

Comprehensive

Annual Financial Report



For the year ended
September 30, 2018



Small town ambiance...world class opportunity

City of Orange City, Florida

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2018

PREPARED BY

THE FINANCE DEPARTMENT

CITY OF ORANGE CITY, FLORIDA
Comprehensive Annual Financial Report
For the Year Ended September 30, 2018

MAYOR

Gary Blair

COUNCIL

O. William (Bill) Crippen, Vice Mayor
William O'Connor
Jeff Allebach
Jim Mahoney
Anthony Pupello
Evelyn Robinson

CITY MANAGER

Dale Arrington

CITY CLERK

Gloria J. Thomas

FINANCE DIRECTOR

Christine C. Davis

CITY ATTORNEY

Brown, Garganese, Weiss & D'Agresta, P.A.
Attorneys at Law

INDEPENDENT AUDITORS

McDermitt Davis and Company, LLC
Certified Public Accountants and Advisors
Orlando, Florida

CITY OF ORANGE CITY, FLORIDA
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Orange City, Florida



Orange City originated in 1875, when Dr. Seth French, David P. Graves, John E. Stillman, William Hawley, John C. Thorpe, James M. Smith, and Allen Cameron purchased about 5,000 acres of internal improvement land that they settled. On August 26, 1882, Orange City, named for the thousands of acres of orange groves planted in and around the city, was incorporated as a city. Twelve years later, the Big Freeze wiped out the orange groves that the town was named for.

Today, the City of Orange City has a population of more than 11,000 and is located along the I-4 high tech corridor between the growing metropolitan areas of Orlando and Daytona Beach. Orange City offers small town character and an outstanding quality of life in the midst of Florida's great attractions. The Atlantic Ocean is 30 minutes east and the amusement parks of Orlando lie less than an hour to the southwest. The City also has attractions close to home. Nearby Blue Spring State Park, "Home of the Manatee," attracts eco-tourism and provides immeasurable natural and recreational economic benefits for residents and visitors.

Photo courtesy of Photo by Ted Marsolek courtesy of the Orange City Historic Preservation Board



March 22, 2019

To the Honorable Mayor, Members of the City Council and the Citizens of the City of Orange City, Florida:

It is with great pleasure that we present to you the City of Orange City, Florida ("the City") Comprehensive Annual Financial Report for the fiscal year ended September 30, 2018. This report fulfills the requirements set forth in the Florida Statutes, Chapter 166.241 and the Rules of the Florida Auditor General, Chapter 10.550. The organization, form and contents of this report, plus the accompanying financial statements and statistical tables, are formulated in accordance with the principles prescribed by the Government Accounting Standards Board (GASB), State of Florida (SOF), and the Government Finance Officers Association (GFOA).

Management assumes full responsibility for the completeness and reliability of all information presented in this report based upon a comprehensive framework of internal controls that has been established for this purpose. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material mistakes. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

McDermitt Davis & Company, LLC, a firm of licensed certified public accountants, has audited the City's financial statements. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City for the year ended September 30, 2018, are free of material misstatements. The independent audit involved examining on test basis evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon their examination, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the City's financial statements for the fiscal year ended September 30, 2018, are fairly presented in conformity with generally accepted accounting principles (GAAP).

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

We believe the City's internal controls function adequately to safeguard assets, provide reasonable assurance of proper recording of financial transactions, and provide for proper authorization of all transactions and activities.

Building
386-775-5423

City Clerk
386-775-5403

City Manager
386-775-5408

Community Info.
386-775-5410

Finance
386-775-5430

Fire
386-775-5460

Human Resources
386-775-5457

Parks & Rec.
386-775-5454

Planning
386-775-5415

Police
386-775-9999

Public Works
386-775-5450

Utilities
386-775-5444



CITY HISTORY

The City of Orange City, Florida was appropriately named, for the majority of the land was dedicated to orange groves, both small ones between the houses and large groves within the town limits. By 1880, there were 170-180 orange groves in the town of Orange City and on the outskirts. An orange grower in 1893 said there were likely 4,000 acres of oranges in Orange City and the immediate vicinity.

In the fall of 1894, the orange groves in and around Orange City were thriving. Then, along came the Big Freeze. It was, in fact, a double freeze with the first touch in December 1894, followed by the freeze of February 8, 1895, when the temperature at dawn was 16 degrees. Needless to say all trees were frozen to the ground and that spelled the ruin of the orange crop. That morning found the comfortable wealth of Orange City a thing of the past.

In 1891 a spring was discovered in Orange City that was thought inexhaustible and was said to be 99.99 percent pure and has supplied water for Orange City residents ever since. As the demand increased, it was found that the original spring did not produce a large enough supply of water, so it was decided to drill into it in an attempt to locate the source. At a depth of 117 feet, on February 8, 1895, the pumps began lifting water at the rate of 67,000 gallons per hour, an average of about 1.5 million gallons every 24 hours.

Orange City water was bottled and shipped by truck and tank cars on the railroad not only throughout Florida but all over the United States and even to Europe. At the 1904 St. Louis World's Fair, Orange City water received the "highest award that the world can give" for its excellence.

CITY PROFILE

The City of Orange City, Florida, is located in Southwest Volusia County between the cities of DeBary, DeLand and Deltona, creating a "Metropolitan Area" of over 200,000 residents. The City of Orange City was chartered as a municipality under law of the State of Florida on May 30, 1889, although the City was formed on August 26, 1882. The City currently has a land area of just over 7 square miles and an estimated population of 11,720 which represents a decrease from 11,850 in 2017 (information obtained by Bureau of Economic Business and Research). This decrease resulted when a mobile home community was bought and demolished for redevelopment. The City of Orange City has operated under the council-manager form of government since 1988. Policymaking and legislative authority are vested in an elected City Council, which consists of a mayor and six council members.

The City provides a full range of services. Governmental activities include police, fire and rescue, street maintenance, planning and zoning, building inspections, community and economic development, parks and recreation, cultural events, and general administrative services. In addition, Business-type activities include two Enterprise Funds. The Utilities provides water, wastewater and reclaimed water and Stormwater provides drainage infrastructure. Both Enterprise Funds are funded through user fees established by the City Council to ensure adequate coverage of operating expenses and payments on outstanding debt. The City provides utilities services outside the city limits in certain unincorporated parts of Volusia County. The City contracts with a private contractor through a franchise agreement for solid waste collection.

As noted on page 25 of the Notes, the City maintains a Community Redevelopment Agency (CRA). A CRA is a dependent special district in which any future increases in property values are set aside to support economic development projects within the district. The CRA is charged with undertaking redevelopment and revitalization of Volusia Avenue and surrounding areas. The CRA is a decision making body which works with city staff to carry out the CRA plan and manages the tax increment funds.



Local economy: The financial statements are a realistic barometer of the City and its continued quality growth pattern over the past years. The City's 2018 taxable property valuations increased by 8.2% (\$51,899,188). New construction and annexations for 2018 totaled \$8,656,590 compared to \$2,993,546 in 2017. The increase in taxable value is due to economic improvements coupled with new taxable values resulting from annexations and new construction. The City anticipates a continued increase in taxable values for the 2019 tax year and beyond. The City's tax base contains commercial businesses, primarily retail, and healthcare, along with residential homes and apartments.

Budgetary Information: The annual budget serves as the foundation for the City's financial planning and control. The City Manager formally presents the proposed budget in August. During August there is at least one workshop with the Council to review and discuss the operating budget and the capital improvement budget. From there, Council and the public review/change the proposed budget with formal adoption occurring in late September.

The process of amending and modifying the budget is specified in the City's Charter. The City Manager has authority to transfer among line items within a department. City Council approval is required for all budget amendments, which include transfers among departments, transfers involving contingency, reserve allocations, or increases in the total budget. Amendment recommendations by the City Manager throughout the fiscal year are usually prompted by significant changes in circumstances. These are documented and explained, as they occur, to the City Council in a resolution agenda item at a regularly scheduled City Council meeting.

FINANCIAL INFORMATION

Long-Term Financial Planning: Each year, the City conducts a thorough ratio analysis of financial trends on numerous strategic performance metrics over the preceding five-year period to identify financial threats and/or issues that may affect the year's pre-budget planning, assisting in the determination of major budgeting parameters such as tax policy, capital objectives, operational spending targets, cash management, and reserve requirements. Long-term financial planning is also incorporated into budgeting via use of the City's four part fiscal strategy, which includes: (1) Controlling recurring expenses and long-term liabilities-insuring that such cost growth does not outpace the growth of recurring revenue; (2) Providing for the future availability of current assets; (3) Avoiding any structural fiscal imbalance; and, (4) Running government like a business, e.g., recognizing citizens and business owners as shareholders and taking actions appropriate to the protection of that part of their owner's equity that is based on the safety, attractiveness, and overall desirability of the living and business environments.

Relevant Financial Policies: The City's investment policy is to minimize market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by Federal Depository Insurance or collateralized in Qualified Public Depositories in accordance with state statutes. Very limited surplus funds (less than 1%) are invested in the Local Government Investment Pool (LGIP) administered by the Florida State Board of Administration (SBA) and the Florida Safe Investment Pool.

The **business-type activity** of the City currently has \$1,345,000 in revenue bonds and \$1,517,538 in loan payables for its Utilities fund. The City fiscal year 2018/19 budget includes \$1,247,066 in capital projects. The City successfully obtained State Revolving Fund (SRF) funding with a combination of grants (85%) and low interest loan (15%), in the amount not to exceed \$10.5 million to fund the Water System Master Plan. These funds are being used to pay for Water System capital improvements. The projects are underway and currently have a stated completion of early 2020. The city successfully obtained funding from the Florida Department of Environmental Protection through a low interest loan (current rate is set at 0%), in the amount of up to \$7.8 million to fund wastewater treatment and stormwater management capital improvement projects. Construction for these capital projects should begin in early to mid-2019.



The **governmental-type activity** of the City currently has no governmental debt. The City fiscal year 2018/19 budget includes \$867,910 in capital projects. A summary of the capital projects funded are: six (6) vehicles city-wide, \$233,000; various equipment, software and computers, \$164,960; facility improvements, \$117,450; and road and sidewalk construction, \$249,500.

Relevant financial policies: Along with the annual budget each fiscal year, the City adopts a comprehensive strategic plan with an annual performance report. The strategic plan identifies major challenges, states goals, and sets a policy agenda and a management agenda. Each year the performance report is prepared to aid in evaluating the prior years' performance and to assist with updating the strategic plan. All parties in the budget process are accountable for providing realistic and attainable projections in order to minimize deviations from the plan as each budget year proceeds.

It has been a long-standing goal of the City Council and management's position that the general fund balance should always remain above 25% of projected expenditures. In the event the City is faced with a natural disaster, these funds would be readily available to pay the various contractors needed to assist the City with meeting the needs of opening roads and debris clean-up without having to wait for federal funding (FEMA).

Major initiatives: The City's 2018/19 capital improvement program contains two transportation projects, the Little French sidewalk and the Big French shared use path project. These projects are primarily funded through grants from the Florida Department of Transportation, Local Agency Program (LAP) with the city's match being 10%. The Little French project is currently under construction and is slated to be completed later this year with the Big French project construction start date yet to be determined.

Budgetary Control: The City maintains extensive budgetary control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the General Fund, special revenue funds, and the water and sewer enterprise fund are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is with department heads that are accountable to the City Manager. Appropriations shall lapse at the close of the fiscal year to the extent that they have not been expended.

The City seeks to maintain and enhance its small community identity and lifestyle and sustain its historical role as a regional commercial retail and service provider for southwest Volusia County. Orange City is centrally located between the Orlando and Daytona metropolitan markets, with available vacant land and accessibility via major transportation corridors. The dynamic nature of the City's mixed-use areas is underscored by the population growth in the primary market area, which is 30 percent of the county's total population that increased by 11,500 persons in the last five years, irrespective of the Great Recession. Permitting activity is back to pre-recession levels, and with significant new development projects in the final stages of construction, Orange City is posed to continue to experience healthy, sustainable growth.



