utilities Commission and the Utilities Commission will retain ownership of the improvements. Related to the special assessment, the City entered into an agreement with the Utilities Commission under which the City, with the exception of \$20,000 to reimburse the City for initial costs incurred, will remit all funds collected from this special assessment to the Utilities Commission to fund these improvements. At September 30, 2018, \$802,903 of the principal portion of the special assessment is reported as due to other governments.

**NOTE 22: SUBSEQUENT EVENTS**

**A. General obligation bonds**

In November 2018, voters approved a bond referendum authorizing the City to issue up to \$15 million in general obligation bonds for the acquisition of land along the Turnbull Creek watershed to be set aside for preservation. The bond referendum calls for the bonds to mature within 30 years from the date of issuance and the bonds will be secured by the City's ad valorem tax collections.

**B. Special assessment – Islesboro wastewater**

On January 22, 2019, the City Commission adopted Resolution No. 01-19, creating the Islesboro Wastewater Assessment Area and imposing special assessments within that assessment area to fund the cost of construction of wastewater collection facilities to serve the assessment area. The assessment, if not paid in full by the property owner prior to August 31, 2019, will be assessed over 20 years bearing an interest rate of 2.18% per annum. The initial assessment will appear on the ad valorem tax bill to be mailed in November 2019.

**C. Loan payable – Utilities Commission**

On June 1, 2019, the City drew down \$293,094 of the loan from the Utilities Commission described in Note 11.C., to be paid in 5 installments of \$62,914 (principal and interest) beginning with the first payment on August 1, 2019 and each January 2<sup>nd</sup> thereafter until paid in full.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**



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**City of New Smyrna Beach, Florida**  
**Required Pension Supplementary Information**  
**Schedule of Proportionate Share of Net Pension Liability**  
**Last Four Fiscal Years**

<b>Florida Retirement System (FRS)</b>	<b>2018</b>	2017	2016	2015
Employer's proportion of the net pension liability (asset)	<b>0.0033%</b>	0.0034%	0.0036%	0.0050%
Employer's proportionate share of the net pension liability (asset)	<b>\$ 1,007,839</b>	\$ 1,006,407	\$ 917,537	\$ 648,620
Employer's covered payroll <sup>(2)</sup>	<b>\$ 651,281</b>	\$ 675,513	\$ 716,912	\$ 994,059
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<b>154.75%</b>	148.98%	127.98%	65.25%
Plan fiduciary net position as a percentage of the total pension liability	<b>84.26%</b>	83.89%	84.88%	92.00%
<b>Health Insurance Subsidy Program (HIS)</b>	<b>2018</b>	2017	2016	2015
Employer's proportion of the net pension liability (asset)	<b>0.0020%</b>	0.0021%	0.0023%	0.0033%
Employer's proportionate share of the net pension liability (asset)	<b>\$ 212,101</b>	\$ 226,504	\$ 270,664	\$ 333,693
Employer's covered payroll <sup>(2)</sup>	<b>\$ 651,281</b>	\$ 675,513	\$ 716,912	\$ 994,059
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<b>32.57%</b>	33.53%	37.75%	33.57%
Plan fiduciary net position as a percentage of the total pension liability	<b>2.15%</b>	1.64%	0.97%	0.50%

**Notes to schedules:**

<sup>(1)</sup> **Measurement date.** The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.

<sup>(2)</sup> **Covered payroll.** Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

<sup>(3)</sup> **Changes in benefit terms.** There were no changes in benefit terms for the three years ended June 30, 2018

<sup>(4)</sup> **Changes in assumptions.** For FRS, the investment rate of return was decreased from 7.10% to 7.00%. The investment rate of return for HIS was increased from 3.58% to 3.87%.

*GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.*

**City of New Smyrna Beach, Florida**  
**Required Pension Supplementary Information**  
**Schedule of Contributions – Florida Retirement System**  
**Last Four Fiscal Years**

<b>Florida Retirement System (FRS)</b>	<b>2018</b>	2017	2016	2015
Contractually required contribution	\$ 95,359	\$ 87,304	\$ 87,454	\$ 113,890
Contributions in relation to the contractually required contribution	95,359	87,304	87,454	113,890
<b>Contribution deficiency (excess)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Employer's covered payroll <sup>(1)</sup>	\$ 636,796	\$ 649,486	\$ 675,863	\$ 906,883
Contributions as a percentage of covered payroll	14.97%	13.44%	12.94%	12.56%

<b>Health Insurance Subsidy Program (HIS)</b>	<b>2018</b>	2017	2016	2015
Contractually required contribution	\$ 10,867	\$ 10,784	\$ 11,577	\$ 12,459
Contributions in relation to the contractually required contribution	10,867	10,784	11,577	12,459
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Employer's covered payroll <sup>(1)</sup>	\$ 636,796	\$ 649,486	\$ 675,863	\$ 906,883
Contributions as a percentage of covered payroll	1.71%	1.66%	1.71%	1.37%

Notes to schedules:

<sup>(1)</sup> Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

*GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.*



**City of New Smyrna Beach, Florida**  
**Required Pension Supplementary Information**  
**Net Pension Liability and Related Ratios**  
**Last Five Fiscal Years**

<b>Police Officers' Pension Plan</b>					
<i>For the year ended September 30,</i>	<b>2018</b>	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 411,234	\$ 386,508	\$ 334,447	\$ 320,867	\$ 307,413
Interest	1,610,755	1,590,095	1,558,438	1,570,033	1,556,015
Share plan allocation	118,915	85,276	70,816	54,834	51,740
Change in funding standard account	-	-	-	-	(229,824)
Differences between expected and actual experience	441,756	95,140	(143,908)	(583,632)	-
Change in assumption	317,507	-	385,882	-	-
Contributions - buy back	-	10,011	-	-	-
Benefit payment	(1,984,538)	(1,882,484)	(1,340,827)	(1,700,396)	(1,346,754)
<b>Net Change in Total Pension Liability</b>	<b>915,629</b>	284,546	864,848	(338,294)	338,590
<b>Total Pension Liability - Beginning</b>	<b>20,965,839</b>	20,681,293	19,816,445	20,154,739	19,816,149
<b>Total Pension Liability - Ending (a)</b>	<b>21,881,468</b>	20,965,839	20,681,293	19,816,445	20,154,739
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	649,833	420,772	580,632	557,661	470,733
Contributions - State	241,378	207,739	193,279	177,297	174,203
Contributions - Employee	226,774	220,334	198,424	184,836	137,166
Contributions - buy back	-	10,011	-	-	-
Net investment income	1,100,357	1,556,295	1,217,573	337,826	1,640,698
Benefit payments, including refunds of employee contributions	(1,984,538)	(1,882,723)	(1,340,827)	(1,700,396)	(1,346,754)
Administrative expense	(38,075)	(38,227)	(42,439)	(37,482)	(29,248)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>195,729</b>	494,201	806,642	(480,258)	1,046,798
<b>Plan Fiduciary Net Position - Beginning</b>	<b>17,466,415</b>	16,972,214	16,165,572	16,645,830	15,599,032
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>17,662,144</b>	17,466,415	16,972,214	16,165,572	16,645,830
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 4,219,324</b>	\$ 3,499,424	\$ 3,709,079	\$ 3,650,873	\$ 3,508,909
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	<b>80.72%</b>	83.31%	82.07%	81.58%	82.59%
<b>Covered employee payroll</b>	<b>\$ 2,267,739</b>	\$ 2,203,342	\$ 1,984,243	\$ 2,206,819	\$ 1,658,351
<b>Net pension liability as a percentage of covered payroll</b>	<b>186.06%</b>	158.82%	186.93%	165.44%	211.59%

**Notes to the schedules:**

(1) The amounts presented for each fiscal year were determined as of September 30. The City implemented GASB Statement No. 67 for the fiscal year ending September 30, 2014. As a result, this information is only available for the past five years.

**City of New Smyrna Beach, Florida**  
**Required Pension Supplementary Information**  
**Net Pension Liability and Related Ratios**  
**Last Five Fiscal Years**

<b>Firefighters' Pension Plan</b>					
<i>For the year ended September 30,</i>	<b>2018</b>	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 259,492	\$ 269,679	\$ 230,789	\$ 213,595	\$ 203,023
Interest	<b>2,072,778</b>	2,020,974	1,913,573	1,933,796	1,944,483
Differences between expected and actual experience	<b>(214,976)</b>	76,802	332,637	3,756	-
Changes in assumption	-	-	772,171	-	-
Employee contributions	<b>(1,656,043)</b>	(1,924,346)	(1,758,674)	(3,089,977)	(1,496,734)
Net Change in Total Pension Liability	<b>461,251</b>	443,109	1,490,496	(938,830)	650,772
Total Pension Liability - Beginning	<b>26,804,600</b>	26,361,491	24,870,995	25,809,825	25,159,053
Total Pension Liability - Ending (a)	<b>27,265,851</b>	26,804,600	26,361,491	24,870,995	25,809,825
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	<b>1,280,312</b>	1,293,743	1,406,793	1,361,079	1,014,458
Contributions - State	<b>277,107</b>	288,780	276,578	277,167	295,516
Contributions - Employee	<b>227,693</b>	217,962	208,955	189,832	131,769
Net investment income	<b>1,801,891</b>	2,018,794	1,160,830	178,352	1,341,294
Benefit payments, including refunds of employee contributions	<b>(1,656,043)</b>	(1,924,346)	(1,758,674)	(3,089,977)	(1,496,734)
Administrative expense	<b>(34,724)</b>	(35,436)	(31,293)	(28,126)	(25,835)
Net Change in Plan Fiduciary Net Position	<b>1,896,236</b>	1,859,497	1,263,189	(1,111,673)	1,260,468
Plan Fiduciary Net Position - Beginning	<b>21,244,826</b>	19,385,329	18,122,140	19,233,813	17,973,345
Plan Fiduciary Net Position - Ending (b)	<b>23,141,062</b>	21,244,826	19,385,329	18,122,140	19,233,813
Net Pension Liability - Ending (a) - (b)	<b>\$ 4,124,789</b>	\$ 5,559,774	\$ 6,976,162	\$ 6,748,855	\$ 6,576,012
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<b>84.87%</b>	79.26%	73.54%	72.86%	74.52%
Covered payroll	<b>\$ 2,276,928</b>	\$ 2,179,782	\$ 2,073,116	\$ 2,513,046	\$ 1,727,904
Net pension liability as a percentage of covered payroll	<b>181.16%</b>	255.06%	336.51%	268.55%	380.58%

**Notes to the schedules:**

(1) The amounts presented for each fiscal year were determined as of September 30. The City implemented GASB Statement No. 67 for the fiscal year ending September 30, 2014. As a result, this information is only available for the past five years.

**City of New Smyrna Beach, Florida**  
**Required Pension Supplementary Information**  
**Schedule of Contributions – Police Officers’ and Firefighters’ Pension Plans**  
**Last Five Fiscal Years**

<b>Police Officers' Pension Plan</b>					
<i>For the year ended September 30,</i>	<b>2018</b>	2017	2016	2015	2014
Actuarially required contribution	\$ <b>730,212</b>	\$ 680,833	\$ 748,060	\$ 750,435	\$ 823,020
Contributions in relation to the actuarially determined contributions	<b>730,212</b>	680,833	748,060	750,435	823,020
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -

Covered payroll	\$ <b>2,267,739</b>	\$ 2,203,342	\$ 1,984,243	\$ 2,206,819	\$ 1,658,351
Contributions as a percentage of covered payroll	32.20%	30.90%	37.70%	34.01%	49.63%

<b>Firefighters' Pension Plan</b>					
<i>For the year ended September 30,</i>	<b>2018</b>	2017	2016	2015	2014
Actuarially required contribution	\$ <b>1,557,418</b>	\$ 1,582,522	\$ 1,683,370	\$ 1,638,246	\$ 1,309,974
Contributions in relation to the actuarially determined contributions	<b>1,552,182</b>	1,587,758	1,683,370	1,638,246	1,309,974
Contributions deficiency (excess)	\$ <b>5,236</b>	\$ (5,236)	\$ -	\$ -	\$ -

Covered payroll	\$ <b>2,276,928</b>	\$ 2,179,782	\$ 2,073,116	\$ 2,513,046	\$ 2,206,819
Contributions as a percentage of covered payroll	68.17%	72.84%	81.20%	65.19%	59.36%

**Notes to the schedules:**

- (1) The amounts presented for each fiscal year were determined as of September 30. The City implemented GASB Statement (2) No. 67 for the fiscal year ending September 30, 2014. As a result, this information is only available for the past five years.

**City of New Smyrna Beach, Florida**  
**Required Pension Supplementary Information**  
**Schedule of Investment Returns – Police Officers’ and Firefighters’ Pension Plans**  
**Last Five Fiscal Years**

<b>Police Officers' Pension Plan</b>					
<i>For the year ended September 30,</i>	<b>2018</b>	2017	2016	2015	2014
Annual Money-Weighted Rate of Return					
Net of Investment Expense	<b>6.63%</b>	9.43%	7.73%	2.11%	10.88%

<b>Firefighters' Pension Plan</b>					
<i>For the year ended September 30,</i>	<b>2018</b>	2017	2016	2015	2014
Annual Money-Weighted Rate of Return					
Net of Investment Expense	<b>8.71%</b>	10.82%	6.62%	0.99%	7.64%

**City of New Smyrna Beach, Florida**  
**Required Supplementary Pension Information**  
**Notes to Schedule – Police Officers’ and Firefighters’ Pension Plans**

Valuation date: October 1, 2016

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

	Police Officers' Pension Plan	Firefighters' Pension Plan
Funding Method:	Frozen Initial Liability Actuarial Cost Method.	Entry Age Normal Actuarial Cost Method.
Amortization Method:	Level dollar basis.	Level Percentage of Pay, Closed.
Remaining Amortization Period:	27 Years (as of 10/01/2015)	25 Years (as of 10/01/2016)
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 4-year period.	The actuarial value of assets is brought forward using the historical geometric 4-year average of market value returns. Over time, this may result in an insignificant bias that is above or below the market value of assets.
Inflation:	2.70% per year.	2.30% per year.
Salary Increases:	Table S-5 from the Actuaries Pension Handbook plus 3.0%, plus a percentage for lump sums.	5.75% for all ages. The final salary is increased based on the frozen hours (up to 500) as of October 1, 2012 for each member.
Interest Rate:	7.0% per year compounded annually, net of investment related expenses.	7.9% per year compounded annually, net of investment related expenses.
Payroll Growth:	None.	None.
Retirement Age:	For active members, the later of a) age 50, or b) the earlier of age 55 with 10 years of credited service or completion of 20 years of service. For inactive members, normal retirement age as defined in the Summary of Plan Provisions.	Earlier of a) age 56 and 10 years of credited service or b) 26 years of credited service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	Age 50 and 10 years of service, benefit determined same as for normal retirement and reduced 3% for each year early retirement precedes normal retirement.	Commencing with eligibility for Early Retirement (Age 50), members are assumed to retire with an immediate subsidized benefit at the rate of 2% per year.