AWARDS AND ACKNOWLEDGEMENTS

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Orange City for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2017; this is the seventeenth consecutive year that the City has received this prestigious award. In order to receive this Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to again determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget of Fiscal Year 2017/18. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. We believe that our budget document for Fiscal Year 2018/19 meets the Distinguished Budget Presentation Award Program's requirements and was submitted to the GFOA to determine its eligibility for the award. The City has successfully received the Distinguished Budget Award for eleven consecutive years.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Our sincere appreciation is extended to each member of the department for the contributions made in the preparation of this report.

Other City Departments, although not extensively involved in year-end audit activities, contributed significantly by ensuring the accuracy and integrity of accounting information compiled throughout the year. Without their diligence, the work of the Finance Department would have been considerably more difficult. Appreciation must also be expressed to McDirmit Davis & Company LLC, the City's auditors, for their contribution to the excellence and quality of this report.

In closing, we would also like to thank the Mayor and City Council for their continued support and steadfast commitment to maintaining the financial integrity of the City. With their leadership, the City has a secure financial future without compromising quality of life.

Yours in public service,

Ms. Dale Arrington

Dale Arrington
City Manager

Ms. Christine Davis

Christine C. Davis
Finance Director



Government Finance Officers Association

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

Presented to

**City of Orange City
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

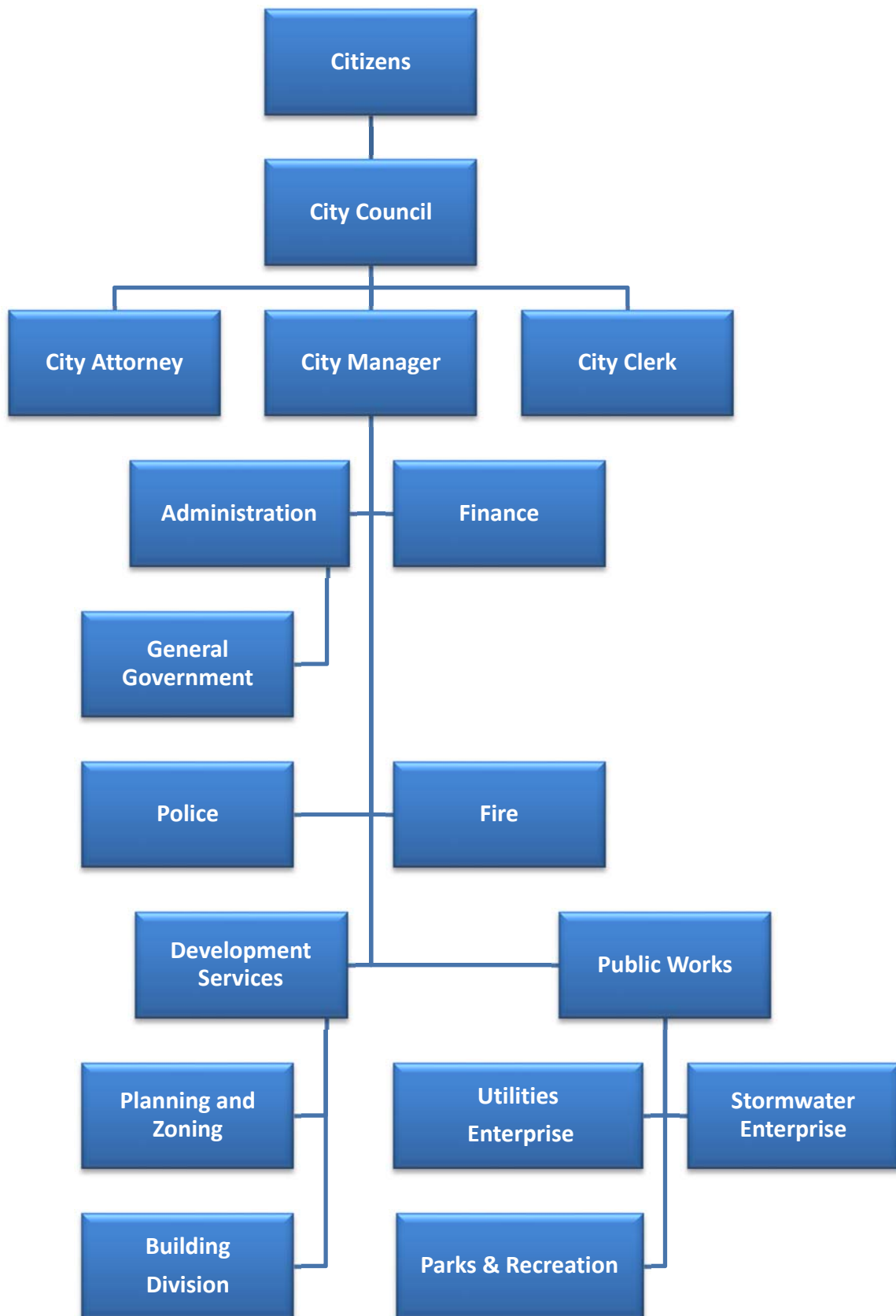
September 30, 2017

Christopher P. Morill

Executive Director/CEO

CITY OF ORANGE CITY, FLORIDA

ORGANIZATIONAL CHART



**CITY OF ORANGE CITY, FLORIDA
Comprehensive Annual Financial Report
For the Year Ended September 30, 2018**

Council-Manager Form of Government



(L to R back row, O'Connor, Mayor Blair, Mahoney, Allebach, Vice Mayor Crippen, Pupello, Robinson, City Manager Arrington, front)

City Council

Gary A. Blair	Mayor
O. William (Bill) Crippen	Vice Mayor
William O'Connor	Council Member
Jeff Allebach	Council Member
Jim Mahoney	Council Member
Anthony Pupello	Council Member
Evelyn Robinson	Council Member

Administrative Staff

City Manager
Dale Arrington

City Attorney
William Reischmann

Finance Director
Christine C. Davis

City Clerk
Gloria J. Thomas

Mill Lake Park



Orange City's newest park, Mill Lake Park, officially opened in February 2018. Mill Lake has a rich history. Its location on the south side of the Orange City Historic District provides a recreational touchstone to the community. The 20-acre project site was one of Volusia County's first lumber mills where wood was produced then taken by rail to the St. Johns River; where it was distributed to the rest of the world. For years it had been a dream of Orange City to develop Mill Lake and the surrounding property into an amazing park for the community; however the City only owned 3 acres of the 20-acre site, making the vision of developing Mill Lake Park seemingly unattainable. City officials did not give up, and in 2014 negotiated with the Florida Department of Transportation (FDOT) to acquire the remaining 17 acres of land, allowing the City to plan a bright future for Mill Lake.

City staff worked diligently to obtain several grants to develop the park and clean up and reshape the lake. Funds obtained from the Legislator's Appropriations Act and the St. Johns River Water Management District addressed water quality improvements needed to protect the Blue Spring (nutrient reduction) as well as addressing the spring minimum flow and levels by increasing stormwater storage area within a high aquifer recharge area. The Park amenities, funded by Volusia County's ECHO Program, added to the State and City's goal to build a strong community.

Photo courtesy of the city of Orange City

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Orange City, 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 Orange City, Florida*, as of and for the year ended September 30, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Orange City's 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Orange City, 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.

Emphasis-of-Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in the year ended September 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement ("GASBS") 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. As a result of the implementation of GASBS 75, the City reported a restatement for the change in accounting principle as of October 1, 2017. Our opinions are not modified with respect to this matter.

MCDIRMIT DAVIS & COMPANY, LLC

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, pension and other postemployment benefits disclosures 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 *City of Orange City's* basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section, and the Schedule of Expenditures of Federal Awards, as required by 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), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules of budgetary comparison information, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates 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 statements and schedules, and the Schedule of Expenditures of Federal Awards is 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 a report dated March 22, 2019 on our consideration of *City of Orange City's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 *City of Orange City's* internal control over financial reporting and compliance.

McDiernit Davis & Company, LLC

Orlando, Florida
March 22, 2019

CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

September 30, 2018

Management of the City of Orange City, Florida (the "City") offers 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 (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues and concerns.

As with other sections of this financial report, the information contained within the Management's Discussion and Analysis (MD&A) should be considered only as part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the letter of transmittal, which can be found on page i, the required supplementary information (RSI) which can be found beginning with page 54, and the City's financial statements beginning on page 16.

Financial highlights

- The assets and deferred outflows of resources of the City of Orange City exceeded its liabilities and deferred inflows of resources at September 30, 2018 by \$36,299,659 (net position). Of this amount, \$4,982,653 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's total net position increased by \$6,372,731 (\$6,368,233 increase in net position plus \$4,498 GASB 75 Restatement or 21.3%). Governmental total net position increased by \$515,726 (\$477,820 increase in net position plus \$37,906 GASB 75 Restatement or 5.4%) while business-type activities increased by \$5,857,005 (\$5,890,413 increase in net position less \$33,408 GASB 75 Restatement or 28.7%).
- At the close of the fiscal year, the City of Orange City's governmental funds reported combined ending fund balances of \$8,630,901, an increase of \$1,061,082 in comparison with the prior year. Approximately 82.7% of this amount or \$7,140,432 is available for spending at the City's discretion (unassigned fund balance).
- There is no principal amount of debt outstanding for governmental activities and the principal amount outstanding for business-type activities reflects a reduction of \$310,000 with new debt payable in the amount of \$938,081 associated with the SRF Loan DW642000. There was no new debt issuance for governmental funds.

Overview of the financial statements

This discussion and analysis is intended to serve as an introduction to the City of Orange City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information intended to furnish additional detail to support the basic financial statements themselves.

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

The Statement of Net Position presents information on all of the City's assets, liabilities and deferred outflows/inflows with the difference reported as net position. The focus of the Statement of Net Position (the "unrestricted net position") is designed to be similar to the "bottom line" results for the City and its governmental and business-type activities. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used in most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and the change in position. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial position is improving or deteriorating.

However, other nonfinancial factors will need to be considered to assess the overall health of the City, such as, changes in the City property tax base and the condition of the City roads.

CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

September 30, 2018

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here, including police, fire, public works, parks and general government. Property taxes, franchise fees and state-shared revenues finance most of these activities.
- **Business-type activities** – Fees are charged to customers to cover the cost of providing water, wastewater utility and stormwater services.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, in the governmental and business-type funds, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

Both of the government-wide financial statements distinguish functions of the City, that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities include general government, public safety, transportation, and culture and recreation. The business-type activities include water, wastewater and stormwater fees.

The government-wide financial statements include the City of Orange City itself (known as the primary government) and one blended component unit (The City of Orange City Community Redevelopment Agency Fund). The government-wide financial statements can be found on pages 16-17 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains seven 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, Impact Fee Fund (a special revenue fund) and CRA (a special revenue fund), all of which are considered to be major funds. Data from the other four 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 in this report, following the notes to the financial statements.

The City adopts an annual appropriated budget for its General Fund and special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budget. The General Fund, Impact Fee Fund, and the CRA fund are presented as required supplemental information. The governmental funds financial statements can be found on pages 18-20 of this report.

CITY OF ORANGE CITY, FLORIDA

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Enterprise funds. The City maintains two *enterprise funds*. Enterprise funds are used to present the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its utilities and stormwater funds. The Enterprise Fund statements provide the same type of information as the government-wide financial statements, only in more detail.

The basic enterprise fund financial statements can be found on pages 21-24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and can be found on pages 25-52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 62-69 of this report.

Infrastructure assets. Typically, a government's largest group of assets (infrastructure – roads, bridges, underground pipes [unless associated with a utility] etc.) have not been reported nor depreciated in governmental fund financial statements. GASB Statement No. 34 requires that these assets be valued and reported within the governmental column of the government-wide statements. The City had the option to either (a) depreciate these assets over their useful life or (b) develop a system of asset management (the alternative method) designed to maintain the service delivery potential to near perpetuity. The City has elected to implement the depreciation method, and will monitor and consider, over time, a possible conversion to the alternative method.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets and deferred outflows exceed liabilities and deferred inflows by \$36,299,659 at September 30, 2018.

The following table reflects the condensed Statement of Net Position compared to the prior year. For more detailed information see the Statement of Net Position on page 16.

	Statement of Net Position					
	As of September 30					
(in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 9,216	\$ 8,697	\$ 6,873	\$ 5,238	\$ 16,089	\$ 13,935
Restricted assets	-	-	683	667	683	667
Capital assets	8,987	8,614	23,826	18,346	32,813	26,960
Total assets	18,203	17,311	31,382	24,251	49,585	41,562
Total deferred outflows of resources	5,212	5,241	596	571	5,808	5,812
Current liabilities	641	1,181	1,639	1,143	2,280	2,324
Long-term liabilities outstanding	11,788	11,447	3,932	3,197	15,720	14,644
Total liabilities	12,429	12,628	5,571	4,340	18,000	16,968
Total deferred inflows of resources	978	432	116	47	1,094	479
Net position:						
Net investment in capital assets	8,987	8,614	20,963	16,077	29,950	24,691
Restricted net position						
Other purposes	1,047	628	320	310	1,367	938
Unrestricted	(26)	250	5,009	4,048	4,983	4,298
Total net position	\$ 10,008	\$ 9,492	\$ 26,292	\$ 20,435	\$ 36,300	\$ 29,927

CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

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Eighty-two percent (82.5%) of the City's net position are reflected in investment in capital assets (e.g., land, buildings, improvements, infrastructure, vehicles and equipment) less any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of the City's **governmental activities** increased by \$515,726 and totaled \$10,007,891 at the end of fiscal year 2018. Of this amount, approximately all of this is either restricted as to the purpose they can be used for or is invested in capital assets (land, buildings and equipment). Consequently, unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, totaled -\$25,867 at the end of 2018.

Net position of the City's **business-type activities** increased by \$5,857,005 and totaled \$26,291,768 at the end of fiscal year 2018. Of this amount, approximately 81% is invested in capital assets (land, buildings and equipment) and restricted. Consequently, unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, totaled \$5,008,520 at the end of 2018.

As of September 30, 2018, the City is able to report positive balances in two of the three categories of net position.

The following table reflects the condensed Statement of Activities as compared to the prior year. For more detailed information see the Statement of Activities on page 17.

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 Changes in Net Position provides answers as to the nature and source of those changes. At September 30, 2018, the City's combined net position totaled \$36,299,659, which is an increase of \$6,372,731 over last year's reported \$29,926,928.

(in thousands)	Changes in Net Position					
	For the Year Ended September 30					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues -						
Charges for services	\$ 4,776	\$ 4,648	\$ 5,150	\$ 5,156	\$ 9,926	\$ 9,804
Operating grants and contributions	491	113	-	-	491	113
Capital grants and contributions	433	154	5,239	3,457	5,672	3,611
General revenues	7,755	6,753	30	6	7,785	6,759
Total revenues	\$ 13,455	\$ 11,668	\$ 10,419	\$ 8,619	\$ 23,874	\$ 20,287
Expenses:						
General government	2,795	2,637	-	-	2,795	2,637
Public safety	8,125	7,045	-	-	8,125	7,045
Highways and streets	1,611	1,108	-	-	1,611	1,108
Parks and recreation	693	1,266	-	-	693	1,266
Economic environment	12	11	-	-	12	11
Water and sewer	-	-	4,048	3,881	4,048	3,881
Stormwater	-	-	222	102	222	102
Total expenses	13,236	12,067	4,270	3,983	17,506	16,050
Increase in net position before transfers	219	(399)	6,149	4,636	6,368	4,237
Transfers	259	(1,930)	(259)	1,930	-	-
Increase in net position	478	(2,329)	5,890	6,566	6,368	4,237
Net position - October 1 (Restated)	9,530	11,821	20,401	13,869	29,931	25,690
Net position - September 30	\$ 10,008	\$ 9,492	\$ 26,291	\$ 20,435	\$ 36,300	\$ 29,927

CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

September 30, 2018

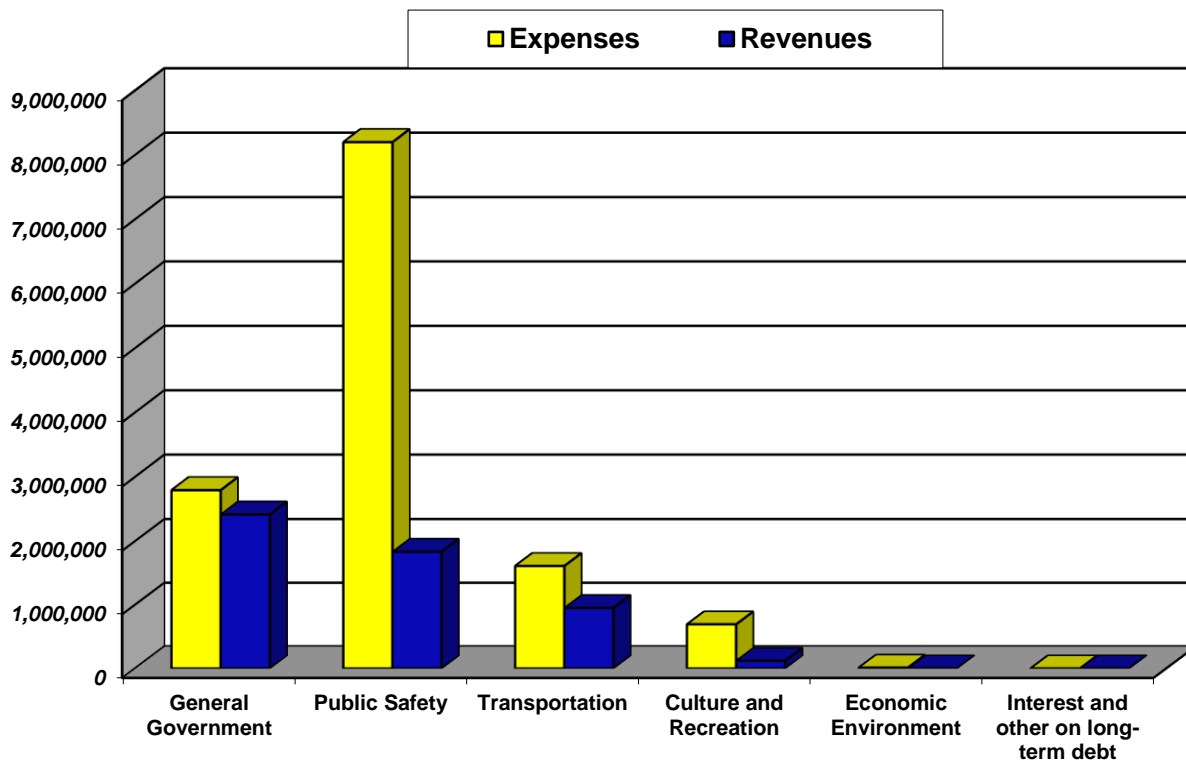
The City's total revenue increased by 18% or \$3,587,927. The total cost of all program expenses increased by 9% or \$1,456,088. Governmental activities increased the City's net position by \$517,726, and business-type activities increased the City's net position by \$5,087,005 for a net increase of \$6,372,731.

The analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The cost of all governmental activities this year was \$13,236,085 compared to \$12,066,874 last year for an increase of 9.7% or \$1,169,211. It should be noted that as shown in the Statement of Activities on page 17, the amount the City's taxpayers ultimately financed for these activities through City taxes was \$7,535,422 because some of the costs were paid by those who directly benefited from the programs, \$4,776,445 or by other governments and organizations that subsidized certain programs with grants and contributions, \$924,218. The governmental program revenues increased in fiscal year 2018 to \$5,700,663 from \$4,915,546 for an increase of \$785,117 or 16%. With the net increase being attributable to grant revenues increasing from \$267,494 to \$924,218 (grants tend to be nonrecurring). Positive factors were increased ad valorem, franchise fees and utility taxes, state sales tax and revenue sharing. The City also realized an increase in permitting and new construction. The City continues to pursue grant opportunities; we expect grant revenue to again increase next year depending on the timing with the completion of certain large capital projects and the subsequent collection of reimbursement grant proceeds. The City paid for the remaining "public benefit" portion of governmental activities with \$7,535,422 in taxes and with other revenue, such as general entitlements.

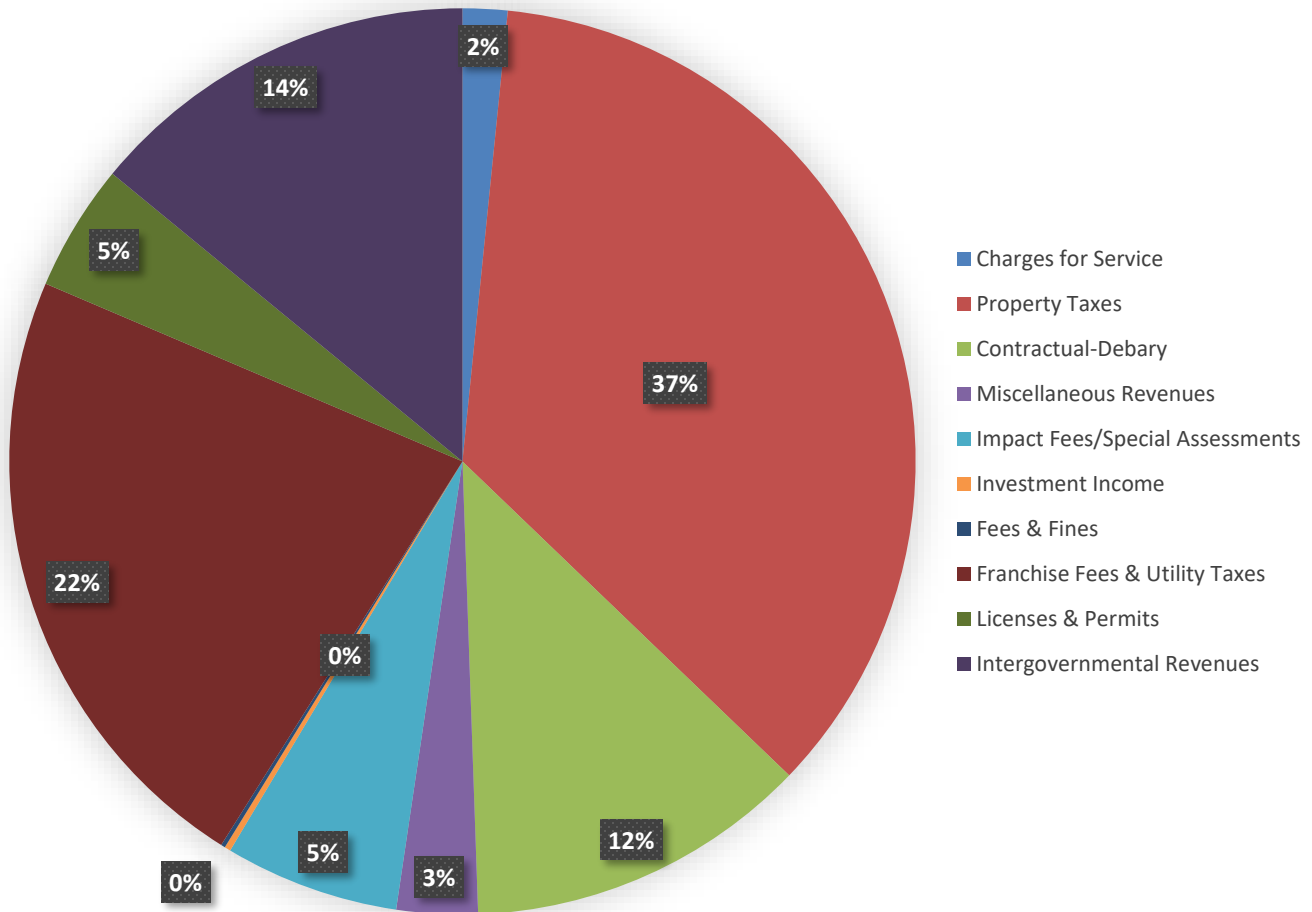
Program Expenses vs. Revenues



Management's Discussion and Analysis

September 30, 2018

Governmental Revenues by Source



Business-type Activities

A comparison of the City's functional program revenues and costs of providing business-type activities to its customers is useful in identifying the capabilities of producing revenue sufficient to operate programs.