**City of New Smyrna Beach, Florida**  
**Required Supplementary Pension Information**  
**Notes to Schedule – Police Officers’ and Firefighters’ Pension Plans**

	Police Officers' Pension Plan	Firefighters' Pension Plan
Termination Rates:	2003 Society of Actuaries Small Plan Age Table, multiplied by 0.45.	See table below.
Disability Rates:	1987 Commissioner's Group Disability Table, six month elimination period, rates have been multiplied by 2 for occupational disability. For both Plan's It is assumed that 75% of disablements will be in-line of duty and 25% will not be in-line of duty.	See table below.
Mortality	<p><u>Healthy lives</u> - Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.  <u>Disabled lives</u> - Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale. Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale. The assumed rates of mortality were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in the July 1, 2015 FRS actuarial valuation report for special risk employees.</p>	

**Police Officers' Pension Plan**

Age	% Terminating During the Year	Salary Increase
20	10.94%	8.10%
25	8.78%	7.18%
30	6.98%	6.57%
35	5.45%	6.11%
40	4.23%	5.72%
45	3.29%	5.39%
50	2.52%	5.12%
55	1.89%	4.88%

**Firefighters' Pension Plan**

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	17.20%	0.07%
30	15.00%	0.11%
40	8.20%	0.19%
50	1.70%	0.51%

**City of New Smyrna Beach, Florida**  
**Required Other Postemployment Benefits Supplementary Information**  
**Schedules of Changes in Total OPEB Liability and Related Ratios**  
**– Last Fiscal Year**

<i>September 30,</i>	<b>2018</b>
<b>Total OPEB liability - beginning</b>	\$ 3,000,745
Changes due to:	
Service cost	123,075
Interest	111,004
Benefit payments	(149,844)
Net changes in total OPEB liability	84,235
<b>Total OPEB liability - ending (a)</b>	<b>\$ 3,084,980</b>
 <b>Plan fiduciary net position (b) <sup>(6)</sup></b>	 \$ -
 <b>OPEB liability - ending (a) - (b)</b>	 \$ 3,084,980
 Covered-employee payroll for the measurement period	 \$ 9,760,283
 OPEB Liability as a percentage of covered-employee payroll	 31.61%

Notes:

<sup>(1)</sup> The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Pensions*, in 2018. The employer must eventually disclose a 10-year history. However, until a full 10-year trend is compiled, information will be presented only for those years which information is available.

<sup>(2)</sup> The City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASBS No. 75 to pay related benefits.

<sup>(3)</sup> The amounts shown in this schedule are presented for the measurement period.

<sup>(4)</sup> There were no changes in benefit terms.

<sup>(5)</sup> There is no actuarial determined contribution to the OPEB plan.

<sup>(6)</sup> The following discount rate was used in each period:

9/30/2017 = 3.35%

9/30/2018 = 3.64%

**City of New Smyrna Beach, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual – General Fund**

<i>Year ended September 30, 2018</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 16,075,222	\$ 16,075,222	\$ 16,833,839	\$ 758,617
Licenses and permits	4,671,353	4,671,353	4,581,325	(90,028)
Intergovernmental	2,442,652	3,414,187	5,181,394	1,767,207
Charges for services	768,237	910,494	1,089,541	179,047
Fines and forfeitures	155,000	155,000	169,410	14,410
Investment income	45,000	45,000	104,591	59,591
Miscellaneous	296,139	296,139	367,740	71,601
<b>Total revenues</b>	<b>24,453,603</b>	<b>25,567,395</b>	<b>28,327,840</b>	<b>2,760,445</b>
<b>Expenditures</b>				
Current:				
General government	4,319,099	5,950,414	5,452,357	498,057
Public safety	12,039,743	12,135,627	12,014,106	121,521
Transportation	1,256,993	1,472,795	1,464,222	8,573
Culture and recreation	3,901,127	3,997,773	3,662,103	335,670
Buildings and maintenance	619,381	641,660	639,592	2,068
Debt Service:				
Principal	217,044	217,044	166,216	50,828
Interest and fiscal charges	-	-	50,827	(50,827)
Capital outlay	1,153,612	3,558,523	1,695,719	1,862,804
<b>Total expenditures</b>	<b>23,506,999</b>	<b>27,973,836</b>	<b>25,145,142</b>	<b>2,828,694</b>
Excess (deficiency) of revenues over (under) expenditures	946,604	(2,406,441)	3,182,698	5,589,139
Other financing sources (uses)				
Transfers in	30,700	863,301	30,699	(832,602)
Transfers out	(987,304)	(3,112,240)	(2,113,194)	999,046
Proceeds from insurance recovery	-	-	23,564	23,564
Proceeds from sale of capital assets	10,000	10,000	31,106	41,106
<b>Total other financing sources (uses)</b>	<b>(946,604)</b>	<b>(2,238,939)</b>	<b>(2,027,825)</b>	<b>231,114</b>
Net change in fund balances	-	(4,645,380)	1,154,873	5,800,253
<b>Fund balances, beginning of year</b>	<b>8,259,320</b>	<b>8,259,320</b>	<b>8,259,320</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 8,259,320</b>	<b>\$ 3,613,940</b>	<b>\$ 9,414,193</b>	<b>\$ 5,800,253</b>



**City of New Smyrna Beach, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual – Stormwater Utility Fund**

<i>Year ended September 30, 2018</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Charges for services	\$ 2,149,334	\$ 2,149,334	\$ 2,128,797	\$ (20,537)
Investment income	-	-	53,861	53,861
Intergovernmental	-	3,442,752	4,785,500	1,342,748
<b>Total revenues</b>	<b>2,149,334</b>	<b>5,592,086</b>	<b>6,968,158</b>	<b>1,376,072</b>
<b>Expenditures</b>				
Current:				
Physical environment	815,888	1,153,688	926,523	227,165
Buildings and maintenance	518,824	225,786	76,512	149,274
Capital outlay	-	11,682,832	9,428,041	2,254,791
<b>Total expenditures</b>	<b>1,334,712</b>	<b>13,062,306</b>	<b>10,431,076</b>	<b>2,631,230</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>814,622</b>	<b>(7,470,220)</b>	<b>(3,462,918)</b>	<b>4,007,302</b>
<b>Other financing sources (uses)</b>				
Transfers out	(814,622)	(814,622)	(810,624)	3,998
<b>Total other financing sources (uses)</b>	<b>(814,622)</b>	<b>(814,622)</b>	<b>(810,624)</b>	<b>3,998</b>
Net change in fund balances	-	(8,284,842)	(4,273,542)	4,011,300
<b>Fund balances, beginning of year</b>	<b>8,860,753</b>	<b>8,860,753</b>	<b>8,860,753</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 8,860,753</b>	<b>\$ 575,911</b>	<b>\$ 4,587,211</b>	<b>\$ 4,011,300</b>

**City of New Smyrna Beach, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual – Building Inspections Fund**

<i>Year ended September 30, 2018</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Licenses and permits	\$ 2,193,592	\$ 2,193,592	\$ 2,559,692	\$ 366,100
Intergovernmental revenue	21,000	-	-	-
Charges for services	-	-	35,238	35,238
Investment income	-	-	38,685	38,685
Miscellaneous	4,155	4,155	7,751	3,596
<b>Total revenues</b>	<b>2,218,747</b>	<b>2,197,747</b>	<b>2,641,366</b>	<b>443,619</b>
<b>Expenditures</b>				
Current:				
Public safety	2,134,747	2,016,597	1,223,991	792,606
Capital outlay	84,000	148,000	79,288	68,712
<b>Total expenditures</b>	<b>2,218,747</b>	<b>2,164,597</b>	<b>1,303,279</b>	<b>861,318</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>33,150</b>	<b>1,338,087</b>	<b>1,304,937</b>
<b>Other financing sources</b>				
Transfers out	-	(779,500)	-	(779,500)
<b>Total other financing sources</b>	<b>-</b>	<b>(779,500)</b>	<b>-</b>	<b>(779,500)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>(746,350)</b>	<b>1,338,087</b>	<b>525,437</b>
<b>Fund balances, beginning of year</b>	<b>5,199,763</b>	<b>5,199,763</b>	<b>5,199,763</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 5,199,763</b>	<b>\$ 4,453,413</b>	<b>\$ 6,537,850</b>	<b>\$ 525,437</b>

**City of New Smyrna Beach, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual – Community Redevelopment Agency, 1985**

<i>Year ended September 30, 2018</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>	-	-	-	-
<b>Deficiency of revenues under expenditures</b>	-	-	-	-
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund deficit, beginning of year</b>	28,357	28,357	28,357	-
<b>Fund balances, end of year</b>	\$ 28,357	\$ 28,357	\$ 28,357	\$ -

**City of New Smyrna Beach, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual – Community Redevelopment Agency, 2015**

<i>Year ended September 30, 2018</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 305,509	\$ 305,509	\$ 291,289	\$ (14,220)
Investment income	-	-	1,934	1,934
<b>Total revenues</b>	<b>305,509</b>	<b>305,509</b>	<b>293,223</b>	<b>(12,286)</b>
<b>Expenditures</b>				
Current:				
Economic environment	-	-	14,468	(14,468)
Capital outlay	305,509	424,509	280,735	143,774
<b>Total expenditures</b>	<b>305,509</b>	<b>424,509</b>	<b>295,203</b>	<b>129,306</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>(119,000)</b>	<b>(1,980)</b>	<b>117,020</b>
<b>Fund balances, beginning of year</b>	<b>157,186</b>	<b>157,186</b>	<b>157,186</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 157,186</b>	<b>\$ 38,186</b>	<b>155,206</b>	<b>\$ 117,020</b>

**City of New Smyrna Beach, Florida**  
**Notes to Required Supplementary Information**

**A. Budgetary information**

An annual budget is prepared for all funds of the City except for the Pension Trust Funds which are effectively controlled through governing agreements and related City ordinances. The annual operating budgets are prepared on a basis consistent with generally accepted accounting principles except for the Enterprise Fund, which uses a modified basis that includes debt proceeds, capital contributions, capital outlay, and debt service principal. Budgets are adopted by the City Commission pursuant to City Charter using the following procedures:

- Budget preparation begins with the formulation of a budget calendar by the City Manager, which is distributed generally during April of each year.
- Workshops with the City Commission are then held regarding budget priorities.
- Budget instructions containing City Commission priorities are then distributed to department heads along with forms and worksheets.
- Each department of the City submits an initial expenditure budget proposal to the Finance Director during May of each year. The Finance Director prepares a proposed budget showing each fund, organization unit (department), program activity, purpose or object of expenditure for the past three years, the current years actual to date and budget, and the next year's proposed budget.
- The City Manager reviews the departmental request, then meets with department heads, where proposed departmental budgets are amended.
- The City Manager and Finance Director prepare their final revenue estimates, which contain comparative and estimated data for each fund and revenue source, during June.
- The proposed budget is presented to the City Commission during July each year. At this time, the City Clerk advertises the public hearing on the proposed budget.
- The City Commission holds a series of budget workshops and public hearings on the proposed budget, and adopts the official annual budget of the City during September of each year.
- When the budget is formally approved, budget documents are distributed to departments for budget implementation on October 1. During the fiscal year, the Finance Director monitors and reviews budgetary activities and prepares projections to be used to determine year-end cash balances and to prepare for the upcoming fiscal year budget.

Budgetary integration is established in the accounting records for management control purposes at the object of expenditure level; however, the City Charter establishes the level at which expenditures may not legally exceed the total City-wide appropriations. Therefore, the City Manager may, at any time, transfer appropriation amounts between line items, expenditure classifications, departments, and funds without formal approval by the City Commission. However, any revisions that increase the total appropriations at the fund level of the City must be approved through amendment by the City Commission. The Commissioners approved several budgetary amendments during the year.

**City of New Smyrna Beach, Florida**  
**Notes to Required Supplementary Information**

**B. Encumbrances**

Encumbrance accounting is employed in the general, capital project and special revenue funds. Under this method, open purchase orders and other commitments are recognized as expenditures in the period in which the actual goods or services are received and a liability is incurred. Purchase orders, contracts and other commitments outstanding at year-end do not constitute expenditures for liabilities. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are cancelled and capital related obligations are re-appropriated as an expenditure in the succeeding year's budget by way of a budget amendment. Accordingly, there were no encumbrances outstanding at year end.

**C. Financial Reporting for Pension Plans**

Governmental Accounting Standard Board Statement No. 67, *Financial Reporting for Pension Plans*, requires supplementary information be reporting on the local pension plans in addition to that provided in the Notes to Financial Statements. This information is presented in the Required Supplementary Information section of the report.

# CITY OF NEW SMYRNA BEACH, FLORIDA

## Nonmajor Governmental Funds

### Debt Service Fund

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The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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### Special Revenue Funds

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Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

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**Airport Industrial Park** – This fund is used to account for user charges for those using the airport facilities and to account for user charges assessed for the use of industrial park area facilities. Federal awards and state financial assistance is also often a major source of revenue to assist with the maintenance and improvements of these facilities.

**Special Law Enforcement Trust Fund** - This fund accounts for proceeds generated by confiscation activities of the Police Department. Expenditures are restricted for law enforcement purposes only.

**Beach Parking Fund** - This fund is used for parking fees and general fund revenues offset the costs of operation, maintenance, and development of parking facilities and parking initiatives, and provide appropriate regulation of utilization.

### Capital Project Funds

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Capital project funds account for all resources used for the acquisition and/or construction of capital facilities by the City, except those financed by the enterprise funds.

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**Law Enforcement Capital Fund** - This fund accounts for impact fees assessed and collected against new construction activities. Use of these funds is restricted for expansion of law enforcement facilities and services.

**Fire and Emergency Service Capital Fund** - This fund accounts for impact fees assessed and collected against new construction activities. Use of these funds is restricted for expansion of fire and emergency facilities and services.

**Parks and Recreation Capital Fund** - This fund accounts for impact fees assessed and collected against new construction activities. Use of these funds is restricted for construction or expansion of existing parks and recreation facilities.

**Transportation Capital Fund** - This fund accounts for impact fees assessed and collected against new construction activities. Use of these funds is restricted for expansion of existing local roadway links or construction of new local roadways.

**City of New Smyrna Beach, Florida**  
**Combining Balance Sheet - Nonmajor Governmental Funds**

	Special Revenue Funds			
	Debt Service Fund	Airport Industrial Park	Special Law Enforcement Trust	Beach Parking
<i>September 30, 2018</i>				
<b>ASSETS</b>				
Equity in pooled cash	\$ -	\$ 1,311,513	\$ 114,444	\$ 1,518,008
Restricted equity in pooled cash	459,630	-	-	-
Receivables, net				
Accounts receivable	4,397	177,595	-	15,536
Due from other governments	-	456,841	-	-
Inventories	-	49,249	-	-
Prepaid items	-	3,360	-	-
<b>Total assets</b>	<b>\$ 464,027</b>	<b>\$ 1,998,558</b>	<b>\$ 114,444</b>	<b>\$ 1,533,544</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 296,891	\$ 1,890	\$ 20,788
Deposits	-	49,362	-	-
Unearned revenue	-	4,652	-	-
<b>Total liabilities</b>	<b>-</b>	<b>350,905</b>	<b>1,890</b>	<b>20,788</b>
Deferred inflows of resources:				
Unavailable revenue - taxes	4,397	-	-	-
<b>Total deferred inflow of resources</b>	<b>4,397</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:				
Nonspendable				
Inventories and prepaids	-	52,609	-	-
Spendable:				
Restricted for:				
Public safety - Police	-	-	112,554	-
Capital projects	-	-	-	-
Debt service	459,630	-	-	-
Assigned for:				
Airport park maintenance and improvements	-	1,595,044	-	-
Parks and recreation assistance program	-	-	-	1,512,756
<b>Total fund balances</b>	<b>459,630</b>	<b>1,647,653</b>	<b>112,554</b>	<b>1,512,756</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 464,027</b>	<b>\$ 1,998,558</b>	<b>\$ 114,444</b>	<b>\$ 1,533,544</b>



Capital Projects Funds					Total
Law Enforcement Capital	Fire & Emergency Service Capital	Parks & Recreation Capital	Transportation Capital		Nonmajor Governmental Funds
\$ 1,814,042	\$ 874,034	\$ 107,109	\$ 2,148,712	\$	7,887,862
-	-	-	-		459,630
-	-	-	-		197,528
-	-	-	-		456,841
-	-	-	-		49,249
-	-	-	-		3,360
<u>\$ 1,814,042</u>	<u>\$ 874,034</u>	<u>\$ 107,109</u>	<u>\$ 2,148,712</u>	<u>\$</u>	<u>9,054,470</u>
\$ -	\$ -	\$ -	\$ -	\$	319,569
-	-	-	-		49,362
-	-	-	-		4,652
-	-	-	-		373,583
-	-	-	-		4,397
-	-	-	-		4,397
-	-	-	-		52,609
-	-	-	-		112,554
1,814,042	874,034	107,109	2,148,712		4,943,897
-	-	-	-		459,630
-	-	-	-		1,595,044
-	-	-	-		1,512,756
<u>1,814,042</u>	<u>874,034</u>	<u>107,109</u>	<u>2,148,712</u>		<u>8,676,490</u>
<u>\$ 1,814,042</u>	<u>\$ 874,034</u>	<u>\$ 107,109</u>	<u>\$ 2,148,712</u>	<u>\$</u>	<u>9,054,470</u>

**City of New Smyrna Beach, Florida**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**- Nonmajor Governmental Funds**

<i>Year Ended September 30, 2018</i>	Special Revenue Funds			
	Debt Service Fund	Airport Industrial Park	Special Law Enforcement Trust	Beach Parking
<b>REVENUES</b>				
Taxes	\$ 1,248,281	\$ -	\$ -	\$ -
Intergovernmental revenue	-	682,057	-	-
Charges for services	-	2,622,796	-	873,164
Fines and forfeitures	-	-	9,737	-
Investment income	5,309	10,618	1,082	7,698
Miscellaneous	-	-	301	97,398
Total revenues	1,253,590	3,315,471	11,120	978,260
<b>EXPENDITURES</b>				
Current:				
Public safety	-	-	21,895	65,179
Transportation	-	2,674,615	-	253,941
Debt service:				
Principal	2,232,706	-	-	-
Interest and fiscal charges	707,993	-	-	-
Capital outlay	-	861,759	-	47,173
Total expenditures	2,940,699	3,536,374	21,895	366,293
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,687,109)</b>	<b>(220,903)</b>	<b>(10,775)</b>	<b>611,967</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	1,797,924	-	-	-
Transfers out	(31,421)	-	-	-
Proceeds from insurance recovery	-	6,837	-	-
Total other financing sources	1,766,503	6,837	-	-
<b>Net change in fund balances</b>	<b>79,394</b>	<b>(214,066)</b>	<b>(10,775)</b>	<b>611,967</b>
<b>Fund balances, beginning of year</b>	<b>380,236</b>	<b>1,861,719</b>	<b>123,329</b>	<b>900,789</b>
<b>Fund balances, end of year</b>	<b>\$ 459,630</b>	<b>\$ 1,647,653</b>	<b>\$ 112,554</b>	<b>\$ 1,512,756</b>

Capital Projects Funds					Total
Law Enforcement Capital	Fire & Emergency Service Capital	Parks & Recreation Capital	Transportation Capital	Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ 1,248,281	
-	-	-	-	682,057	
319,597	248,658	93,394	745,724	4,903,333	
-	-	-	-	9,737	
11,196	5,371	580	12,420	54,274	
-	-	-	-	97,699	
330,793	254,029	93,974	758,144	6,995,381	
-	-	-	-	87,074	
-	-	-	-	2,928,556	
-	-	-	-	2,232,706	
-	-	-	-	707,993	
-	22,273	-	-	931,205	
-	22,273	-	-	6,887,534	
330,793	231,756	93,974	758,144	328,750	
-	-	-	-	1,797,924	
-	-	-	-	(31,421)	
-	-	-	-	6,837	
-	-	-	-	1,773,340	
330,793	231,756	93,974	758,144	1,881,187	
1,483,249	642,278	13,135	1,390,568	6,795,303	
\$ 1,814,042	\$ 874,034	\$ 107,109	\$ 2,148,712	\$ 8,676,490	

**City of New Smyrna Beach, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and**  
**Actual – Debt Service Fund**

<i>Year ended September 30, 2018</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 1,224,390	\$ 1,224,390	\$ 1,248,281	\$ 23,891
Investment income	-	-	5,309	5,309
<b>Total revenues</b>	<b>1,224,390</b>	<b>1,224,390</b>	<b>1,253,590</b>	<b>29,200</b>
<b>Expenditures</b>				
Debt service:				
Principal	2,233,021	2,233,021	2,232,706	315
Interest and fiscal charges	793,295	793,295	707,993	85,302
<b>Total expenditures</b>	<b>3,026,316</b>	<b>3,026,316</b>	<b>2,940,699</b>	<b>85,617</b>
<b>Deficiency of revenues under expenditures</b>	<b>(1,801,926)</b>	<b>(1,801,926)</b>	<b>(1,687,109)</b>	<b>114,817</b>
<b>Other financing sources</b>				
Transfers in	1,801,926	1,801,926	1,797,924	(4,002)
Transfer out	-	-	(31,421)	(31,421)
<b>Total other financing sources</b>	<b>1,801,926</b>	<b>1,801,926</b>	<b>1,766,503</b>	<b>(35,423)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>79,394</b>	<b>79,394</b>
<b>Fund balances, beginning of year</b>	<b>380,236</b>	<b>380,236</b>	<b>380,236</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 380,236</b>	<b>\$ 380,236</b>	<b>\$ 459,630</b>	<b>\$ 79,394</b>

**City of New Smyrna Beach, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and**  
**Actual – Airport Industrial Park Fund**

<i>Year ended September 30, 2018</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 1,309,250	\$ 2,240,314	\$ 682,057	\$ (1,558,257)
Charges for services	2,956,048	2,956,048	2,622,796	(333,252)
Investment income	-	-	10,618	10,618
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>4,265,298</b>	<b>5,196,362</b>	<b>3,315,471</b>	<b>(1,880,891)</b>
<b>Expenditures</b>				
Current:				
Transportation	2,811,655	2,935,742	2,674,615	261,127
Capital outlay	1,685,000	2,742,197	861,759	1,880,438
<b>Total expenditures</b>	<b>4,496,655</b>	<b>5,677,939</b>	<b>3,536,374</b>	<b>2,141,565</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(231,357)</b>	<b>(481,577)</b>	<b>(220,903)</b>	<b>260,674</b>
<b>Other financing sources</b>				
Proceeds from insurance recovery	-	-	6,837	6,837
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>6,837</b>	<b>6,837</b>
<b>Net change in fund balance</b>	<b>(231,357)</b>	<b>(481,577)</b>	<b>(214,066)</b>	<b>267,511</b>
<b>Fund balances, beginning of year</b>	<b>1,861,719</b>	<b>1,861,719</b>	<b>1,861,719</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 1,630,362</b>	<b>\$ 1,380,142</b>	<b>\$ 1,647,653</b>	<b>\$ 267,511</b>

**City of New Smyrna Beach, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and**  
**Actual – Special Law Enforcement Trust Fund**

<i>Year ended September 30, 2018</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Fines and forfeitures	\$ -	\$ -	\$ 9,737	\$ 9,737
Investment income	-	-	1,082	1,082
Miscellaneous	-	-	301	301
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>11,120</b>	<b>11,120</b>
<b>Expenditures</b>				
Public safety	-	36,000	21,895	14,105
Capital outlay	15,000	15,000	-	15,000
<b>Total expenditures</b>	<b>15,000</b>	<b>51,000</b>	<b>21,895</b>	<b>29,105</b>
<b>Deficiency of revenues under expenditures</b>	<b>(15,000)</b>	<b>(51,000)</b>	<b>(10,775)</b>	<b>40,225</b>
<b>Net change in fund balance</b>	<b>(15,000)</b>	<b>(51,000)</b>	<b>(10,775)</b>	<b>40,225</b>
<b>Fund balances, beginning of year</b>	<b>123,329</b>	<b>123,329</b>	<b>123,329</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 108,329</b>	<b>\$ 72,329</b>	<b>\$ 112,554</b>	<b>\$ 40,225</b>

**City of New Smyrna Beach, Florida**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Beach Parking Fund**

<i>Year ended September 30, 2018</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Charges for services	\$ 600,000	\$ 600,000	\$ 873,164	\$ 273,164
Investment income	-	-	7,698	7,698
Miscellaneous	-	-	97,398	97,398
<b>Total revenues</b>	<b>600,000</b>	<b>600,000</b>	<b>978,260</b>	<b>378,260</b>
<b>Expenditures</b>				
Current:				
Public safety	-	-	65,179	(65,179)
Transportation	208,919	267,084	253,941	13,143
Capital outlay	-	50,000	47,173	2,827
<b>Total expenditures</b>	<b>208,919</b>	<b>317,084</b>	<b>366,293</b>	<b>(49,209)</b>
<b>Excess of revenues over expenditures</b>	<b>391,081</b>	<b>282,916</b>	<b>611,967</b>	<b>329,051</b>
<b>Other financing uses</b>				
Transfers out	-	(722,346)	-	722,346
<b>Total other financing uses</b>	<b>-</b>	<b>(722,346)</b>	<b>-</b>	<b>722,346</b>
<b>Net change in fund balance</b>	<b>391,081</b>	<b>(439,430)</b>	<b>611,967</b>	<b>(393,295)</b>
<b>Fund balances, beginning of year</b>	<b>900,789</b>	<b>900,789</b>	<b>900,789</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 1,291,870</b>	<b>\$ 461,359</b>	<b>\$ 1,512,756</b>	<b>\$ (393,295)</b>

**City of New Smyrna Beach, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and**  
**Actual – Capital Projects Fund**

<i>Year ended September 30, 2018</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 1,137,369	\$ 593,600	\$ (543,769)
Investment income	-	-	7,766	7,766
<b>Total revenues</b>	<b>-</b>	<b>1,137,369</b>	<b>601,366</b>	<b>(536,003)</b>
<b>Expenditures</b>				
General government	24,192	24,192	25,644	(1,452)
Public safety	-	-	3,740	(3,740)
Debt service:				
Principal	-	-	7,290,000	(7,290,000)
Interest and fiscal charges	-	11,889	86,914	(75,025)
Capital outlay	-	7,124,604	2,262,666	4,861,938
<b>Total expenditures</b>	<b>24,192</b>	<b>7,160,685</b>	<b>9,668,964</b>	<b>(2,508,279)</b>
<b>Deficiency of revenues under expenditures</b>	<b>(24,192)</b>	<b>(6,023,316)</b>	<b>(9,067,598)</b>	<b>(3,044,282)</b>
<b>Other financing sources</b>				
Proceeds from issuance of debt	-	2,642,000	10,000,000	7,358,000
Transfers in	-	2,621,350	872,315	(1,749,035)
<b>Other financing sources</b>	<b>-</b>	<b>5,263,350</b>	<b>10,872,315</b>	<b>5,608,965</b>
<b>Net change in fund balance</b>	<b>(24,192)</b>	<b>(759,966)</b>	<b>1,804,717</b>	<b>2,564,683</b>
<b>Fund balances, beginning of year</b>	<b>1,743,167</b>	<b>1,743,167</b>	<b>1,743,167</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 1,718,975</b>	<b>\$ 983,201</b>	<b>\$ 3,547,884</b>	<b>\$ 2,564,683</b>



**City of New Smyrna Beach, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and**  
**Actual – Law Enforcement Capital Fund**

<i>Year ended September 30, 2018</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Charges for services	\$ 388,000	\$ 388,000	\$ 319,597	\$ (68,403)
Investment income	-	-	11,196	11,196
<b>Total revenues</b>	<b>388,000</b>	<b>388,000</b>	<b>330,793</b>	<b>(57,207)</b>
<b>Expenditures</b>				
Public safety	388,000	388,000	-	388,000
<b>Total expenditures</b>	<b>388,000</b>	<b>388,000</b>	<b>-</b>	<b>388,000</b>
<b>Excess of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>330,793</b>	<b>330,793</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>330,793</b>	<b>330,793</b>
<b>Fund balances, beginning of year</b>	<b>1,483,249</b>	<b>1,483,249</b>	<b>1,483,249</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 1,483,249</b>	<b>\$ 1,483,249</b>	<b>\$ 1,814,042</b>	<b>\$ 330,793</b>