Total expenses of the business-type activities increased in 2018 to \$4,270,227 (up \$286,877 or 7%) as compared to \$3,983,350 in 2017. Charges for services of the business-type activities slightly decreased in 2018 to \$5,150,182 (down \$5,348 or 0.1%) as compared to \$5,155,530 in 2017. Business-type activities increased the City's net position by \$5,890,413, which is less than the prior year's \$6,565,451, and totaled \$26,291,768 at September 30, 2018. Key factors in the current year's activity include:

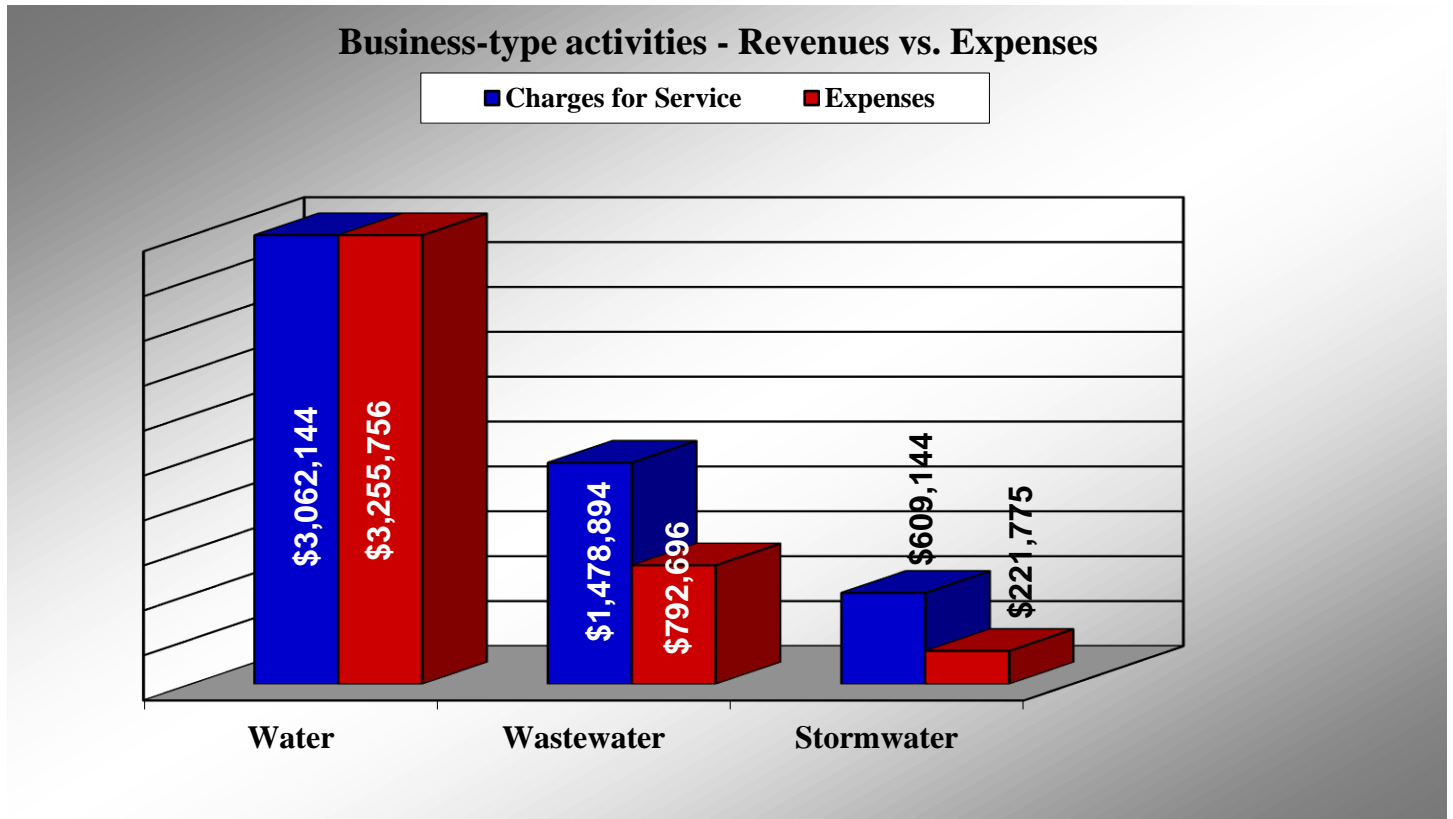
- The annual Utilities (water, wastewater and reclaimed) rates increased as provided in the 2013 adopted rate study.
- The annual Stormwater rate increased as provided in the 2015 adopted rate study.
- There were no Operating Grants and Contributions revenues for 2018 and 2017 and Capital Grants and Contributions revenues of \$5,239,319 in 2018 and \$3,456,591 in 2017.

CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

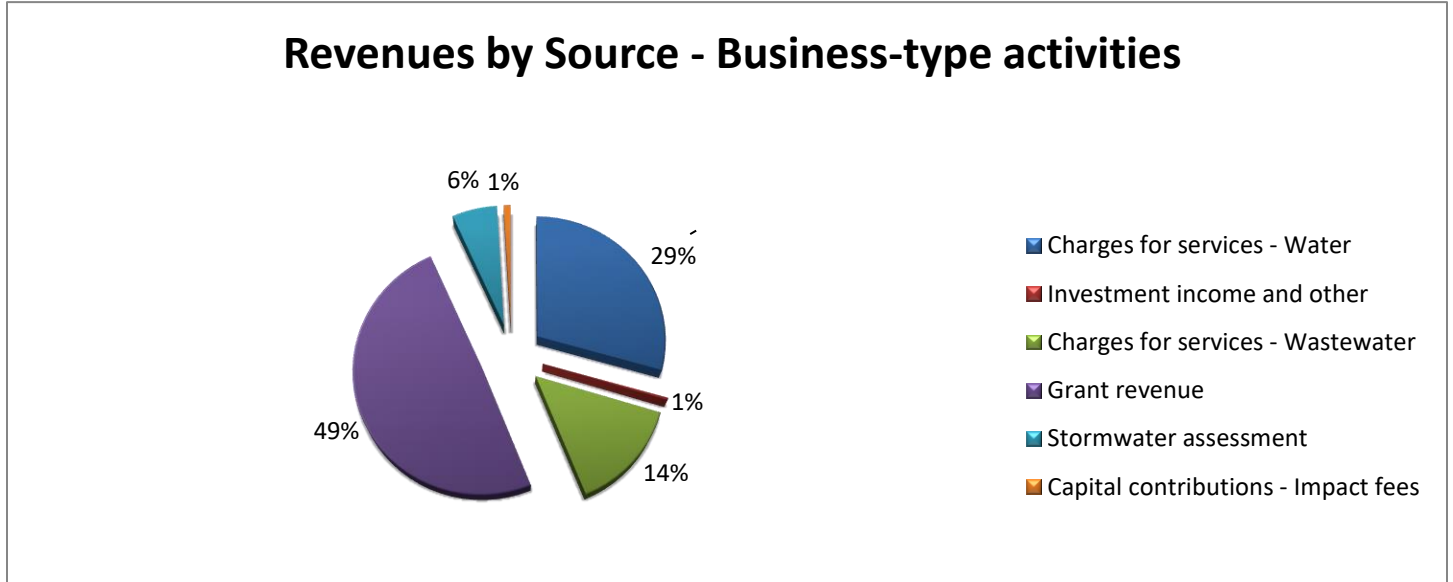
September 30, 2018

The following is a summary of the City's Program Revenues and Expenses – Business-type Activities:



The primary sources of revenues for the business-type activities are generated through charges for services and capital grants and contributions. These sources are useful in identifying how revenues are generated to operate the program.

The following is a summary of the City's Revenues by Source – Business-type Activities:



CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

September 30, 2018

Financial analysis of the City's funds. As noted earlier, the City of Orange 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, the unassigned fund balance may serve as a measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2018, the City's governmental funds reported combined ending fund balances of \$8,630,901, an increase of \$1,061,082 in comparison to \$7,569,819 reported last year. Approximately 82.7% of this total amount, \$7,140,432 constitutes the unassigned fund balance, which is available for spending at the City's discretion. The remaining fund balance categories total \$1,490,469 and represent balances that are nonspendable, restricted, committed and assigned. Nonspendable funds total \$100,666 and are used to account for prepaid items at year-end. Restricted funds are the forfeiture funds, CRA funds and other funds and total \$324,796 and must be spent according to various Florida State Statutes. Committed funds are impact fees that total \$722,330 and are used for acquisitions of capital assets resulting from growth (not replacement of capital assets). The assigned funds total \$342,677 and are the result of appropriated fund balance within the adopted fiscal year 2018/19 budget and in-progress procurements at year-end. For more detailed information see Note 9 on page 48.

The General Fund is the chief operating fund of the City. As of September 30, 2018, the unassigned fund balance of the General Fund was \$7,140,432, while the total fund balance of all governmental funds was \$8,630,901. As a measure of the General Fund liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 58.1% of total General Fund expenditures of \$12,287,315.

The fund balance of the City's General Fund increased \$721,292 during the current fiscal year. The increase is attributed to recurring revenue being collected at 4.6% over the budget, in conjunction with under spent appropriations primarily as it relates to planned capital projects.

Enterprise Funds. The City's Enterprise Funds provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Utilities and Stormwater funds at September 30, 2018, amounted to \$5,008,520 an increase of \$960,136 or 24% from the prior year of \$4,048,384.

General Fund Budgetary Highlights

The following is a brief summary of the budget changes from the original to the final budget (refer to budget comparison on page 58). The general fund budget expenditures were increased from \$12,268,245 to \$14,986,907 from the original budget (an increase of \$2,718,662 or 22%) and was primarily attributed to the following changes:

- \$1,423,384 increase in Transportation with the largest being carry-forward of the French LAP Projects (shared use path) totaling \$1,321,984.
- \$640,407 increase in emergency and disaster relief for hurricane Irma expenditures.
- \$462,884 Increase in Leisure Service with the carry-forward of the Mill Lake Park Project – Phase 2.

Actual revenues were \$678,621 less than the final budget, and actual expenditures and transfers out were \$2,699,592 less than the final budget.

These differences are primarily attributed to:

Revenues:

Actual year-end revenues were under the budgeted amount by a net \$678,621 or 5%.

Major revenue items that generated favorable/positive budget variances were:

- Utility Service Taxes \$134,629

Major revenues that generated unfavorable/negative budget variances were:

- Intergovernmental (grant) \$1,129,558

CITY OF ORANGE CITY, FLORIDA

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The primary factor resulting in the unfavorable budget variances for Intergovernmental revenue was with uncollected LAP grant proceeds associated with the Little French sidewalk project and the Big French shared use path totaling \$970,007 being uncollected. The City experienced an increase with the Utility Service Taxes as the result of increasing the monthly rate from 5% to 10%, which went into effect in July 2018.