**City of New Smyrna Beach, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and**  
**Actual – Fire and Emergency Services Capital Fund**

<i>Year ended September 30, 2018</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Charges for services	\$ 155,000	\$ 155,000	\$ 248,658	\$ 93,658
Investment income	-	-	5,371	5,371
<b>Total revenues</b>	<b>155,000</b>	<b>155,000</b>	<b>254,029</b>	<b>99,029</b>
<b>Expenditures</b>				
Public safety	130,500	68,395	-	68,395
Capital outlay	24,500	24,500	22,273	2,227
<b>Total expenditures</b>	<b>155,000</b>	<b>92,895</b>	<b>22,273</b>	<b>70,622</b>
<b>Excess of revenues over expenditures</b>	<b>-</b>	<b>62,105</b>	<b>231,756</b>	<b>169,651</b>
<b>Other financing uses</b>				
Transfers out	-	(62,105)	-	62,105
<b>Total other financing uses</b>	<b>-</b>	<b>(62,105)</b>	<b>-</b>	<b>62,105</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>231,756</b>	<b>231,756</b>
<b>Fund balances, beginning of year</b>	<b>642,278</b>	<b>642,278</b>	<b>642,278</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 642,278</b>	<b>\$ 642,278</b>	<b>\$ 874,034</b>	<b>\$ 231,756</b>

**City of New Smyrna Beach, Florida**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Parks and Recreation Capital Fund**

<i>Year ended September 30, 2018</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Charges for services	\$ 40,000	\$ 40,000	\$ 93,394	\$ 53,394
Investment income	-	-	580	580
<b>Total revenues</b>	<b>40,000</b>	<b>40,000</b>	<b>93,974</b>	<b>53,974</b>
<b>Expenditures</b>				
Culture / recreation	40,000	40,000	-	40,000
<b>Total expenditures</b>	<b>40,000</b>	<b>40,000</b>	<b>-</b>	<b>40,000</b>
<b>Excess of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>93,974</b>	<b>93,974</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>93,974</b>	<b>93,974</b>
<b>Fund balances, beginning of year</b>	<b>13,135</b>	<b>13,135</b>	<b>13,135</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 13,135</b>	<b>\$ 13,135</b>	<b>\$ 107,109</b>	<b>\$ 93,974</b>

**City of New Smyrna Beach, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and**  
**Actual – Transportation Capital Fund**

<i>Year ended September 30, 2018</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Charges for services	\$ 525,000	\$ 525,000	\$ 745,724	\$ 220,724
Investment income	-	-	12,420	12,420
<b>Total revenues</b>	<b>525,000</b>	<b>525,000</b>	<b>758,144</b>	<b>233,144</b>
<b>Expenditures</b>				
Transportation	525,000	525,000	-	525,000
<b>Total expenditures</b>	<b>525,000</b>	<b>525,000</b>	<b>-</b>	<b>525,000</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>758,144</b>	<b>758,144</b>
<b>Fund balances, beginning of year</b>	<b>1,390,568</b>	<b>1,390,568</b>	<b>1,390,568</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 1,390,568</b>	<b>\$ 1,390,568</b>	<b>\$ 2,148,712</b>	<b>\$ 758,144</b>

## **STATISTICAL SECTION**

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# STATISTICAL SECTION

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

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### A. Financial Trends

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

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### Additional Notes

Unless otherwise noted, the information in these schedules is derived from the City's Comprehensive Annual Financial Report (CAFR) for the relevant year.

**City of New Smyrna Beach, Florida**  
**Net Position by Component, Last Ten Fiscal Years**

	<b>Fiscal Year Ending September 30,</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Governmental Activities:</b>				
Invested in capital assets	\$ 100,614,187	\$ 94,927,137	\$ 94,386,725	\$ 90,274,757
Restricted	14,686,532	9,520,265	7,084,902	6,314,851
Unrestricted	3,892,229	3,993,543	3,832,295	848,848
<b>Total governmental activities net position</b>	<b><u>\$ 119,192,948</u></b>	<b><u>\$ 108,440,945</u></b>	<b><u>\$ 105,303,922</u></b>	<b><u>\$ 97,438,456</u></b>
<b>Business-type Activities:</b>				
Invested in capital assets	\$ 1,064,128	\$ 610,651	\$ 551,501	\$ 119,173
Restricted	-	-	-	-
Unrestricted	(31,280)	(271,645)	(338,008)	60,501
<b>Total business-type activities net position</b>	<b><u>\$ 1,032,848</u></b>	<b><u>\$ 339,006</u></b>	<b><u>\$ 213,493</u></b>	<b><u>\$ 179,674</u></b>
<b>Primary Government:</b>				
Invested in capital assets	\$ 101,678,315	\$ 95,537,788	\$ 94,938,226	\$ 90,393,930
Restricted	14,686,532	9,520,265	7,084,902	6,314,851
Unrestricted	3,860,949	3,721,898	3,494,287	909,349
<b>Total primary government net position</b>	<b><u>\$ 120,225,796</u></b>	<b><u>\$ 108,779,951</u></b>	<b><u>\$ 105,517,415</u></b>	<b><u>\$ 97,618,130</u></b>



**Table 1****Fiscal Year Ending September 30,**

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 78,223,395	\$ 72,837,452	\$ 68,606,704	\$ 61,529,420	\$ 54,002,170	\$ 50,935,317
6,844,850	6,976,592	10,144,140	13,093,265	16,870,174	15,146,650
2,398,098	12,386,601	11,427,059	11,232,777	11,169,827	11,297,863
<u>\$ 87,466,343</u>	<u>\$ 92,200,645</u>	<u>\$ 90,177,903</u>	<u>\$ 85,855,462</u>	<u>\$ 82,042,171</u>	<u>\$ 77,379,830</u>
\$ 139,046	\$ 108,271	\$ 82,689	\$ 44,049	\$ 2,748,890	\$ 2,955,440
-	-	-	-	-	-
474,803	674,090	1,482,050	1,301,107	(1,721,556)	(1,639,485)
<u>\$ 613,849</u>	<u>\$ 782,361</u>	<u>\$ 1,564,739</u>	<u>\$ 1,345,156</u>	<u>\$ 1,027,334</u>	<u>\$ 1,315,955</u>
\$ 78,362,441	\$ 72,945,723	\$ 68,689,393	\$ 61,573,469	\$ 56,751,060	\$ 53,890,757
6,844,850	6,976,592	10,144,140	13,093,265	16,870,174	15,146,650
2,872,901	13,060,691	12,909,109	12,533,884	9,448,271	9,658,378
<u>\$ 88,080,192</u>	<u>\$ 92,983,006</u>	<u>\$ 91,742,642</u>	<u>\$ 87,200,618</u>	<u>\$ 83,069,505</u>	<u>\$ 78,695,785</u>

**City of New Smyrna Beach, Florida**  
**Changes in Net Position, Last Ten Fiscal Years**

	<b>Fiscal Year Ending September 30,</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Expenses:</b>				
<b>Governmental Activities:</b>				
General government	\$ 5,793,676	\$ 7,645,291	\$ 4,385,497	\$ 3,614,857
Public safety	13,750,597	13,040,957	10,661,993	13,183,486
Transportation	4,799,649	3,998,592	4,122,721	4,373,481
Economic environment	1,067,964	1,113,714	1,531,277	2,079,700
Physical environment	1,970,217	1,358,031	1,337,399	1,327,420
Human services	-	-	-	-
Culture/recreation	4,554,202	4,543,918	3,973,175	3,202,899
Intragovernmental services	724,766	696,938	660,808	566,013
Interest on long-term debt	733,514	702,554	719,346	865,380
<b>Total governmental activities expenses</b>	<b>33,394,585</b>	<b>33,099,995</b>	<b>27,392,216</b>	<b>29,213,236</b>
<b>Business-Type Activities:</b>				
Sanitation	5,763,687	5,577,278	5,402,195	5,262,651
Golf course	1,277,317	1,238,918	1,113,639	1,151,916
Marina	248,544	207,740	239,592	188,247
<b>Total business-type activities expenses</b>	<b>7,289,548</b>	<b>7,023,936</b>	<b>6,755,426</b>	<b>6,602,814</b>
<b>Total primary government expenses</b>	<b>40,684,133</b>	<b>40,123,931</b>	<b>34,147,642</b>	<b>35,816,050</b>
<b>Program Revenues:</b>				
<b>Governmental Activities:</b>				
<b>Charges for Services:</b>				
General government	1,229,224	955,559	948,150	1,017,574
Public safety	3,704,648	3,140,536	3,065,363	1,757,344
Transportation	2,738,819	2,679,034	2,403,939	2,773,746
Economic environment	-	-	-	-
Physical environment	2,089,596	2,108,847	1,978,749	1,922,683
Culture/recreation	336,107	215,704	239,690	225,425
Operating grants and contributions	4,284,628	2,003,075	1,732,921	1,538,660
Capital grants and contributions	7,577,522	3,587,890	4,086,577	7,582,049
<b>Total governmental activities program revenues</b>	<b>\$ 21,960,544</b>	<b>\$ 14,690,645</b>	<b>\$ 14,455,389</b>	<b>\$ 16,817,481</b>

**Table 2**

<b>Fiscal Year Ending September 30,</b>					
<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 3,418,609	\$ 2,900,453	\$ 2,828,557	\$ 3,015,088	\$ 3,064,966	\$ 3,581,208
11,991,298	12,065,182	11,793,168	12,296,368	10,501,207	13,049,015
4,467,014	4,665,184	3,318,479	3,581,157	3,898,353	2,889,765
2,496,356	3,306,426	2,237,200	1,560,623	3,580,406	1,203,546
977,494	932,060	977,478	755,328	546,962	896,077
-	-	-	-	-	-
2,891,609	2,790,501	2,760,098	2,996,608	3,444,935	3,580,298
561,254	429,002	352,355	364,404	509,468	522,213
897,374	922,751	995,642	1,084,163	1,182,887	1,532,430
<b>27,701,008</b>	<b>28,011,559</b>	<b>25,262,977</b>	<b>25,653,739</b>	<b>26,729,184</b>	<b>27,254,552</b>
5,092,946	4,975,471	4,903,865	5,122,574	5,039,321	5,069,091
1,147,538	1,114,149	1,099,174	1,095,600	1,302,760	1,529,305
174,597	173,757	183,250	188,150		
<b>6,415,081</b>	<b>6,263,377</b>	<b>6,186,289</b>	<b>6,406,324</b>	<b>6,342,081</b>	<b>6,598,396</b>
<b>34,116,089</b>	<b>34,274,936</b>	<b>31,449,266</b>	<b>32,060,063</b>	<b>33,071,265</b>	<b>33,852,948</b>
917,787	735,488	705,084	754,910	780,828	1,037,598
1,816,131	1,675,729	1,254,593	818,247	668,666	757,829
2,695,161	2,672,797	1,851,577	1,877,293	1,246,117	732,791
-	-	-	7,075	5,550	3,600
1,868,307	1,815,929	1,260,015	1,292,246	1,198,614	1,201,382
285,987	300,470	279,589	204,033	554,070	575,966
3,145,246	1,079,061	1,023,888	1,779,466	1,322,659	2,280,105
2,228,542	1,486,748	3,635,971	2,399,895	2,784,637	1,367,708
<b>\$ 12,957,161</b>	<b>\$ 9,766,222</b>	<b>\$ 10,010,717</b>	<b>\$ 9,133,165</b>	<b>\$ 8,561,141</b>	<b>\$ 7,956,979</b>

**City of New Smyrna Beach, Florida**  
**Changes in Net Position, Last Ten Fiscal Years**

	<b>Fiscal Year Ending September 30,</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Program Revenues (continued):				
Business-Type Activities:				
Charges for Services:				
Sanitation	6,338,556	5,555,028	5,430,041	5,288,084
Golf course	1,140,256	1,063,810	666,897	1,121,547
Marina	303,216	293,139	313,199	282,478
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities	<u>7,782,028</u>	<u>6,911,977</u>	<u>6,410,137</u>	<u>6,692,109</u>
Total primary government program revenues	<u>29,742,572</u>	<u>21,602,622</u>	<u>20,865,526</u>	<u>23,509,590</u>
Net (Expense)/Revenue:				
Governmental activities	(11,434,041)	(18,409,350)	(12,936,827)	(12,395,755)
Business-type activities	492,480	(111,959)	(345,289)	89,295
Total primary government net expense	<u>(10,941,561)</u>	<u>(18,521,309)</u>	<u>(13,282,116)</u>	<u>(12,306,460)</u>
General Revenues and Other Changes in Net Position:				
Governmental Activities:				
Taxes:				
Property taxes	13,606,365	12,125,345	11,313,896	11,867,963
Franchise fees	670,696	673,638	660,246	670,788
Public service taxes	3,388,718	3,123,400	3,201,661	3,136,070
Sales taxes	1,467,385	1,360,567	1,295,417	1,208,002
Intergovernmental revenues	548,880	515,469	485,695	456,271
Investment earnings	261,110	127,857	77,659	78,273
Required payment from component unit	3,666,586	3,615,948	3,721,884	3,550,060
Miscellaneous revenue	227,937	186,664	414,872	621,401
Gain on sale of capital	31,106	23,787	-	252,459
Transfers	(254,301)	(206,302)	(369,037)	526,581
Total governmental activities	<u>23,614,482</u>	<u>21,546,373</u>	<u>20,802,293</u>	<u>22,367,868</u>
Business-Type Activities:				
Investment earnings	7,153	3,178	1,867	1,637
Miscellaneous revenue	27,215	27,992	8,205	1,474
Transfers	254,301	206,302	369,037	(526,581)
Total business-type activities	<u>288,669</u>	<u>237,472</u>	<u>379,109</u>	<u>(523,470)</u>
Total primary government	<u>23,903,151</u>	<u>21,783,845</u>	<u>21,181,402</u>	<u>21,844,398</u>
Changes in Net Position:				
Governmental activities	12,180,441	3,137,023	7,865,466	9,972,113
Business-type activities	781,149	125,513	33,820	(434,175)
Total primary government	<u>\$ 12,961,590</u>	<u>\$ 3,262,536</u>	<u>\$ 7,899,286</u>	<u>\$ 9,537,938</u>