Expenditures:

Actual year-end expenditures were less than budgeted by \$2,699,592 or 18%.

Major expense categories that came in under budget were:

- Transportation services \$1,333,431
- General Government \$ 370,346
- Parks Maintenance \$ 265,971

Transportation projects for the French LAP projects (grant related) known as the Little French sidewalk project and the Big French shared use path project contributed to actual expenditures generating a favorable budget variance and are considered multi-year projects. The General Government under spent budget is primarily attributed to Attorney Fees and Professional Services. The Parks under spent budget is primarily attributed to the new construction of a skate park (grant related). Further, personnel services throughout were less than budgeted as the result of some position vacancies and normal personnel attrition throughout the city (notably within police, fire, and public works). City departments continued to be prudent resulting in unspent operating allocations within all departmental functions. The aforementioned items, in part, contributed to the expense appropriation being \$2,699,592 under budget.

Capital Assets and Debt Administration

Capital assets. At September 30, 2018 the City had \$32,812,418 (net of accumulated depreciation) invested in a broad range of capital assets, including land, equipment, buildings, park facilities and infrastructure. This amount represents a net increase (including additions and deductions) of \$5,852,675 or 21.7% above last year. The following table illustrates the composition in capital assets:

	Capital Assets					
	(net of accumulated depreciation)					
	As of September 30					
(in thousands)	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Non-depreciable capital assets:						
Land and improvements	\$ 959	\$ 959	\$ 454	\$ 454	\$ 1,413	\$ 1,413
Waste water capacity	-	-	893	893	893	893
Construction in progress	861	1,470	11,868	9,631	12,729	11,101
Depreciable capital assets:						
Buildings and improvements	1,048	1,081	295	279	1,343	1,360
Water/sewer transmission lines and facilities	-	-	6,437	6,835	6,437	6,835
Stormwater infrastructure	-	-	3,537	-	3,537	-
Machinery and equipment	1,890	1,905	342	254	2,232	2,159
Infrastructure	4,229	3,199	-	-	4,229	3,199
Total	\$ 8,987	\$ 8,614	\$ 23,826	\$ 18,346	\$ 32,813	\$ 26,960

CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

September 30, 2018

Major capital projects completed during the current fiscal year include the following:

- Completion of Mill Lake Park Phase 2 (\$430,098)
- Citywide computers and equipment (\$385,882)
- Six replacement vehicles citywide (\$205,985)
- Various road improvements (\$84,010)
- Various facility improvements (\$41,186)
- Water distribution improvements (\$114,522)
- Wastewater collection improvements (\$15,912)

Construction in progress (CIP) at September 30, 2018 totaled \$12,728,518 with business-type activities accounting for \$11,868,011 and is associated with several comprehensive capital projects (the most significant projects being: Water System Capital Improvements). Governmental activities at September 30, 2018 accounted for \$860,507 and are associated with several projects (notably the two French LAP projects).

Major capital projects for the upcoming fiscal year include the following:

The City's fiscal year 2019 governmental-type activities capital budget continues to demonstrate forward momentum with the City Council's long-standing commitment to appropriately align available resources to meet the capital replacement program, with funding totaling \$867,910. Fiscal year 2019 highlighted capital improvements are: new skate park \$200,000 (carry-forward project), sidewalks totaling \$159,500, replacement fleet vehicles, five (5) replacement fleet vehicles and one (1) new vehicles for the Fire Department for a total of \$233,000, various building improvements totaling \$117,450, and city-wide computers, software and related equipment totaling \$164,960.

The City's fiscal year 2019 business-type capital budget has appropriated \$1,247,066 in projects. In fiscal year 2016, the City successfully obtained funding from the Florida Department of Environmental Protection State Revolving Funding, a combination of grant (85%) and low interest loan (15%), in the amount of up to \$10.5 million to fund up to 5-years of the Water System Master Plan (capital improvements). These projects are multi-year construction projects. The fiscal year 2019 budget has been amended to appropriate the carry-forward capital projects associated with the SRF funded projects. Additional information on the City's capital assets can be found in Note 5 (page 37-38) of the notes to the financial statements in this report.

Long-term debt. At September 30, 2018, the City had debt as noted below.

(in thousands)	Long-Term Debt					
	As of September 30					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
State Revolving Fund Loan	\$ -	\$ -	\$ 1,518	\$ 579	\$ 1,518	\$ 579
Utility Revenue Bonds 2005	-	-	1,345	1,655	1,345	1,655
Total	\$ -	\$ -	\$ 2,863	\$ 2,234	\$ 2,863	\$ 2,234

CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

September 30, 2018

The City's business-type activities debt decrease by \$310,000 due to principal payments on the 2005 Utility Revenue Bonds and increased by \$938,081 relative to drawing on the SRF loan.

At September 30, 2018 the City has SRF Loan DW642000 payable in the amount of \$1,517,538. Additional information on the City's long-term liabilities can be found in Note 6 (page 39-40) of the notes to the financial statements.

The City was awarded funding from the Florida Department of Environmental Protection State Revolving Funding (SRF), a low interest loan (current rate is set at 0%), in the amount of up to \$7.8 million to fund wastewater treatment and stormwater management capital projects. At September 30, 2018 the City has no loan amount payable for the SRF Loan SW642030.

The City is authorized to issue debt pursuant to Article III, Section 2, of the Constitution of the State of Florida, and Chapter 166, part II, Florida Statute. The City charter does not set debt limitations, but requires authorization of debt issuance by Ordinance.

Economic Factors and Next Year's Budgets and Rates

The State of Florida, by constitution, does not have a state personal income tax and therefore the State operates primarily using sales, fuel and corporate income tax. Local governments (cities, counties and school boards) rely on property taxes and a limited array of other taxes (sales, fuel, business, utilities, etc.) and fees (franchise, permit, etc.) for governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from local, state and federal governments. Of paramount concern is the continuation of unfunded mandates and State Legislature actions as they continue to erode the "Home-Rule Authority" resulting in loss of valuable revenues that the City uses for maintenance and development.

In March 2017, Council held a Strategic Planning/Goal Setting Update Workshop and reviewed and updated the City's Strategic Plan. This plan is utilized to help guide the city in prioritizing funding for the annual budget. The City expenditures have been strategically linked to the priorities contained within the plan. The City has scheduled the next workshop to review and updates its strategic plan on April 6, 2019. These priorities are utilized each year when developing the coming year's budget.

The City continues to realize forward momentum thanks to our long-standing continuation of several fundamental objectives as indicated in the following. The City's continued focus for fiscal year 2019 relates to maintaining our current level of service coupled with an emphasis on funding to maintain the City's capital assets and infrastructure through proper and timely maintenance and replacement. The City continues to work to address revenue sources that have declined or have been reduced through state unfunded mandates by managing operating expenses in the most prudent way possible. Current known (and ongoing) shared revenue sources that the state continues to debate as to whether to eliminate or to enact sweeping changes are Communication Services Tax and Business Tax Receipts. On a positive note, the city experienced an increase in taxable values and are poised to experience considerable new development with both commercial and residential construction.

Council and staff continue to monitor and evaluate current economic influences both internally and externally which influence revenues and expenditures and steps continue to be taken to ensure the City is prepared to adjust the budget appropriately, as well as prepare for the 2020 budget development.

Requests for Information

The financial report is designed to provide a general overview of the City's finances for all of those with an interest in the City's finances. 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 Orange City, 205 East Graves Avenue, Orange City, Florida 32763.



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CITY OF ORANGE CITY, FLORIDA

BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of financial statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental funds
 - Proprietary (enterprise) fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF ORANGE CITY, FLORIDA

STATEMENT OF NET POSITION

September 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 8,511,667	\$ 5,198,990	\$ 13,710,657
Receivables, net	279,034	389,369	668,403
Internal balances	111,571	(111,571)	-
Due from other governments	213,656	1,384,697	1,598,353
Prepaid items	100,666	11,949	112,615
Restricted assets:			
Cash and cash equivalents	-	682,692	682,692
Capital Assets:			
Capital assets not being depreciated	1,819,043	13,214,660	15,033,703
Capital assets being depreciated, net of accumulated depreciation	7,167,589	10,611,126	17,778,715
Total capital assets	8,986,632	23,825,786	32,812,418
Total assets	18,203,226	31,381,912	49,585,138
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of pension earning	5,212,148	596,238	5,808,386
LIABILITIES:			
Accounts payable and accrued expenses	370,295	739,047	1,109,342
Retainage payable	-	208,762	208,762
Accrued interest	-	26,496	26,496
Customer deposits payable	45,142	335,469	380,611
Unearned revenue	170,256	-	170,256
Noncurrent liabilities:			
Due within one year	55,529	329,248	384,777
Due in more than one year	11,787,951	3,931,768	15,719,719
Total liabilities	12,429,173	5,570,790	17,999,963
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of pension earning	947,692	108,411	1,056,103
Deferred inflows related to OPEB	30,618	7,181	37,799
Total Deferred inflows of resources	978,310	115,592	1,093,902
NET POSITION:			
Net investment in capital assets	8,986,632	20,963,248	29,949,880
Restricted for skate park donations	79,287	-	79,287
Restricted for impact fee fund	722,330	-	722,330
Restricted for community redevelopment	215,453	-	215,453
Restricted for Shadow Ridge 2 streetlighting district	5,265	-	5,265
Restricted for forfeitures	24,791	-	24,791
Restricted for debt service	-	320,000	320,000
Unrestricted	(25,867)	5,008,520	4,982,653
Total net position	\$ 10,007,891	\$ 26,291,768	\$ 36,299,659

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF ORANGE CITY, FLORIDA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 2,794,659	\$ 2,485,552	\$ 17	\$ -	\$ (309,090)	\$ -	\$ (309,090)
Public safety	8,125,224	1,838,168	106,800	-	(6,180,256)	-	(6,180,256)
Transportation	1,611,000	422,213	285,913	202,368	(700,506)	-	(700,506)
Culture and recreation	693,156	30,512	98,570	230,550	(333,524)	-	(333,524)
Economic Environment	12,046	-	-	-	(12,046)	-	(12,046)
Total governmental activities	13,236,085	4,776,445	491,300	432,918	(7,535,422)	-	(7,535,422)
Business-type activities:							
Utilities	4,048,452	4,541,038	-	4,839,319	-	5,331,905	5,331,905
Stormwater	221,775	609,144	-	400,000	-	787,369	787,369
Total business-type activities	4,270,227	5,150,182	-	5,239,319	-	6,119,274	6,119,274
Total primary government	\$ 17,506,312	\$ 9,926,627	\$ 491,300	\$ 5,672,237	(7,535,422)	6,119,274	(1,416,148)
General Revenues:							
Property taxes					5,025,511	-	5,025,511
Local option gas and use tax					230,519	-	230,519
Utility service taxes					1,548,629	-	1,548,629
State sales tax					808,666	-	808,666
Unrestricted investment earnings					29,390	1,582	30,972
Miscellaneous					111,777	28,307	140,084
Transfers					258,750	(258,750)	-
Total general revenues and transfers					8,013,242	(228,861)	7,784,381
Change in net position					477,820	5,890,413	6,368,233
Net Position - beginning of year as previously reported					9,492,165	20,434,763	29,926,928
Cumulative effect of change in accounting principle					37,906	(33,408)	4,498
Net position - beginning, as restated					9,530,071	20,401,355	29,931,426
Net Position - end of year					\$ 10,007,891	\$ 26,291,768	\$ 36,299,659

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF ORANGE CITY, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2018

	General Fund	Impact Fee Special Revenue Fund	Community Redevelopment Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 7,520,944	\$ 763,567	\$ 202,365	\$ 24,791	\$ 8,511,667
Taxes receivable, net	279,034	-	-	-	279,034
Due from other governments	213,656	-	-	-	213,656
Due from other funds	152,808	-	13,088	5,265	171,161
Prepaid costs	100,666	-	-	-	100,666
Total assets	<u>\$ 8,267,108</u>	<u>\$ 763,567</u>	<u>\$ 215,453</u>	<u>\$ 30,056</u>	<u>\$ 9,276,184</u>
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 370,295	\$ -	\$ -	\$ -	\$ 370,295
Retainage payable	-	-	-	-	-
Due to other funds	18,353	41,237	-	-	59,590
Deposits payable	45,142	-	-	-	45,142
Unearned revenue	170,256	-	-	-	170,256
Total liabilities	<u>604,046</u>	<u>41,237</u>	<u>-</u>	<u>-</u>	<u>645,283</u>
FUND BALANCES:					
Nonspendable	100,666	-	-	-	100,666
Restricted	79,287	-	215,453	30,056	324,796
Committed	-	722,330	-	-	722,330
Assigned	342,677	-	-	-	342,677
Unassigned	7,140,432	-	-	-	7,140,432
Total fund balances	<u>7,663,062</u>	<u>722,330</u>	<u>215,453</u>	<u>30,056</u>	<u>8,630,901</u>
Total liabilities and fund balances	<u>\$ 8,267,108</u>	<u>\$ 763,567</u>	<u>\$ 215,453</u>	<u>\$ 30,056</u>	

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds	8,986,632
Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds, however, they are recorded in net position under full accrual accounting	4,233,838
Compensated absences are not recorded as a liability in the governmental funds balance sheet	(555,291)
Net pension liabilities are not due and payable in the current period and therefore, are not reported in the funds	(11,165,958)
The net other post employment benefits obligation is not recorded as a liability in the governmental funds balance sheet	(122,231)
Net position of governmental activities in the Statement of Net Position	<u>\$ 10,007,891</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF ORANGE CITY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2018

	General Fund	Impact Fee Special Revenue Fund	Community Redevelopment Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 4,787,976	\$ -	\$ 237,535	\$ -	\$ 5,025,511
Franchise fees	1,245,420	-	-	-	1,245,420
Local option gas tax	230,519	-	-	-	230,519
Utility service taxes	1,548,629	-	-	-	1,548,629
Fees and fines	20,288	-	-	-	20,288
Licenses and permits	610,078	-	-	-	610,078
Intergovernmental	1,890,546	-	-	-	1,890,546
Impact fees/special assessments	-	213,752	-	386,620	600,372
Charges for services	214,965	-	-	-	214,965
Investment earnings	29,390	-	-	-	29,390
Contractual-DeBary Fire	1,650,365	-	-	-	1,650,365
Miscellaneous	389,072	-	-	-	389,072
Total revenues	<u>12,617,248</u>	<u>213,752</u>	<u>237,535</u>	<u>386,620</u>	<u>13,455,155</u>
EXPENDITURES:					
Current:					
General government	2,166,900	-	-	334,128	2,501,028
Public safety	6,932,578	-	-	-	6,932,578
Transportation	1,291,571	-	-	9,298	1,300,869
Culture and recreation	402,929	-	-	-	402,929
Economic Environment	-	-	10,505	-	10,505
Capital Outlay	1,493,337	-	11,577	-	1,504,914
Total expenditures	<u>12,287,315</u>	<u>-</u>	<u>22,082</u>	<u>343,426</u>	<u>12,652,823</u>
Excess (deficiency) of revenues over expenditures	<u>329,933</u>	<u>213,752</u>	<u>215,453</u>	<u>43,194</u>	<u>802,332</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	391,359	-	-	-	391,359
Transfers out	-	(76,867)	-	(55,742)	(132,609)
Total other financing sources (uses)	<u>391,359</u>	<u>(76,867)</u>	<u>-</u>	<u>(55,742)</u>	<u>258,750</u>
Net change in fund balances	721,292	136,885	215,453	(12,548)	1,061,082
Fund Balances, beginning of year	<u>6,941,770</u>	<u>585,445</u>	<u>-</u>	<u>42,604</u>	<u>7,569,819</u>
Fund Balances, end of year	<u>\$ 7,663,062</u>	<u>\$ 722,330</u>	<u>\$ 215,453</u>	<u>\$ 30,056</u>	<u>\$ 8,630,901</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF ORANGE CITY, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2018

Net Change in Fund Balances - total governmental funds: \$ 1,061,082

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

Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	1,453,355	
Current year depreciation	<u>(1,081,174)</u>	372,181

Expenditures in the governmental funds for compensated absences are not recorded as expenses in the statement of activities	(17,520)
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Expenditures in the governmental funds for other post employment benefits are not recorded as expenses in the statement of activities	(10,423)
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Cash pension contributions reported in the funds were more than the calculated pension expense on the statement of activities, and therefore increased net position	<u>(927,500)</u>
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Change in net position of governmental activities	<u>\$ 477,820</u>
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CITY OF ORANGE CITY, FLORIDA

STATEMENT OF NET POSITION
ENTERPRISE FUNDS

September 30, 2018

	Utilities	Stormwater	Total
ASSETS:			
Current assets:			
Cash and cash equivalents, unrestricted	\$ 4,090,636	\$ 1,108,354	\$ 5,198,990
Cash and cash equivalents, restricted	682,692	-	682,692
Due from other governments	1,384,697	-	1,384,697
Accounts receivable, net	389,369	-	389,369
Prepaid items	11,949	-	11,949
Total current assets	<u>6,559,343</u>	<u>1,108,354</u>	<u>7,667,697</u>
Noncurrent assets:			
Capital assets, net	19,131,221	3,802,044	22,933,265
Wastewater capacity	892,521	-	892,521
Total noncurrent assets	<u>20,023,742</u>	<u>3,802,044</u>	<u>23,825,786</u>
Total assets	<u>26,583,085</u>	<u>4,910,398</u>	<u>31,493,483</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	568,901	27,337	596,238
Total deferred outflows of resources	<u>568,901</u>	<u>27,337</u>	<u>596,238</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	700,517	-	700,517
Accrued expenses	38,530	-	38,530
Accrued interest	26,496	-	26,496
Retainage payable	208,762	-	208,762
Due to other funds	72,822	38,749	111,571
Customer deposits payable	335,469	-	335,469
Compensated absences - current	9,248	-	9,248
Bonds payable - current	320,000	-	320,000
Total current liabilities	<u>1,711,844</u>	<u>38,749</u>	<u>1,750,593</u>
Noncurrent Liabilities:			
Compensated absences	83,240	-	83,240
Bonds payable	1,025,000	-	1,025,000
Notes payable	1,517,538	-	1,517,538
OPEB Liability	26,031	2,641	28,672
Net pension liability	1,218,755	58,563	1,277,318
Total noncurrent liabilities	<u>3,870,564</u>	<u>61,204</u>	<u>3,931,768</u>
Total liabilities	<u>5,582,408</u>	<u>99,953</u>	<u>5,682,361</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	103,440	4,971	108,411
Deferred inflows related to OPEB	6,520	661	7,181
Total deferred inflows of resources	<u>109,960</u>	<u>5,632</u>	<u>115,592</u>
NET POSITION:			
Net investment in capital assets	17,161,204	3,802,044	20,963,248
Restricted for debt service	320,000	-	320,000
Unrestricted	3,978,414	1,030,106	5,008,520
Total net position	<u>\$ 21,459,618</u>	<u>\$ 4,832,150</u>	<u>\$ 26,291,768</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF ORANGE CITY, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
ENTERPRISE FUNDS

For the Year Ended September 30, 2018

	<u>Utilities</u>	<u>Stormwater</u>	<u>Total</u>
Operating Revenues:			
Charges for Services			
Water sales	\$ 3,062,144	\$ -	\$ 3,062,144
Wastewater services	1,478,894	-	1,478,894
Stormwater fees	-	609,144	609,144
	<u>4,541,038</u>	<u>609,144</u>	<u>5,150,182</u>
Total operating revenues			
Operating Expenses:			
Purchase of wastewater treatment	792,696	-	792,696
Salaries, wages and benefits	1,561,077	124,764	1,685,841
Water production and supplies	190,901	-	190,901
Repairs and maintenance	327,403	41,632	369,035
Contractual services	240,524	3,694	244,218
Other operating expenses	241,008	41,427	282,435
Depreciation and amortization	635,145	10,258	645,403
	<u>3,988,754</u>	<u>221,775</u>	<u>4,210,529</u>
Total operating expenses			
Operating income	<u>552,284</u>	<u>387,369</u>	<u>939,653</u>
Nonoperating Revenues (Expenses):			
Interest and investment income	1,582	-	1,582
Proceeds from insurance	28,307	-	28,307
Loss on disposal of property	(1,287)	-	(1,287)
Interest expense	(58,411)	-	(58,411)
	<u>(29,809)</u>	<u>-</u>	<u>(29,809)</u>
Total nonoperating revenue (expenses)			
Income Before Contributions and Transfers	522,475	387,369	909,844
Impact Fees	94,636	-	94,636
Capital Contributions	4,744,683	400,000	5,144,683
Transfers Out	(258,750)	-	(258,750)
	<u>5,103,044</u>	<u>787,369</u>	<u>5,890,413</u>
Change in net position			
Net Position - beginning of year as previously reported	16,386,905	4,047,858	20,434,763
Cumulative effect of change in accounting principle	(30,331)	(3,077)	(33,408)
	<u>16,356,574</u>	<u>4,044,781</u>	<u>20,401,355</u>
Net position - beginning, as restated			
Net Position, end of year	<u>\$ 21,459,618</u>	<u>\$ 4,832,150</u>	<u>\$ 26,291,768</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF ORANGE CITY, FLORIDA

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS

For the Year Ended September 30, 2018

	<u>Utilities</u>	<u>Stormwater</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 4,600,254	\$ 609,144	\$ 5,209,398
Payments to suppliers	(1,336,275)	(86,753)	(1,423,028)
Payments to employees	(1,442,149)	(104,764)	(1,546,913)
Net cash provided by operating activities	<u>1,821,830</u>	<u>417,627</u>	<u>2,239,457</u>
Cash Flows from Noncapital Financing Activities:			
Transfers out to other funds	(258,750)	-	(258,750)
Transfers in from other funds	-	-	-
Decrease (increase) in due from other funds	130	-	130
Increase in due to other funds	5,477	(181,963)	(176,486)
Net cash provided (used) by noncapital financing activities	<u>(253,143)</u>	<u>(181,963)</u>	<u>(435,106)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(5,990,953)	(136,231)	(6,127,184)
Insurance proceeds	28,307	-	28,307
Impact fees	94,636	-	94,636
Grants	4,191,502	400,000	4,591,502
Proceeds from long-term debt	938,081	-	938,081
Principal paid on long-term debt	(310,000)	-	(310,000)
Interest paid on long-term debt	(70,330)	-	(70,330)
Net cash used by capital and related financing activities	<u>(1,118,757)</u>	<u>263,769</u>	<u>(854,988)</u>
Cash Flows from Investing Activities:			
Investment income	1,582	-	1,582
Net cash provided by investing activities	<u>1,582</u>	<u>-</u>	<u>1,582</u>
Net Increase in Cash and Cash Equivalents	451,512	499,433	950,945
Cash and Cash Equivalents, beginning of year	4,321,816	608,921	4,930,737
Cash and Cash Equivalents, end of year	<u>\$ 4,773,328</u>	<u>\$ 1,108,354</u>	<u>\$ 5,881,682</u>
Classified as:			
Cash and cash equivalents	\$ 4,090,636	\$ 1,108,354	\$ 5,198,990
Restricted cash and cash equivalents	682,692	-	682,692
Total	<u>\$ 4,773,328</u>	<u>\$ 1,108,354</u>	<u>\$ 5,881,682</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF ORANGE CITY, FLORIDA