**Table 2 (Continued)**

<b>Fiscal Year Ending September 30,</b>					
<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
5,128,609	5,012,251	4,956,381	4,887,167	4,862,934	4,943,920
1,214,833	1,232,023	1,192,013	1,216,902	1,182,596	1,233,347
274,940	276,005	286,343	279,713		
-	-	-	-	-	-
-	-	-	-	-	-
6,618,382	6,520,279	6,434,737	6,383,782	6,045,530	6,177,267
19,575,543	16,286,501	16,445,454	15,516,947	14,606,671	14,134,246
(14,743,847)	(18,245,337)	(15,252,260)	(16,520,574)	(18,168,043)	(19,297,573)
203,301	256,902	248,448	(22,542)	(296,551)	(421,129)
(14,540,546)	(17,988,435)	(15,003,812)	(16,543,116)	(18,464,594)	(19,718,702)
11,128,948	10,829,994	10,510,181	10,936,803	13,119,859	14,056,637
718,704	593,815	603,999	587,539	603,585	602,672
3,067,282	2,839,351	2,907,666	2,963,241	3,084,314	2,963,642
1,102,855	1,049,653	982,026	958,810	957,309	962,699
414,527	848,741	814,428	734,884	824,168	785,805
32,699	24,808	26,769	74,296	163,621	248,175
3,487,211	3,235,374	3,388,376	3,564,277	3,833,942	3,601,805
196,987	162,158	310,556	850,155	243,586	245,124
330,433	-	-	-	-	-
280,700	1,042,706	30,700	30,700	-	(10,480)
20,760,346	20,626,600	19,574,701	20,700,705	22,830,384	23,456,079
-	-	108	3,050	6,553	10,969
1,807	3,426	1,727	1,174	1,377	1,237
(280,700)	(1,042,706)	(30,700)	(30,700)	-	10,480
(278,893)	(1,039,280)	(28,865)	(26,476)	7,930	22,686
20,481,453	19,587,320	19,545,836	20,674,229	22,838,314	23,478,765
6,016,499	2,381,263	4,322,441	4,180,131	4,662,341	4,158,506
(75,592)	(782,378)	219,583	(49,018)	(288,621)	(398,443)
\$ 5,940,907	\$ 1,598,885	\$ 4,542,024	\$ 4,131,113	\$ 4,373,720	\$ 3,760,063

**City of New Smyrna Beach, Florida**  
**Fund Balances, Governmental Funds, Last Ten Fiscal Years**

	<u>Fiscal Year Ending September 30,</u>			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>General Fund:</u>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	1,311,501	1,250,734	3,216,342	913,628
Spendable				
Restricted	66,816	60,816	55,435	38,770
Committed	-	-	-	-
Assigned	1,541,499	1,486,371	509,099	1,261,353
Unassigned	6,494,377	5,461,399	8,500,876	7,770,407
Total general fund	<u>\$ 9,414,193</u>	<u>\$ 8,259,320</u>	<u>\$ 12,281,752</u>	<u>\$ 9,984,158</u>
<u>All Other Governmental Funds:</u>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Nonspendable	61,643	52,341	31,118	38,795
Spendable				
Restricted	15,776,344	11,126,481	9,131,407	13,722,842
Committed	4,587,211	8,860,753	2,889,850	3,405,730
Assigned	3,107,800	2,716,597	1,894,596	1,285,336
Unassigned	-	28,357	(22,173)	-
Total all other governmental funds	<u>\$ 23,532,998</u>	<u>\$ 22,784,529</u>	<u>\$ 13,924,798</u>	<u>\$ 18,452,703</u>

Note: Beginning in 2011, implementation of GASBS 54 has changed the fund balance designations.

**Table 3**

<b>Fiscal Year Ending September 30,</b>					
<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ -	\$ -	\$ -	\$ -	\$ 5,111,950	\$ 1,621,741
-	-	-	-	6,871,824	10,975,084
784,518	1,273,261	853,528	960,250	-	-
37,471	110,189	151,083	297,044	-	-
-	-	23,396	18,671	-	-
1,690,358	1,985,572	1,229,998	323,973	-	-
6,586,028	5,629,440	6,193,805	7,090,354	-	-
<u>\$ 9,098,375</u>	<u>\$ 8,998,462</u>	<u>\$ 8,451,810</u>	<u>\$ 8,690,292</u>	<u>\$ 11,983,774</u>	<u>\$ 12,596,825</u>
\$ -	\$ -	\$ -	\$ -	\$ 8,880,115	\$ 15,081,010
-	-	-	-	14,197,582	(87,209)
-	-	-	-	801,078	10,975,084
71,921	40,193	47,423	64,171	-	-
16,754,533	11,580,808	15,362,159	17,878,252	-	-
4,828,838	3,483,609	2,827,179	3,065,456	-	-
802,587	803,807	749,405	982,772	-	-
-	-	-	(6,400)	-	-
<u>\$ 22,457,879</u>	<u>\$ 15,908,417</u>	<u>\$ 18,986,166</u>	<u>\$ 21,984,251</u>	<u>\$ 23,878,775</u>	<u>\$ 25,968,885</u>

**City of New Smyrna Beach, Florida**  
**Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years**

	<b>Fiscal Year Ending September 30,</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Revenue:</b>				
Taxes	\$ 18,373,409	\$ 16,654,985	\$ 15,809,290	\$ 14,955,277
Licenses and fees	7,141,017	6,735,421	6,793,044	6,012,110
Intergovernmental	11,242,551	5,225,276	5,553,360	10,563,520
Charges for services	8,156,909	7,034,415	3,998,336	2,910,515
Fines and forfeitures	179,147	148,300	235,672	174,114
Investment earnings	261,111	127,855	77,659	77,645
Other revenues	473,190	485,394	3,321,206	3,558,550
<b>Total revenue</b>	<b>45,827,334</b>	<b>36,411,646</b>	<b>35,788,567</b>	<b>38,251,731</b>
<b>Expenditures:</b>				
General government	5,478,001	7,245,432	3,891,608	3,087,836
Public safety	13,328,911	12,539,387	12,089,687	11,640,499
Transportation	4,392,778	3,569,012	3,672,814	3,859,584
Economic environment	14,468	20,195	568,282	1,380,301
Physical environment	926,523	571,095	658,672	680,302
Culture/recreation	3,662,103	3,591,589	3,229,405	2,745,754
Building and maintenance	716,104	672,158	637,924	554,123
Capital outlay	14,677,654	5,564,010	12,547,872	16,568,963
<b>Debt Service:</b>				
Principal retirement	9,688,922	1,947,791	1,709,132	1,688,344
Interest and fiscal charges	845,734	671,824	693,634	706,363
<b>Total expenditures</b>	<b>53,731,198</b>	<b>36,392,493</b>	<b>39,699,030</b>	<b>42,912,069</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(7,903,864)</b>	<b>19,153</b>	<b>(3,910,463)</b>	<b>(4,660,338)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)	(254,301)	(206,302)	(369,037)	1,041,636
Capital-related debt issued	-	-	-	-
Proceeds from issuance of debt	10,000,000	5,000,000	-	-
Payment to refunding escrow agent	-	-	-	-
Bond issuance costs	-	-	-	-
Premium (discount) on debt issued	-	-	-	-
Proceeds from sale of capital assets	31,106	24,448	49,861	499,309
Proceeds from insurance recovery	30,401	-	-	-
Proceeds from capital lease	-	-	1,999,328	-
<b>Total other financing sources (uses)</b>	<b>9,807,206</b>	<b>4,818,146</b>	<b>1,680,152</b>	<b>1,540,945</b>
<b>Net change in fund balances</b>	<b>\$ 1,903,342</b>	<b>\$ 4,837,299</b>	<b>\$ (2,230,311)</b>	<b>\$ (3,119,393)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>19.6%</b>	<b>8.5%</b>	<b>8.8%</b>	<b>9.1%</b>



Table 4

Fiscal Year Ending September 30,					
2014	2013	2012	2011	2010	2009
\$ 14,477,868	\$ 13,628,683	\$ 13,612,756	\$ 14,009,961	\$ 15,368,115	\$ 16,005,076
5,894,830	5,493,584	5,121,557	4,802,244	5,102,462	4,815,826
6,707,036	4,189,353	6,382,936	5,127,435	6,712,067	6,877,843
2,486,735	2,291,548	1,790,422	1,731,719	2,072,832	2,173,721
135,052	78,236	58,161	285,501	166,096	99,907
32,700	24,808	26,769	74,300	160,625	248,177
3,597,078	3,558,312	2,440,215	3,291,305	1,855,736	1,314,928
<u>33,331,299</u>	<u>29,264,524</u>	<u>29,432,816</u>	<u>29,322,465</u>	<u>31,437,933</u>	<u>31,535,478</u>
2,907,718	2,576,858	2,435,005	2,569,509	3,288,748	3,359,370
11,113,749	11,121,231	11,345,214	11,742,984	12,320,773	11,813,983
4,001,762	4,003,205	2,950,648	2,985,296	2,905,667	2,242,232
1,807,054	2,909,623	1,894,667	1,330,128	1,020,431	1,463,951
314,881	444,991	250,942	254,249	544,376	480,875
2,366,865	2,249,784	2,133,464	2,216,549	2,944,409	3,094,062
544,020	413,832	333,422	337,424	463,709	472,110
9,412,952	6,026,388	8,221,718	7,364,925	7,593,276	8,817,322
2,946,345	2,141,132	2,103,467	2,004,805	2,001,385	1,961,541
1,134,038	951,283	1,031,536	1,114,576	1,182,842	1,249,002
<u>36,549,384</u>	<u>32,838,327</u>	<u>32,700,083</u>	<u>31,920,445</u>	<u>34,265,616</u>	<u>34,954,448</u>
<u>(3,218,085)</u>	<u>(3,573,803)</u>	<u>(3,267,267)</u>	<u>(2,597,980)</u>	<u>(2,827,683)</u>	<u>(3,418,970)</u>
280,700	1,042,706	30,700	(2,718,186)	-	-
-	-	-	-	124,518	-
24,780,000	-	-	-	-	-
(16,825,341)	-	-	-	-	-
-	-	-	-	-	332,739
-	-	-	-	-	-
1,632,101	-	-	495,000	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>9,867,460</u>	<u>1,042,706</u>	<u>30,700</u>	<u>(2,223,186)</u>	<u>124,518</u>	<u>332,739</u>
<u>\$ 6,649,375</u>	<u>\$ (2,531,097)</u>	<u>\$ (3,236,567)</u>	<u>\$ (4,821,166)</u>	<u>\$ (2,703,165)</u>	<u>\$ (3,086,231)</u>
15.0%	11.5%	12.7%	12.6%	11.9%	12.3%

**City of New Smyrna Beach, Florida**  
**Assessed Value and Estimated Actual Value of Taxable Property,**  
**Last Ten Fiscal Years**

<b>Fiscal Year<sup>2</sup> Ended September 30,</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Agricultural Property</b>	<b>Institutional Property</b>	<b>Governmental Property</b>
2009	\$3,783,955,083	\$ 269,255,809	\$ 33,299,369	\$ 43,238,395	\$ 54,813,362	\$ 157,526,521
2010	2,657,863,366	294,557,232	32,211,542	976,147	47,348,888	134,349,671
2011	2,408,084,268	247,885,861	27,677,554	680,908	39,970,180	57,714,605
2012	2,342,004,615	225,970,455	24,485,981	673,972	37,355,385	69,714,230
2013	2,403,446,644	227,013,083	23,575,862	678,375	37,460,082	122,362,414
2014	2,477,659,029	242,549,870	23,580,787	902,857	38,112,705	122,392,149
2015	2,662,911,966	264,239,522	24,807,438	1,416,412	42,546,782	132,820,223
2016	2,848,415,687	285,656,360	25,814,294	1,489,961	43,978,338	157,277,270
2017	3,055,463,112	313,454,305	27,467,036	2,324,780	46,746,352	175,317,013
2018	3,298,276,892	353,190,922	29,344,520	2,563,579	49,675,127	195,425,582

Source: Volusia County, Florida, Property Appraiser.

Note: <sup>1</sup>Property in The City of New Smyrna Beach is reassessed each year by the Volusia County Property Appraiser. Property is assessed at 85% of actual value. Tax rates are per \$1,000 of assessed value.

<sup>2</sup>All property valuations for the specified fiscal year ends are obtained from the previous year's tax roll (i.e. all fiscal 2018 data was obtained from the 2017 calendar year tax roll).

**Table 5**

<b>Vacant Land and Other</b>	<b>Tangible Personal Property</b>	<b>Total Assessed Value</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value<sup>1</sup></b>	<b>Total Direct Tax Rate<sup>1</sup></b>
\$ 308,301,735	\$ 101,635,480	\$4,752,025,754	\$1,308,797,668	\$3,443,228,086	3.51304
190,315,443	100,120,016	3,457,742,305	612,552,554	2,845,189,751	3.99990
209,065,101	100,999,812	3,092,078,289	584,130,316	2,507,947,973	4.07400
200,124,416	99,214,618	2,999,543,672	591,696,575	2,407,847,097	4.10110
129,905,505	160,107,446	3,104,549,411	651,875,258	2,452,674,153	4.05750
115,242,545	173,608,473	3,194,048,415	674,237,186	2,519,811,229	4.17630
118,502,798	172,284,943	3,419,530,084	696,808,459	2,722,721,625	4.02830
125,107,652	176,922,153	3,664,661,715	748,827,518	2,915,834,197	3.99900
138,456,418	169,521,503	3,928,750,519	775,089,050	3,153,661,469	3.96990
147,944,921	168,439,045	4,244,860,588	811,986,176	3,432,874,412	4.17550

**City of New Smyrna Beach, Florida**  
**Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years**

Fiscal Year <sup>1</sup>	City of New Smyrna Beach			Overlapping Rates	
	Operating	Debt Service	Total City of New Smyrna	Volusia County School District	Volusia County
2009	3.1000	0.41304	3.51304	7.45900	5.40373
2010	3.4793	0.52060	3.99990	7.80500	6.37434
2011	3.4793	0.59470	4.07400	8.23700	6.30250
2012	3.4793	0.62180	4.10110	8.06300	6.77910
2013	3.4445	0.61300	4.05750	7.88800	6.88090
2014	3.5764	0.59990	4.17630	7.35800	7.27090
2015	3.5764	0.45190	4.02830	7.33600	7.27090
2016	3.5699	0.4300	3.99990	7.19700	7.27090
2017	3.5699	0.4000	3.96990	6.8480	7.05200
2018	3.8416	0.3339	4.17550	6.2810	6.64640

Source: Volusia County, Florida, Property Appraiser.