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS - CONTINUED

For the Year Ended September 30, 2018

	<u>Utilities</u>	<u>Stormwater</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating income	\$ 552,284	\$ 387,369	\$ 939,653
Adjustments Not Affecting Cash:			
Depreciation and amortization	635,145	10,258	645,403
Change in Assets and Liabilities:			
Accounts receivables	42,084	-	42,084
Inventory and other assets	(11,949)	-	(11,949)
Accounts payable	468,206	-	468,206
Accrued liabilities	14,658	-	14,658
Compensated absences	(17,246)	-	(17,246)
OPEB	(4,300)	(436)	(4,736)
Customer deposits	17,132	-	17,132
Deferred inflows of resources	64,091	4,444	68,535
Deferred outflows of resources	(12,657)	(12,929)	(25,586)
Net pension liability	74,382	28,921	103,303
Total adjustments	<u>1,269,546</u>	<u>30,258</u>	<u>1,299,804</u>
Net Cash Provided by Operating Activities	<u>\$ 1,821,830</u>	<u>\$ 417,627</u>	<u>\$ 2,239,457</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

Note 1 - Summary of Significant Accounting Policies:

The *City of Orange City, Florida* ("the City") was incorporated on August 26, 1882, and is a municipal corporation chartered in the State of Florida. The City operates under a Council/City Manager form of government providing services of general government, finance, police and fire protection, sanitation services, stormwater services, water and sewer services, the construction and maintenance of streets and infrastructure, recreational activities and cultural events to its residents. The legislative branch of the City is composed of a seven (7) member elected City Council. The City Council is governed by City Charter, state and local laws and regulations. The City Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the City Council, appointed City Manager and City Clerk.

The City's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below. The financial statements have also been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*.

A. Reporting Entity:

The City of Orange City operates under a Council/City Manager form of government. The city is a municipal corporation with a seven-member council including the mayor, who acts as the presiding officer of the council, with a vice-mayor serving in his absence.

The City provides a full range of municipal services including: public safety (police and fire), public work activities (street and right-of-way maintenance), development services (city planning and development), parks (maintenance and leisure), and general administration. Additionally, the City operates both a utilities and stormwater enterprise fund.

In evaluating how to define the City, for financial reporting purposes, the management has considered all potential component units. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations' resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to the organization; or (c) is obligated in some manner for the debt of the organization. In applying the above criteria, the City has one blended component unit as follows:

The City of Orange City created the Community Redevelopment Agency (CRA) in August of 2014. This is a dependent taxing district established in accordance with Chapter 163, Part III, Florida Statutes. Notification to affected taxing agency was done in compliance with Chapter 163.346, Part III, Florida Statutes. The CRA fund is governed by a seven-member board - the seven members of the city council. Separate financial statements are not issued for the CRA.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued):

A. Reporting Entity (Continued):

The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area. The purpose of the CRA is to utilize appropriate private and public resources to eliminate and prevent the development or spread of slum and blighted areas in designated areas within the City. Areas within the CRA are to be redeveloped as an economically sustainable and attractive mixed-use area offering a high quality local destination in a manner that promotes a positive image for the City.

B. Basic Financial Statements:

Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks, and recreation, public works, and general administrative services are classified as governmental activities. The City's utilities and stormwater services are classified as business-type activities.

In the government-wide statement of net position, both governmental and business-type activities columns (a) are presented on a consolidated basis by column and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the City's functions (police, fire, public works, etc.) and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten (10) percent of the corresponding total for all funds of that category or type; and

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued):

B. Basic Financial Statements (Continued):

- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five (5) percent of the corresponding total for all governmental and enterprise funds combined.
- c. The City in its own discretion determines that the fund should be considered a major fund.

C. Basis of Presentation - Fund Accounting:

(1) Major Governmental Funds:

General Fund - The General Fund is the City's primary operating fund, and is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund.

Impact Fee Fund - This special revenue fund accounts for police, fire, parks and transportation impact fees. The use of this revenue is restricted to expansion for programs related to parks, transportation, police and fire.

Community Redevelopment Fund - This special revenue fund was established by the City as authorized under Chapter 163, Part III, Florida Statutes, for the economic development of designated area(s) of the City. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the designated area.

(2) Major Proprietary Funds:

Utilities - The Utilities fund is used to account for the operations of the City's water and wastewater system, which are financed in a manner similar to private business enterprises, where the costs, including depreciation, of providing services to the general public on an ongoing basis are financed primarily through user charges.

Stormwater - The Stormwater fund is used to account for the operations of the City's stormwater system, which is financed in a manner similar to private business enterprises, where the costs, including depreciation, of providing services to the general public on an ongoing basis are financed primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, depreciation on capital assets and amortization of intangible assets.

(3) Nonmajor Governmental Funds:

Special Revenue Funds - Special revenue funds are used to account for specific revenue sources that are restricted by law to expenditures for specific purposes. Nonmajor special revenue funds include the Solid Waste Assessment Fund, the Forfeiture Fund, the Sparkman Special Assessment Fund and Shadow Ridge 2 Streetlighting District Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued):

D. Measurement Focus/Basis of Accounting:

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 City.

E. Budgets and Budgetary Accounting:

The following procedures are used to establish the budgetary data reflected in the financial statements:

- (1) Prior to August 1 of each year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- (4) Formal budgetary integration is employed as a management control device during the year for all governmental funds that have a legally-adopted budget.
- (5) Budgets are adopted on a basis consistent with U.S. Generally Accepted Accounting Principles (GAAP).
- (6) Budget appropriations are prepared by the City Manager and authorized by the City Council on a departmental basis in accordance with Article VII, Section 7.01 of the City Charter. Subsidiary designations of departmental appropriations are authorized by the City Council. All interdepartmental budget amendments and/or transfers must be approved by the City Council. Budgetary control is exercised at the department level.
- (7) Every appropriation, except for a specified major capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended. The City does not use the encumbrance method of accounting.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued):***F. Accounts Receivable:***

- (1) Property Taxes Receivable - Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessments 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 ten (10) mills. The millage rate assessed by the City for the fiscal year ended September 30, 2018 was 8.065, which means that the City has a tax margin of 1.935 per \$1,000 and could raise up to \$1,221,721 in additional tax revenue per year from the present assessed valuation of \$631,380,462.

The property tax calendar is as follows:

- All property is assessed according to its fair market value on January 1 of each year.
- Property Appraiser prepares the assessment roll January 1 of the year then submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuation by July 1 of the assessment year.
- City Council holds two required public hearings, adopts a budget for the upcoming fiscal year, and adopts an ad valorem tax millage rate by September 30 of the assessment year.
- Property Appraiser certifies the assessment roll, and all real and tangible personal property taxes are due and payable November 1 (levy date) of the assessment year.
- A Notice of Taxes is mailed to each property owner on the assessment roll by November 1 of the assessment year. Taxes may be paid November 1 (year of assessment) through March 31 (following year of assessment) with the following applicable discounts:

<u>Month</u>	<u>Discount</u>
November	4%
December	3%
January	2%
February	1%
March	0%

- All unpaid taxes on real and tangible personal property become delinquent on April 1 of the year immediately following year of assessment.
 - A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised in April/May of the year immediately following the year of assessment.
 - Tax certificates are sold on all real properties with unpaid real property taxes on June 1 (lien date) of the year immediately following the year of assessment.
 - A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent personal property taxes by June 1 of the year immediately following the year of assessment.
- (2) Unbilled Utilities Accounts Receivable - Utilities revenues are generally recognized on the basis of cycle billings rendered monthly. The unbilled portion is accrued at year end by calculating the City's October billing cycle and prorating the amount of days applicable to the current year which amounted to \$388,836 at September 30, 2018.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued):***F. Accounts Receivable (Continued):***

- (3) Allowance for Uncollectible Accounts - Based upon an analysis of both past history and past due receivables, it is management's opinion that a \$48,884 allowance for uncollectible accounts is necessary. This balance relates entirely to the utilities enterprise fund.

G. Long-term Obligations:

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or enterprise fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, notes payable, accrued compensated absences, and other post-employment benefits. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The accounting for the enterprise funds is the same in the fund statements as it is in the government-wide statements.

H. Cash and Investments:

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and mature within three months of acquisition.

Investments for the City are reported at fair value within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for the position in the Florida State Board of Administration's and Florida Safe's Local Government Surplus Investment Pools (LGIP). In accordance with state law, the LGIP's operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company act of 1940, as amended. Accordingly, the LGIP's qualify as a 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Florida State Board of Administration is subject to regulatory oversight by the State of Florida, although it is not registered with the SEC.

I. Capital Assets:

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Water and Wastewater System	10-50 years
Machinery and Equipment	2-10 years
Improvements	10-20 years
Other Infrastructure	10-50 years

There were no capitalizable interest costs for the year ended September 30, 2018.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued):

J. Operating Revenues and Expenses:

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 operations. The principal operating revenues and expenses of the City's enterprise funds are charged to customers for 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.

K. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, are reported as unearned revenue.

L. Inventory:

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventory costs are reported in the period when inventory items are used, rather than when purchased.

M. Compensated Absences:

Effective February 1, 2016 the City revised the policy for compensated absences from vacation and sick leave to personal time off (PTO), which is accrued per pay period based on an employee's length of service.

Regular employees may use paid time off leave for any reason including vacation, illness, medical appointments, personal business, etc. Employees are still required to arrange and obtain prior/advance approval of paid time off leave. Supervisors can consider same day requests for illnesses. No employee shall be granted paid time off leave unless the time has already accrued prior to the leave period. Paid time off leave shall not be used in increments of less than one quarter hour (fifteen minutes).

A balance between work life and personal life is essential for maximum productivity. Therefore, employees with one (1) year up to five (5) years of service shall be required to utilize a minimum of forty (40) hours of paid time off leave per fiscal year (or 42 hours or 56 hours depending on employee's schedule). Employees who have more than five (5) years of service shall be required to utilize a minimum of eighty (80) hours of paid time off leave per fiscal year (or 84 or 112 hours depending on employee's schedule).

Full-time employees, upon separation or retirement with six (6) month's service, will receive payment of all unused accrued paid time off leave up to a maximum of 580 hours. PTO accruals are not capped during employment, but may not exceed 580 hours paid out upon separation of employment or retirement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued):

N. Interfund Activity:

Interfund activity is reported as loans, services provided reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

O. Restricted Assets:

Restricted assets in the enterprise funds represent the cash and cash equivalents to pay the upcoming bond payment and security deposits held by the enterprise funds.

P. Prepaid Items:

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. These are recorded as expenditures when consumed rather than when purchased.

Q. Unearned Revenue:

Unearned revenues in governmental funds include amounts collected before the revenue recognition criteria are met. The unearned revenue typically consists of funds collected in advance for permits or other fees relating to services to be rendered in the subsequent year.

R. Estimates:

The preparation of financial statements in accordance with the modified accrual or accrual basis of accounting described in the previous paragraphs, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets or liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

S. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position 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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

The government has two items which qualify for reporting in this category. It is the deferred outflow of pension resources, and deferred outflows related to OPEB. Details on the composition of the deferred outflows related to pensions and OPEB are further discussed in notes 7 and 12 respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued):

S. Deferred Outflows/Inflows of Resources (Continued):

In addition to liabilities, the statement of financial 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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The City has two items that qualifies for reporting in this category for the year ended September 30, 2018, the deferred inflow of pension investment earnings, and deferred inflow related to OPEB. Details on the composition of the deferred inflows related to pensions and OPEB are further discussed in notes 7 and 12 respectively.