Note: Tax millage rates are per \$1,000 of assessed value.

<sup>1</sup>All property valuations for the specified fiscal year ends are obtained from the previous year's tax roll (i.e. all fiscal 2018 data was obtained from the 2017 calendar year tax roll).

**Table 6**

<b>Overlapping Rates</b>					
<b>Southeast Volusia Hospital District</b>	<b>Southeast Volusia Mosquito Control</b>	<b>Ponce Inlet and Port Authority</b>	<b>St. Johns Water Management District</b>	<b>Florida Inland Navigation District</b>	<b>Total-All Taxing Districts</b>
2.85294	0.20556	0.07771	0.41580	0.03450	19.96228
3.59870	0.20966	0.09360	0.41580	0.03450	22.53150
3.25000	0.20800	0.09290	0.41580	0.03450	22.61470
3.30150	0.20800	0.09290	0.33130	0.03450	22.91140
3.03000	0.20800	0.09290	0.33130	0.03450	22.52310
2.93910	0.20800	0.09290	0.32830	0.03450	22.40800
2.78420	0.18800	0.09290	0.31640	0.03450	22.05120
2.63400	0.18800	0.09290	0.30230	0.03200	21.71700
2.40000	0.18800	0.09290	0.28850	0.03200	20.87130
1.19840	0.18800	0.09290	0.25620	0.03200	18.87040

**City of New Smyrna Beach, Florida**  
**Principal Property Taxpayers, Current and Nine Years Ago**  
**Table 7**

Taxpayer	September 30, 2018			September 30, 2009		
	(2017 Tax Roll) Assessed Taxable Value	Rank	Percent to Total Assessed Taxable Value	(2008 Tax Roll) Assessed Taxable Value	Rank	Percent to Total Assessed Taxable Value
Coconut Palms Condo Association	\$ 24,499,295	1	0.65%			
Geosam Capital US LP	19,050,498	2	0.50%			
TT of New Smyrna LLC	15,670,091	3	0.41%			
Real Sub LLC	14,441,848	4	0.38%			
Key New Smyrna LLC	13,929,503	5	0.37%			
Poseidon Hotel Ventures LLC	13,118,360	6	0.35%	\$ 13,860,974	4	0.40%
Wal-Mart Stores East, LP	12,061,000	7	0.32%	10,565,643	10	0.00%
Lyme Stone Ranch Investors LTD	11,918,868	8	0.31%			
Publix Super Markets	11,724,224	9	0.31%			
Messina Luxury Apartments	10,079,784	10	0.27%			
Ocean Development Group, Inc.				26,854,890	1	0.78%
JPJ Investments Inc				15,794,744	2	0.46%
Parkside Townhomes				15,124,172	3	0.44%
Islamder Beach Resorts				13,271,530	5	0.39%
Venetian Bay of New Smyrna Beach LLC				12,877,452	6	0.37%
Venetian Land LLC				12,586,930	7	0.37%
Tuscany Square LLC				12,573,242	8	0.37%
Bellsouth Telecommunication INC				10,914,143	9	0.32%
<b>Total</b>	<b>\$ 102,943,678</b>		<b>2.72%</b>	<b>\$ 144,423,720</b>		<b>4.19%</b>

Source: Volusia County, Florida, Property Appraiser.

**City of New Smyrna Beach, Florida**  
**Property Tax Levies and Collections, Last Ten Fiscal Years**  
**Table 8**

Fiscal Year Ended September 30,	Taxes Levied For Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2009	12,096,198	11,705,015	96.77%	58,822	11,763,837	97.25%
2010	11,380,475	11,004,371	96.70%	28,615	11,032,986	96.95%
2011	10,217,380	9,878,926	96.69%	14,835	9,893,761	96.83%
2012	9,874,821	9,540,210	96.61%	13,943	9,554,153	96.75%
2013	9,874,821	9,596,845	97.19%	15,142	9,611,987	97.34%
2014	10,523,488	10,192,443	96.85%	2,108	10,194,550	96.87%
2015	10,967,940	10,601,509	96.66%	1,831	10,603,340	96.68%
2016	11,663,045	11,313,415	97.00%	4,533	11,317,948	97.04%
2017	12,519,721	12,157,699	97.11%	-	12,157,699	97.11%
2018	13,924,082	13,606,365	97.72%	1,209	13,607,574	97.73%

Source: The City of New Smyrna Beach Finance Department

Note: Tax collections are stated net of early payment discounts ranging from 1% to 4% based on the date of taxpayer payments. Actual tax collections received in each fiscal year are from the prior year's tax levy (i.e. 2018 collections are from the 2017 tax levy).

**City of New Smyrna Beach, Florida**  
**Ratios of Outstanding Debt by Type, Last Ten Fiscal Years**

<b>Fiscal Year Ended September 30,</b>	<b>General Obligation Refunding Note</b>	<b>Capital Revenue Note</b>	<b>Public Improvement Bonds</b>	<b>Capital Improvement Notes</b>	<b>Promissory Notes</b>	<b>Capital Lease Obligation</b>
2009	\$ 15,420,000	\$ 6,915,000	\$ 1,378,909	\$ -	\$ 5,327,005	\$ -
2010	14,640,000	6,695,000	1,096,025	-	4,733,022	-
2011	13,825,000	6,465,000	800,192	-	4,069,050	-
2012	12,990,000	6,230,000	490,817	-	3,344,958	-
2013	12,125,000	5,985,000	167,281	-	2,637,362	-
2014	10,595,000	6,140,000	-	8,045,000	1,718,298	-
2015	9,589,000	5,765,000	-	7,935,000	1,520,954	-
2016	8,603,000	5,450,000	-	7,730,000	1,317,643	1,999,328
2017	7,601,000	5,000,179	-	12,640,000	1,108,185	1,802,995
2018	6,576,000	4,563,086	-	14,795,000	892,572	1,616,069

Source:

<sup>1</sup> Amount computed by dividing Total Outstanding Debt by Personal Income as shown in Table 14.

<sup>2</sup> Amount computed by dividing Total Outstanding Debt by Population as shown in Table 14.



**Table 9**

<u>Governmental Activities</u>	<u>Business-type Activities</u>					
<u>Total</u>	<u>Long Term Notes</u>	<u>Primary Government Total</u>	<u>Percent of Personal Income<sup>1</sup></u>	<u>Per Capita<sup>2</sup></u>	<u>Personal Income<sup>3</sup></u>	<u>Population</u>
\$ 29,040,914	\$ -	\$ 29,040,914	4.09%	1,242	\$ 710,022,624	23,376
27,164,047	-	27,164,047	3.75%	1,203	724,869,134	22,583
25,159,242	-	25,159,242	3.44%	1,110	731,156,340	22,668
23,055,775	-	23,055,775	3.03%	1,012	762,073,312	22,792
20,914,643	-	20,914,643	2.61%	900	800,157,350	23,230
26,498,298	-	26,498,298	3.30%	1,139	803,582,160	23,272
24,809,954	-	24,809,954	2.83%	1,021	875,991,496	24,298
25,099,971	-	25,099,971	2.65%	1,001	947,998,556	25,078
28,152,359	-	28,152,359	2.89%	1,091	975,405,006	25,803
28,442,727	-	28,442,727	2.86%	1,075	993,577,920	26,470

**City of New Smyrna Beach, Florida**  
**Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years**  
**Table 10**

<b>Fiscal Year Ended September 30,</b>	<b>Governmental Activities General Obligation Bonds</b>	<b>Percentage of Total Taxable Assessed Value of Property</b>	<b>Percent of Personal Income</b>	<b>Per Capita</b>	<b>Population</b>	<b>From table 5 Taxable Value</b>
2009	15,420,000	0.45%	2.17%	660	23,376	3,443,228,086
2010	14,640,000	0.51%	2.02%	648	22,583	2,845,189,751
2011	13,825,000	0.55%	1.89%	610	22,668	2,507,947,973
2012	12,990,000	0.54%	1.70%	570	22,792	2,407,847,097
2013	12,125,000	0.49%	1.52%	522	23,230	2,452,674,153
2014	10,595,000	0.42%	1.32%	455	23,272	2,519,811,229
2015	9,589,000	0.35%	1.09%	395	24,298	2,722,721,625
2016	8,603,000	0.30%	0.91%	343	25,078	2,915,834,197
2017	7,601,000	0.24%	0.78%	295	25,803	3,153,661,469
2018	6,576,000	0.19%	0.66%	248	26,470	3,432,874,412

Source:

Percent of Personal Income is calculated by dividing the General Obligation bonds by the total Personal Income per Table 14

Per Capita is calculated by dividing the General Obligation Bonds by the Population per Table 14

**City of New Smyrna Beach, Florida**  
**Direct and Overlapping Debt for Governmental Activities**  
**Table 11**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
County of Volusia, Florida:			
General Obligation Bonds	\$ 9,480,000	10.54%	\$ 999,414
Other Debt:			
District School Board of Volusia County, Florida:			
State School Bonds	2,301,000	10.54%	242,579
Sales Tax Revenue Bonds	33,805,000	10.54%	3,563,839
County of Volusia, Florida:			
Revenue bonds	86,101,415	10.54%	9,077,106
Notes payable	49,854,782	10.54%	5,255,862
Total overlapping debt			<u>19,138,800</u>
City direct debt			28,442,727
Total direct and overlapping debt			<u><u>\$ 47,581,527</u></u>

Estimated percentage of debt applicable to the City of New Smyrna Beach was determined by dividing the total taxable assessed value of the City into the total taxable assessed value of Volusia County.

Source: Assessed valuation data used to estimate applicable percentages provided by Volusia County Property Appraiser. Debt outstanding data provided by each governmental unit. Debt outstanding was obtained from each of the taxing districts, respectively.

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**City of New Smyrna Beach, Florida**  
**Legal Debt Margin Information**  
**Table 12**

The Constitution of the State of Florida, Section 200.181, Florida Statutes, and City of New Smyrna Beach, Florida have set no legal debt limit.

**City of New Smyrna Beach, Florida**  
**Pledged Revenue Coverage, Last Ten Fiscal Years**

	<b>Fiscal Year Ending September 30,</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Community Redevelopment Agency Bonds:</b>				
Tax increment revenues	\$ 291,289	\$ 159,131	\$ 69,367	\$ 1,904,212
Less: operating expenses	-	-	-	-
<b>Net revenue available for debt service</b>	<b><u>\$ 291,289</u></b>	<b><u>\$ 159,131</u></b>	<b><u>\$ 69,367</u></b>	<b><u>\$ 1,904,212</u></b>
<b>Debt Service payments:</b>				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
<b>Total debt service payments</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Coverage (times)</b>	<b><u>N/A</u></b>	<b><u>N/A</u></b>	<b><u>N/A</u></b>	<b><u>N/A</u></b>
<b>Capital Revenue Bonds and Notes:</b>				
Gross revenues	\$ 32,220,969	\$ 31,276,150	\$ 31,157,148	\$ 33,791,679
Less: operating expenses	-	-	-	-
<b>Net revenue available for debt service</b>	<b><u>\$ 32,220,969</u></b>	<b><u>\$ 31,276,150</u></b>	<b><u>\$ 31,157,148</u></b>	<b><u>\$ 33,791,679</u></b>
<b>Debt Service payments:</b>				
Principal	\$ 2,232,706	\$ 1,751,458	\$ 1,709,132	\$ 1,688,344
Interest	707,993	651,114	693,633	706,364
<b>Total debt service payments</b>	<b><u>\$ 2,940,699</u></b>	<b><u>\$ 2,402,572</u></b>	<b><u>\$ 2,402,765</u></b>	<b><u>\$ 2,394,708</u></b>
<b>Coverage (times)</b>	<b><u>10.96</u></b>	<b><u>13.02</u></b>	<b><u>12.97</u></b>	<b><u>14.11</u></b>

**Notes:**

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

The Community Redevelopment Agency Public Improvement Bonds and Public Improvement Refunding Revenue Bonds are secured in part by the pledge of Agency revenues, which include tax increment revenues. The City has covenanted in the Bond Resolutions that in the event the Agency revenues are not sufficient to pay the principal and interest on the Bonds the City would appropriate for payment from legally available non-ad valorem revenues amounts sufficient to provide for the payment of principal and interest on the Bonds.

Gross revenues pledged as security for the Capital Revenue Bonds and Notes are non-ad valorem revenues. "Non-ad valorem revenues" are defined in the Resolutions to mean all revenues and taxes from any source whatsoever, other than ad valorem taxation on real and personal property.

**Table 13**

<b>Fiscal Year Ending September 30,</b>					
<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 1,720,445	\$ 1,543,968	\$ 1,512,930	\$ 1,639,894	\$ 2,851,365	\$ 3,181,663
-	-	-	-	-	-
<u>\$ 1,720,445</u>	<u>\$ 1,543,968</u>	<u>\$ 1,512,930</u>	<u>\$ 1,639,894</u>	<u>\$ 2,851,365</u>	<u>\$ 3,181,663</u>
\$ 167,281	\$ 323,537	\$ 309,374	\$ 295,833	\$ 282,884	\$ 270,502
3,671	18,588	32,816	46,228	59,131	71,407
<u>\$ 170,952</u>	<u>\$ 342,125</u>	<u>\$ 342,190</u>	<u>\$ 342,061</u>	<u>\$ 342,015</u>	<u>\$ 341,909</u>
<u>10.06</u>	<u>4.51</u>	<u>4.42</u>	<u>4.79</u>	<u>8.34</u>	<u>9.31</u>
\$ 37,048,720	\$ 25,246,967	\$ 27,821,835	\$ 20,539,323	\$ 19,770,512	\$ 17,324,190
-	-	-	-	-	-
<u>\$ 37,048,720</u>	<u>\$ 25,246,967</u>	<u>\$ 27,821,835</u>	<u>\$ 20,539,323</u>	<u>\$ 19,770,512</u>	<u>\$ 17,324,190</u>
\$ 2,779,064	\$ 1,817,595	\$ 1,794,093	\$ 1,708,972	\$ 1,718,457	\$ 1,691,039
1,130,367	932,695	998,720	1,059,309	1,122,575	1,176,368
<u>\$ 3,909,431</u>	<u>\$ 2,750,290</u>	<u>\$ 2,792,813</u>	<u>\$ 2,768,281</u>	<u>\$ 2,841,032</u>	<u>\$ 2,867,407</u>
<u>9.48</u>	<u>9.18</u>	<u>9.96</u>	<u>7.42</u>	<u>6.96</u>	<u>6.04</u>

**City of New Smyrna Beach, Florida**  
**Demographic and Economic Indicators, Last Ten Fiscal Years**  
**Table 14**

<b>Fiscal Year Ended</b>	<b>Population<sup>1</sup></b>	<b>Personal Income<sup>2</sup></b>	<b>County Per Capita Personal Income<sup>3</sup></b>	<b>County Median Household Income<sup>3</sup></b>	<b>County Median HUD Income<sup>3</sup></b>	<b>County Unemployment Rate<sup>3</sup></b>
<b>September 30,</b>						
2009	23,376	\$710,022,624	\$ 30,374	\$ 43,326	n/a	11.70%
2010	22,583	724,869,134	32,098	41,368	n/a	12.50%
2011	22,668	731,156,340	32,255	41,368	n/a	10.80%
2012	22,792	762,073,312	33,436	38,477	n/a	8.80%
2013	23,230	800,157,350	34,445	40,114	n/a	6.30%
2014	23,272	803,582,160	34,530	40,908	n/a	5.30%
2015	24,298	875,991,496	36,052	40,881	n/a	5.00%
2016	25,078	947,998,556	37,802	42,334	n/a	5.00%
2017	25,803	975,405,006	37,802	42,334	n/a	3.80%
2018	26,470	993,577,920	37,536	53,721	n/a	3.80%

Source:

<sup>1</sup> Office of Economic and Demographic Research, Bureau of Economic and Business Research, University of Florida

<sup>2</sup> Amount computed by multiplying population and per capita personal income statistics for Volusia County, Florida.

<sup>3</sup> Florida Research and Economic Database. Amounts indicated are for Volusia County, Florida.



**City of New Smyrna Beach, Florida**  
**Principal Employers, Current and Nine Years Ago**  
**Table 15**

Employer	September 30, 2018			September 30, 2009		
	Total Employees	Rank	Percent to Total City Employment	Total Employees	Rank	Percent to Total City Employment
AdventHealth New Smyrna Beach	700	1	4.49%	730	1	9.14%
Volusia County Public Schools	335	2	2.15%	756	4	9.46%
City of New Smyrna Beach	263	3	1.69%	253	3	3.17%
Publix Supermarkets	250	4	1.60%	295	2	3.69%
Wal Mart	207	5	1.33%	207	5	2.59%
Ocean View Nursing & Rehab Center	200	6	1.28%	170	7	2.13%
New Smyrna Beach Utilities Commission	173	7	1.11%	173	6	2.17%
Winn Dixie Stores, Inc.	140	8	0.90%	140	8	1.75%
Home Depot	120	9	0.77%	120	9	1.50%
Sugar Mill Country Club	100	10	0.64%	n/a	-	n/a
Total	<u>2,488</u>		<u>15.95%</u>			
Estimated Total Number of Employees in the City of New Smyrna Beach						<u>15,595</u>

Source: Infogroup Employer Database 2016 ed. 1

n/a - No known source for employment data for prior period exists.

**City of New Smyrna Beach, Florida**  
**Full-Time Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

	<b>Full-Time Equivalent Employees at September 30,</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>General Government:</b>				
Legislative	5.00	5.00	5.00	5.00
Management	4.00	4.00	3.00	3.00
Economic Development	1.00	1.00	1.75	-
Legal	2.50	2.50	2.50	2.50
Human Resources	3.00	3.00	2.50	2.50
Planning & Engineering	12.00	9.00	8.00	6.50
Community Redevelopment	-	-	-	7.75
City Clerk	3.00	3.00	2.00	2.00
Finance	8.00	8.00	8.00	8.00
Information Systems	5.00	5.00	5.00	4.00
General Government	2.00	2.00	2.00	2.00
<b>Police:</b>				
Chief of Police	1.00	1.00	1.00	1.00
Patrol	35.00	35.00	35.00	35.00
Operations (Cmmdr & Detectives)	18.00	17.00	15.25	15.25
Support	16.00	16.00	12.25	10.50
Dispatch	-	-	-	-
<b>Fire:</b>				
Administration	7.50	7.50	5.75	6.00
Operations	36.00	36.00	34.00	34.00
<b>Maintenance Operations</b>				
Administration	2.00	2.00	2.00	2.00
Fleet Maintenance	4.00	4.00	4.00	4.00
Airport	4.00	4.00	4.00	4.00
Parks	11.00	11.00	11.00	10.00
Stormwater	1.00	1.00	1.00	1.00
Sanitation	1.75	1.75	1.00	1.00
Building Maintenance & Streets	25.00	25.00	23.00	21.00
<b>Leisure Services:</b>				
Recreation	22.00	22.00	18.00	14.50
Golf course	18.00	18.00	18.00	18.00
Marina	2.50	2.50	2.50	2.50
Building & Permitting	16.75	16.75	13.00	11.00
<b>Total</b>	<b>267.00</b>	<b>263.00</b>	<b>240.50</b>	<b>234.00</b>

Source: The City of New Smyrna Beach, Department of Human Resources

Note: Part-time and seasonal employees for all departments are assumed to be 0.5 FTEs for all reporting agencies

**Table 16**

<b>Full-Time Equivalent Employees at September 30,</b>					
<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
5.00	5.00	5.00	5.00	5.00	5.00
3.00	3.00	3.00	3.00	3.00	3.00
-	-	-	-	-	-
2.50	2.50	2.50	2.50	2.50	2.50
2.00	2.00	2.00	2.00	2.00	2.00
6.50	6.50	6.50	7.00	12.00	11.50
6.75	8.75	7.00	7.00	10.00	9.50
2.00	2.00	2.00	2.00	2.00	2.00
7.25	6.75	6.00	5.50	6.25	6.50
4.00	3.00	3.00	2.00	2.00	2.00
1.00	-	-	-	-	-
1.00	1.00	1.00	1.00	1.00	1.00
31.00	31.00	31.00	31.00	40.00	40.00
13.75	13.75	13.00	13.00	13.00	13.00
10.50	10.50	12.00	12.00	12.00	12.75
-	-	-	1.00	1.00	-
6.00	6.00	6.00	7.00	5.00	5.00
34.00	34.00	34.00	37.00	45.00	44.00
2.00	2.00	2.00	2.00	3.00	4.00
4.00	4.00	4.00	4.00	4.00	4.00
4.00	4.00	4.00	3.00	3.00	2.00
10.00	-	-	-	-	-
1.00	-	-	-	-	-
1.00	1.00	1.00	-	-	-
21.00	22.00	20.00	21.00	25.00	25.00
13.50	23.00	24.00	22.00	33.50	34.50
18.00	18.00	15.50	15.50	15.50	20.50
2.50	2.50	2.00	2.00	2.00	2.00
10.00	8.00	8.00	7.00	9.00	9.00
<u>223.25</u>	<u>220.25</u>	<u>214.50</u>	<u>214.50</u>	<u>256.75</u>	<u>260.75</u>

**City of New Smyrna Beach, Florida**  
**Operating Indicators by Function/Program, Last Ten Fiscal Years**

	<b>Fiscal Year Ending September 30,</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Police:				
Physical arrests (based on calendar year)	774	1,046	1,146	1,360
Parking violations (based on calendar year)	7,023	4,525	6,369	2,022
Traffic violations (based on calendar year)	1,774	1,456	2,323	3,503
Fire:				
Emergency responses	5,437	5,428	5,413	4,656
Non-fire/EMS	2,969	2,963	2,986	3,610
Inspections by Engine Companies	-	-	-	-
Inspections by Fire Inspectors/Marshal	350	506	483	386
Solid Waste:				
Refuse collected (tons per week)	458.9	466.8	418.4	409.4
Yard trash (tons per week)	89.6	99.7	113.4	115.0
Recyclables collected (tons per week)	36.9	34.9	22.0	41.5
Public Works-Transportation				
Street construction (miles)	3	5.00	2.11	0.45
Street resurfacing (miles)	-	2.00	1.5	1.0
Potholes repaired	179	150	170	155
Building Development:				
Residential/single family permits issued	407	323	302	217
Commercial/multi-family permits issued	96	6	10	10
Miscellaneous permits issued	9,464	5,935	5,363	5,374

Source: Various City Departments

**Table 17**

Fiscal Year Ending September 30,						
2014	2013	2012	2011	2010	2009	
1,024	839	1,071	1,181	1,463	2,140	
259	203	127	275	211	487	
4,770	5,908	5,586	4,778	10,897	10,472	
4,383	4,074	3,866	3,911	4,482	4,482	
4,323	3,825	2,801	2,345	2,218	2,218	
-	528	396	95	-	-	
534	144	128	990	991	991	
383.3	373.8	462.8	338.1	348.0	348.0	
108.9	102.8	90.4	87.5	49.0	49.0	
37.8	32.5	32.3	32.0	32.0	32.0	
1.00	0.72	0.36	-	-	-	
1.0	4.0	1.0	1.7	2.0	2.0	
150	162	150	175	250	250	
307	190	111	72	98	98	
18	15	7	4	16	16	
4,434	3,640	4,084	n/a	3,712	3,712	

**City of New Smyrna Beach, Florida**  
**Capital Asset Statistics by Function/Program, Last Ten Fiscal Years**

	Fiscal Year Ending September 30,			
	2018	2017	2016	2015
General Government:				
Area (Sq. miles)	41.49	41.16	40.9	40.7
Police:				
Stations	1	1	1	1
Zone office	1	1	1	1
Patrol units	50	48	49	49
Fire stations	4	4	4	4
Public Works-Transportation				
Paved streets (miles)	135.8	130.5	128.6	126.2
Unpaved streets (miles)	9.5	9.5	8.7	8.8
Streetlights	2,956	2,918	2,875	2,875
Traffic signals	32	32	33	33
Parks and recreation				
Area (acres)	404.1	266.5	254.0	253.0
Tennis Courts	8	8	9	9
Playgrounds	12	12	12	12
Recreation (community) centers	3	3	3	3
Shuffleboard/lawn bowling courts	21	21	21	21
Soccer/football fields	6	6	6	6
Baseball/softball diamonds	9	9	9	9
Basketball courts	7	7	7	7
18 hole golf courses	1	1	1	1
Marina boat slips	42	42	42	42
Boat ramps	6	6	6	6
Parks and picnic areas	25	25	24	24

Source: Various City Departments

**Table 18**

Fiscal Year Ending September 30,					
2014	2013	2012	2011	2010	2009
38.9	38.9	38.0	38.0	38.0	38.0
1	1	1	1	1	1
1	1	1	1	1	1
49	49	49	50	41	40
4	4	4	4	4	4
120.7	119.9	120.3	121.7	117.5	117.3
8.8	9.1	7.9	8.2	10.5	10.3
2,875	2,860	2,850	2,817	2,863	2,863
33	33	33	31	30	30
253.0	253.0	253.0	275.5	275.5	275.5
9	9	9	9	9	9
12	11	11	10	10	10
3	3	3	3	3	3
21	21	21	21	40	40
6	6	6	6	6	6
9	9	9	9	9	9
7	7	7	7	7	7
1	1	1	1	1	1
42	42	42	42	42	42
6	6	6	6	6	6
24	24	23	23	23	23

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**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 Members of City Commission  
City of New Smyrna Beach, Florida

We have audited, in accordance with the 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 New Smyrna Beach, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of New Smyrna Beach, Florida's basic financial statements, and have issued our report thereon dated June 14, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of New Smyrna Beach, Florida'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 an opinion on the effectiveness of the City of New Smyrna Beach, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of New Smyrna Beach, Florida's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-003, that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New Smyrna Beach, Florida'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*.

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

*Carly Riggs & Ingram, L.L.C.*

Melbourne, Florida  
June 14, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE.**

Honorable Mayor and Members of City Commission  
City of New Smyrna Beach, Florida

**Report on Compliance for Each Major Federal Program**

We have audited the City of New Smyrna Beach, Florida's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of New Smyrna Beach, Florida's major federal programs for the year ended September 30, 2018. The City of New Smyrna Beach, Florida'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of New Smyrna Beach, Florida's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of New Smyrna Beach, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the City of New Smyrna Beach, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

### **Report on Internal Control Over Compliance**

Management of the City of New Smyrna Beach, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City of New Smyrna Beach, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 of New Smyrna Beach, Florida'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-002, that we consider to be a significant deficiency.

The City of New Smyrna Beach, Florida's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of New Smyrna Beach, Florida's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Caru, Riggs & Ingram, L.L.C.*

Melbourne, Florida

June 14, 2019

**City of New Smyrna Beach, Florida**  
**Schedule of Findings and Questioned Costs**  
**For the year ended September 30, 2018**

**Section I—Summary of Auditors’ Results**

*Financial Statements*

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  X  yes    \_\_\_ no
- Significant deficiency(es) identified? \_\_\_ yes     X  none reported

Noncompliance material to financial statements noted? \_\_\_ yes     X  no

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_ yes     X  no
- Significant deficiency(es) identified?  X  yes    \_\_\_ none reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?  X  yes    \_\_\_ no

Identification of major federal programs:

Federal CFDA Number	Federal Program or Cluster	Contract/Grant Number
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	FEMA-4283-DR-FL

Dollar threshold used to distinguish between type A and B programs was \$750,000 for major federal programs.

Auditee qualified as a low-risk auditee for federal purposes?  X  yes    \_\_\_ no

**City of New Smyrna Beach, Florida**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the year ended September 30, 2018**

**Section II—Financial Statement Findings**

*A. Internal Control Over Financial Reporting*

**2018-001 – Review and Approval of Journal Entries**

**Condition:** The operation of the review and approval control for journal entries did not operate effectively. As a result, audit entries were proposed to provide for reporting of transactions in the pension funds, to correct equity (fund balance) accounts, to correct the recording of capital lease and other debt payments and to correct the reporting of refunding debt proceeds.

**Criteria:** In its role to provide for effective stewardship of City funds, the City must establish controls that provide for the production of financial statements prepared in accordance with Generally Accepted Accounting Standards (GAAP) and guidance set forth by the Government Accounting Standards Board (GASB).

**Potential Effect of Condition:** Financial statement amounts may be misstated. Ineffective review of financial transactions, particularly journal entries, could increase the risk that financial information is materially misstated which increases the risk of noncompliance with laws, rules, regulations or contracts.

**Cause of the Condition:** The review of journal entries and adjustments was not performed in sufficient detail to ensure the propriety and completeness of journal entries. Policies and procedures did not operate effectively to ensure the propriety or completeness of journal entries. Specifically, there were not effective processes in place to ensure that journal entries were properly prepared, supported, approved and monitored.

**Recommendation:** We recommend the City review with staff its current policies and procedures related to the review and approval of journal entries to ensure that all journal entries are complete, accurate, properly supported and approved prior to posting in the general ledger.

**Management's Response:** Management concurs with this comment and recommendation to review more carefully non-routine transactions are properly recorded.

**City of New Smyrna Beach, Florida**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the year ended September 30, 2018**

**2018-003 – Preparation of the Schedule of Expenditures of Federal Awards**

**Condition:** Errors were found in the City’s preparation of the SEFA provided for audit. In addition to Federal grants being erroneously identified as state financial assistance, the amount reported as expended for the FEMA grants was based on revenues rather than expenditures. Further, upon testing for completeness and accuracy of the revised SEFA, it was noted the City had errors in information reported to a grantor, necessitating additional revision to the SEFA.

**Criteria:** 2 CFR 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart F – *Audit Requirements* Section .510(b) describes the criteria and requirements for preparing the Schedule of Expenditures of Federal Awards (SEFA). 2 CFR Section 200.502 establishes the basis for determining Federal awards expended.

**Potential Effect of Condition:** Preparation of an incomplete and/or inaccurate SEFA can result in errors in identifying the scope of audit procedures under Uniform Guidance (and, potentially, the Florida Single Audit Act), including but not limited to the incorrect identification of major programs for audit.

**Cause of the Condition:** There were ineffective controls related to the review of the SEFA. Additionally, the City was requested by a grantor to resubmit expenditure information in a consolidated worksheet. There was ineffective review of the consolidated worksheet and reconciliation to underlying documents. As a result, formula errors in the worksheet were not detected.

**Recommendation:** City staff with responsibility for preparing the SEFA should familiarize themselves with the Uniform Guidance cited above. We recommend the City include a secondary review of the SEFA prior to providing the schedule to the auditors. We also suggest that preparation of the SEFA include the review of contracts to ensure that awards have been correctly identified on the schedule.

**Management’s Response:** Management concurs with this comment and recommendation to familiarize ourselves with the requirements for preparing the Schedule of Expenditures of Federal Awards (SEFA).

**B. Compliance and Other Matters**

No matters were reported.



**City of New Smyrna Beach, Florida**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the year ended September 30, 2018**

**Section III–Federal Award Findings and Questioned Costs**

*A. Compliance*

None.

*B. Internal Control Over Compliance*

**2018-002 – Quarterly Reporting to the Awarding Agency**

U.S. Department of Homeland Security

CFDA No. 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Contract No. 17-PA-U5-06-74-01-212 – FEMA 4283-DR-FL (Hurricane Matthew) for fiscal year 2017

Contract No. Z0231 – FEMA 4337-DR-FL (Hurricane Irma) for fiscal year 2017

Passed Through Federal Emergency Management Agency (FEMA)

Passed Through Florida Division of Emergency Management

**Criteria:** The City is required to establish and maintain effective internal controls over compliance in accordance with 2 CFR 200.303. Also, consistent with 2 CFR Section 200.328, the grant contracts require that quarterly reports be remitted on the Quarterly Report Form available in FloridaPA.org (the reporting system). Once notified by the Florida Division of Emergency Management, quarterly reports are due no later than fifteen (15) days after each calendar quarter for FEMA 4283-DR-FL (Hurricane Matthew) and no later than thirty (30) days after each calendar quarter for FEMA 4337-DR-FL (Hurricane Irma).

**Condition:** The City was required to begin quarterly reporting for projects related to FEMA 4283-DR-FL (Hurricane Matthew) for the quarter ended March 31, 2018 and for FEMA 4337-DR-FL (Hurricane Irma) for the quarter ended June 30, 2018. The quarterly reports were not submitted timely for the quarters ended March 31, 2018, June 30, 2018 and September 30, 2018.

**Cause of the Condition:** Policies and procedures (controls) were not effectively designed and communicated related to the reporting requirements for the FEMA grants.

**Questioned Costs:** None.

**Perspective (Context):** The condition was due, in part, to the City’s unfamiliarity with the Florida Division of Emergency Management’s required reporting system (FloridaPA.org), which was not in place the last time the City required disaster assistance through FEMA. Further, the City placed reliance on system-generated emails from FloridaPA.org as reminders for filing quarterly reports rather than developing an internal system to track compliance with reporting due dates.

**Potential Effect of Condition:** All requests for payment made to the Florida Division of Emergency Management are placed on “hold” until such time as required quarterly reports for all projects are submitted through FloridaPA.org.

**City of New Smyrna Beach, Florida**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the year ended September 30, 2018**

**Recommendation:** We recommend that an internally-developed control be put in place to ensure that required reports are prepared, reviewed and remitted on a timely basis.

**Management's Response and Planned Corrective Action Plan:** Management concurs with this comment and recommendation to develop procedures to track reporting requirements of our granting agencies.

**Section IV - Prior Findings and Questioned Costs for Federal Awards**

No matters were reported.

**City of New Smyrna Beach, Florida**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended September 30, 2018**

Federal Agency Pass Through Entity Federal Program	CFDA Number	Contract/ Grant Number	Expenditures	Transfers to sub- recipients
<b><u>Department of Housing and Urban Development Office</u></b>				
<i>Passed through Volusia County Dept. Community Services:</i>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grant / Entitlement Grant	14.218	2014-15 Sidewalk Milford&Sheldon	\$ 26,559	\$ -
Community Development Block Grant / Entitlement Grant	14.218	2015-16 Sidewalk Milford&Sheldon	7,038	-
Community Development Block Grant / Entitlement Grant	14.218	2015-16 Community Center Add	38,498	-
Community Development Block Grant / Entitlement Grant	14.218	2016-17 Community Center Add	37,328	-
Community Development Block Grant / Entitlement Grant	14.218	2016-17 Mary Tot Lot Pavilion	25,011	-
Community Development Block Grant / Entitlement Grant	14.218	2017-18 Mary Tot Lot Fence	20,950	-
Total CDBG - Entitlement Grants Cluster			155,384	-
Total Department of Housing and Urban Development Office			155,384	-
<b><u>Department of Justice</u></b>				
<i>Passed through Florida Office of Attorney General:</i>				
Organized Crime Drug Enforcement Task Forces	16.U01	FC-FLM-1107	3,167	-
<i>Direct Program:</i>				
Crime Victim Assistance - Victims Advocate	16.575	V064-14131	61,570	-
Total Department of Justice			64,737	-
<b><u>U.S. Department of Transportation</u></b>				
<i>Passed through Federal Aviation Administration:</i>				
Airport Improvement Program	20.106	FAA AIP No. 3-12-0054-020-2016	299,199	-
Airport Improvement Program	20.106	FAA AIP No. 3-12-0054-021-2017	67,372	-
Airport Improvement Program	20.106	FAA AIP No. 3-12-0054-018-2014	52,534	-
Total Airport Improvement Program			419,105	-
<i>Passed through Florida Department of Transportation:</i>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	G0L96/FPN: 435588-1-58/68-01	130,920	-
Total Highway Planning and Construction Cluster			130,920	-
Total U.S. Department of Transportation			550,025	-
<b><u>Executive Office of the President</u></b>				
<i>Passed through Volusia County Sheriff's Office:</i>				
High Intensity Drug Trafficking Areas Program	95.001		13,580	-
Total Executive Office of the President			13,580	-
<b><u>Department of Homeland Security</u></b>				
<i>Passed through Florida Division of Emergency Management:</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
	97.036	FEMA 4337-DR-FL	915,428	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
	97.036	FEMA 4283-DR-FL	1,589,381	-
Total Department of Homeland Security			2,504,809	-
<b>Total Expenditures of Federal Awards</b>			<b>\$ 3,288,535</b>	<b>-</b>

**City of New Smyrna Beach, Florida**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the year ended September 30, 2018**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal spending of City of New Smyrna Beach, Florida (the "City") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not represent the financial position of the City.

**Sub-recipients**

During the year ended September 30, 2018 the City of New Smyrna Beach, Florida had no sub-recipients.

**Indirect Cost Rate**

The Uniform Guidance allows an organization to elect a 10% de minimums indirect cost rate. For the year ended September 30, 2018, the City of New Smyrna Beach, Florida did not elect to use this rate.

**Noncash Assistance and Other**

The City of New Smyrna Beach, Florida did not receive any noncash assistance, federal loans, or federally funded insurance during the year ended September 30, 2018.

**FEMA Expenditures**

Expenditures for CFDA No. 97.036, *Disaster Grants – Public Assistance*, include \$1,455,313 expended in the prior fiscal year that had not yet been obligated (approved) by the Federal Emergency Management Agency as of September 30, 2017.



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## **INDEPENDENT AUDITORS' MANAGEMENT LETTER**

Honorable Mayor and Members of City Commission  
City of New Smyrna Beach, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the City of New Smyrna Beach, Florida (the "City") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 14, 2019.

### **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; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Guidance Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

### **Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance; Schedule of Findings and Questions Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 14, 2019, 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 financial audit report, as noted below.

Finding number	Title	Status
2017-001	Airport Tenant Rental Income	Resolved
2017-002	Exception Reporting in Point of Sale Systems	Resolved

### 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 and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority of the City of New Smyrna Beach, Florida and its component units is disclosed in the footnotes. The City of New Smyrna Beach, Florida includes the following component units:

<u>Component Unit:</u>	<u>Established by:</u>
1. Utilities Commission, City of New Smyrna Beach	Florida Statute
2. The Community Redevelopment Agency of New Smyrna Beach (1985)	City Ordinance
3. The Community Redevelopment Agency of New Smyrna Beach (2015)	City Ordinance

### Financial Condition and Management

Section 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 of New Smyrna Beach, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of New Smyrna Beach, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of New Smyrna Beach, Florida. It is management's responsibility to monitor the City of New Smyrna Beach, Florida'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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that communicate any recommendations to improve financial management. In connection with our audit, we noted the following recommendation:

#### **2018-004 – Budgetary Compliance**

**Criteria:** Pursuant to Section 166.241, Florida Statutes – *Municipal Finance and Taxation*, the amount available from taxation and other sources, including balances brought forward from prior fiscal years, must equal the total appropriations for expenditures and reserves. The statutes further state that the adopted budget must regulate expenditures of the municipality, and an officer of a municipal government may not expend or contract for expenditures in any fiscal year except pursuant to the adopted budget.

**Condition:** Expenditures in the Capital Projects Fund exceeded budgeted appropriations for the fiscal year ended September 30, 2018 by \$2,508,279.

**Cause:** Budget amendments adopted by the City Commission during the fiscal year were not sufficient to accommodate the expenditures associated with the refunding of the Capital Improvement Revenue Note, Series 2013. This was due, in part, to the recording of the refunding transaction in the City's general ledger not being completed on a timely basis resulting in incomplete internal financial reporting.

**Effect:** The City's Capital Projects Fund is not in compliance with Section 166.241, Florida Statutes.

**Recommendation:** We recommend the City monitor internal financial reports for completion and for areas in which budget amendments may necessary to accommodate transactions entered into by the City that were not anticipated in the original budget.

**Management Response:** Management concurs with this comment and recommendation to complete year end budget amendments in compliance with Florida Statute 166.241

#### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 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 of the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the City Commission and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Carly Riggs & Ingram, L.L.C.*

Melbourne, Florida

June 14, 2019



Carr, Riggs & Ingram, LLC  
215 Baytree Drive  
Melbourne, Florida 32940

(321) 255-0088  
(321) 259-8648 (fax)  
www.cricpa.com

## **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES**

Honorable Mayor and Members of City Commission  
City of New Smyrna Beach, Florida

We have examined the City of New Smyrna Beach, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City's complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City's complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018.

This report is intended solely for the information and use of the City Commission, management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

Melbourne, Florida  
June 14, 2019





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

THRU: Khalid Resheidat, Acting City Manager

FROM: Jonathan C. McKinney, Finance Director

DATE: June 14, 2019

SUBJECT: Corrective Action Plan

The City of New Smyrna Beach, Florida respectfully submits the following corrective action plan for the year ended September 30, 2018.

Name and address of independent public accounting firm:

Carr, Riggs & Ingram, LLC  
215 Baytree Drive  
Melbourne, FL 32940

Audit Period:

Fiscal Year October 1, 2017 - September 30, 2018

The Findings from the Schedule of Findings and Questioned Costs is discussed below. The finding number corresponds to the number assigned in the schedule.

#### **2018-001 Review and Approval of Journal Entries**

**Recommendation:** We recommend the City review with staff its current policies and procedures related to the review and approval of journal entries to ensure that all journal entries are complete, accurate, properly supported and approved prior to posting in the general ledger.

**Corrective Action:** Acknowledges the audit finding and corrective action has been taken. Documentation in the form of a written or electronic approval of the journal entries will be kept.

**Finance Department**  
210 Sams Ave. New Smyrna Beach, FL 32168  
(386) 410-2651 • Fax (386) 424-2270  
[www.cityofnsb.com](http://www.cityofnsb.com)

### **2018-002 Quarterly Reporting to the Awarding Agency**

**Recommendation:** We recommend that an internally-developed control be put in place to ensure that required reports are prepared, reviewed and remitted on a timely basis.

**Corrective Action:** Acknowledges the audit finding and corrective action has been taken. Documentation of the approval process of the required reports when prepared, reviewed and remitted on a timely basis.

### **2018-003 Preparation of the Schedule of Expenditures of Federal Awards**

**Recommendation:** City staff with responsibility for preparing the SEFA should familiarize themselves with the Uniform Guidance cited above. We recommend the City include a secondary review of the SEFA prior to providing the schedule to the auditors. We also suggest that preparation of the SEFA include the review of contracts to ensure that awards have been correctly identified on the schedule.

**Corrective Action:** Acknowledges the audit finding and corrective action has been taken. Documentation of the preparation of the SEFA to include the review of contracts to ensure that awards have been correctly identified on the schedule.

### **Finance Department**

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