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

T. Net Position Flow Assumptions:

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

U. Fund Balance Flow Assumptions:

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued):

V. New GASB Statements Implemented

In fiscal year 2018, the City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. The City reallocated the liabilities over the Governmental, Utilities and Stormwater funds based on numbers of active employees. Due to the implementation of GASB Statement No. 75 and the reallocation of the liabilities between funds, beginning net position of governmental activities has been increased by \$37,906, Utilities and Stormwater funds have been decreased by \$30,331 and \$3,077 respectively.

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

The governmental funds balance sheet includes reconciliation between *fund balances - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position.

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes 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.

Note 3 - Cash and Investments:

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The City currently holds \$1,500 collectively in cash drawers.

The City's investment policy adopted by Ordinance 354 (adopted/updated June 24, 2008) is to invest public funds in a manner so as to place the highest priority on the safety of principal and liquidity. The optimization of investment returns shall be secondary to the requirements of safety and liquidity.

The City's investment policy authorizes the City to invest in the following:

- a) United States Treasury and Agency Securities
- b) Government Sponsored Enterprises
- c) State and Local Governments
- d) Corporations
- e) Local Government Investment Pools, as provided in s.163.01
- f) State Board of Administration, as provided in s.218.5
- g) Money Market Mutual Funds
- h) Repurchase Agreements

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 3 - Cash and Investments (Continued):

The City maintains cash and cash equivalent pools that are available for use by all funds except those whose cash and cash equivalents must be segregated due to bond covenants or other legal restrictions.

Cash and Cash Equivalents - Cash and cash equivalents are carried at cost. In accordance with GASB Statement No. 40, the City's deposits are categorized to give an indication of the level of custodial risk assumed at year end. At present, some of the City's excess funds are primarily deposits that are insured or collateralized pursuant to the Public Depository Security Act of the State of Florida.

Demand deposits and money market accounts are insured by federal depository insurance up to \$250,000 of the aggregate account balances for each entity. Amounts in excess of \$250,000 are fully insured by U.S. Government securities held in the Public Security Trust Fund maintained and monitored by the Treasurer of the State of Florida. Demand deposits and cash on deposit bank balances at September 30, 2018 were approximately \$13,066,000.

The City invests surplus funds in an external investment pool, Florida State Board of Administration (SBA) "The Local Government Surplus Funds Trust Fund". The State Pool is administered by the SBA, who provides regulatory oversight.

Florida Prime - The Florida Prime (formerly known as Pool or Fund A) meets the requirements of and is classified as a "2a-7 like" pool. The SBA is not a registrant with, nor regulated by, the Securities and Exchange Commission or any other regulatory agency; however, the Florida Prime has adopted operating procedures consistent with the requirements for a 2a-7 like pool and the fair value of the position in the pool is equal to the value of the pool's shares. Such investments are stated at amortized cost in the accompanying financial statements. The Florida Prime is rated by Standard and Poors and is currently rated AAAm. The weighted average days to maturity (WAM) at September 30, 2018 is 33 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The Florida Safe is rated by Standard and Poors and is currently rated AAAm. The weighted average days to maturity (WAM) at September 30, 2018 is 51 days. Next interest rate reset dates used in the calculation of the WAM.

As of September 30, 2018 the funds are as follows:

	Florida Prime	FL Safe
General Fund	\$ 148,413	\$ 1,554,746
Utilities Enterprise Fund	78,418	-
	<u>\$ 226,831</u>	<u>\$ 1,554,746</u>

The City's investment in the State Pool exposes it to credit risk. The City does not have a formal policy relating to these risks, which are hereafter described.

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations, while interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 3 - Cash and Investments (Continued):

Following is a summary of the carrying amount of the cash and cash equivalents owned by the City at September 30, 2018

	Carrying Amount	Fair Value
Cash and Cash Equivalents:		
Demand deposits, cash on deposit and petty cash	\$ 11,929,080	\$ 11,929,080
Florida Safe Investment Pool	1,554,746	1,554,746
Local Government Surplus Funds Trust Fund (Florida Prime)	226,831	226,831
Total Cash and Cash Equivalents	<u>\$ 13,710,657</u>	<u>\$ 13,710,657</u>
Restricted Assets:		
Demand deposits and cash on deposit	<u>\$ 682,692</u>	<u>\$ 682,692</u>

Cash and cash equivalents of \$682,692 is restricted for customer deposits and debt service.

Note 4 - Due from Other Governments:

Amounts due from other governments at September 30, 2018 are as follows:

	General	Utilities
Local Option Gas Tax	\$ 26,508	\$ -
Sales Tax Revenue Sharing	53,213	-
Communication Services Tax	31,599	-
State of Florida - FDOT Grant	74,692	-
State of Florida - SRF	-	1,384,697
Due from Volusia County	27,644	-
	<u>\$ 213,656</u>	<u>\$ 1,384,697</u>

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 5 - Capital Assets:

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

	Beginning Balance	Increases	Decreases	Reclass	Ending Balance
Governmental Activities:					
Non-depreciable capital assets:					
Land and improvements	\$ 958,536	\$ -	\$ -	\$ -	\$ 958,536
Construction in progress	1,469,948	304,380	-	(913,821)	860,507
	<u>2,428,484</u>	<u>304,380</u>	<u>-</u>	<u>(913,821)</u>	<u>1,819,043</u>
Depreciable capital assets:					
Buildings	1,893,220	41,186	-	-	1,934,406
Machinery and equipment	6,085,979	591,867	(111,713)	-	6,566,133
Infrastructure	4,497,146	515,922	-	913,821	5,926,889
	<u>12,476,345</u>	<u>1,148,975</u>	<u>(111,713)</u>	<u>913,821</u>	<u>14,427,428</u>
Less accumulated depreciation for:					
Buildings	(811,522)	(74,429)	-	-	(885,951)
Machinery and equipment	(4,181,050)	(606,233)	111,713	-	(4,675,570)
Infrastructure	(1,297,806)	(400,512)	-	-	(1,698,318)
	<u>(6,290,378)</u>	<u>(1,081,174)</u>	<u>111,713</u>	<u>-</u>	<u>(7,259,839)</u>
Depreciable capital assets, net	<u>6,185,967</u>	<u>67,801</u>	<u>-</u>	<u>913,821</u>	<u>7,167,589</u>
Total capital assets, net	<u>\$ 8,614,451</u>	<u>\$ 372,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,986,632</u>

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 5 - Capital Assets (Continued):

	Beginning Balance	Increases	Decreases	Reclass	Ending Balance
Business-type Activities:					
Non-depreciable capital assets:					
Land and improvements	\$ 454,128	\$ -	\$ -	\$ -	\$ 454,128
Waste water capacity	892,521	-	-	-	892,521
Construction in progress	9,630,662	5,763,432	-	(3,526,083)	11,868,011
	<u>10,977,311</u>	<u>5,763,432</u>	<u>-</u>	<u>(3,526,083)</u>	<u>13,214,660</u>
Depreciable capital assets:					
Water and wastewater system	15,207,783	160,434	(4,308)	-	15,363,909
Stormwater infrastructure	-	11,074	-	3,526,083	3,537,157
Buildings and improvements	932,751	37,500	-	-	970,251
Equipment	699,270	154,744	(1,032)	-	852,982
	<u>16,839,804</u>	<u>363,752</u>	<u>(5,340)</u>	<u>3,526,083</u>	<u>20,724,299</u>
Less accumulated depreciation for:					
Water and wastewater system	(8,373,214)	(556,210)	3,021	-	(8,926,403)
Buildings and improvements	(654,021)	(21,629)	-	-	(675,650)
Equipment	(444,588)	(67,564)	1,032	-	(511,120)
	<u>(9,471,823)</u>	<u>(645,403)</u>	<u>4,053</u>	<u>-</u>	<u>(10,113,173)</u>
Depreciable capital assets, net	<u>7,367,981</u>	<u>(281,651)</u>	<u>(1,287)</u>	<u>3,526,083</u>	<u>10,611,126</u>
Total capital assets, net	<u>\$18,345,292</u>	<u>\$ 5,481,781</u>	<u>\$ (1,287)</u>	<u>\$ -</u>	<u>\$23,825,786</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 82,323
Public safety	450,831
Transportation	298,734
Culture and recreation	249,286
Total depreciation expense - governmental activities	<u>\$ 1,081,174</u>
Business-type Activities:	
Utilities	\$ 635,145
Stormwater	10,258
Total depreciation expense - business-type activities	<u>\$ 645,403</u>

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 6 - Long-Term Debt:Utilities System Refunding Revenue Bonds

On April 20, 2005, the City issued \$4,585,000, 3.94% fixed rate, Utilities System Refunding Revenue Bonds, Series 2005, maturing October 2021, to refund the Series 1995 and series 1996 bonds and pay issuance costs. The bonds outstanding as of September 30, 2018 totaled \$1,345,000.

These bonds are collateralized by the net revenues of the utilities system. All gross revenues derived from the operation of the system shall be deposited in the revenue fund and net revenues shall be sufficient to pay at least one hundred and twenty-five percent (125%) of the annual debt service requirements. The total principal and interest remaining to be paid on this series is \$1,479,748. For the fiscal year, total principal and interest paid was \$369,100, and total pledged revenue was \$1,187,429.

Annual debt service requirements to maturity for utilities revenue bonds are as follows:

Year Ending September 30,	Business-Type Activities	
	Principal	Interest
2019	\$ 320,000	\$ 52,993
2020	330,000	40,385
2021	340,000	27,383
2022	355,000	13,987
Total	<u>\$ 1,345,000</u>	<u>\$ 134,748</u>

State Revolving Fund Loan

In December 2015, the City executed a State Revolving Fund Loan agreement DW642000 for the City's drinking water project. The agreement provides for total funding of \$11,726,613 including \$9,967,621 of principal forgiveness. The loan period is for 30 years with an interest rate of 1.08 to 1.34 percent. The note is secured by gross revenues from the water and wastewater utilities net of operation and maintenance costs. The total principal and interest remaining to be paid on this series is \$1,759,544. For the fiscal year, there was no interest or principal due or paid and total pledged revenue was \$818,329.

Year Ending September 30,	Business-Type Activities	
	Principal	Interest
2019	\$ -	\$ -
2020	40,913	31,175
2021	55,346	16,742
2022	55,981	16,107
2023	56,624	15,464
2024-2028	293,017	67,423
2029-2033	310,224	50,216
2034-2038	328,441	31,999
2039-2043	347,727	12,713
2044	29,265	167
Total	<u>\$ 1,517,538</u>	<u>\$ 242,006</u>

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 6 - Long-Term Debt (Continued):

Long-term liability activity for the year ended September 30, 2018 was as follows:

	Beginning Balance, Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 537,771	\$ 71,297	\$ (53,777)	\$ 555,291	\$ 55,529
Other post employment benefits	142,426	-	(20,195)	122,231	-
Net Pension Liability	10,783,132	382,826	-	11,165,958	-
Governmental activity long-term liabilities	<u>\$11,463,329</u>	<u>\$ 454,123</u>	<u>\$ (73,972)</u>	<u>\$11,843,480</u>	<u>\$ 55,529</u>
Business-Type Activities					
Revenue Bonds	\$ 1,655,000	\$ -	\$ (310,000)	\$ 1,345,000	\$ 320,000
SRF Loan	579,457	938,081	-	1,517,538	-
Compensated absences	109,734	-	(17,246)	92,488	9,248
Other post employment benefits	33,408	-	(4,736)	28,672	-
Net pension liability	1,174,015	103,303	-	1,277,318	-
Business-type activity long-term liabilities	<u>\$ 3,551,614</u>	<u>\$1,041,384</u>	<u>\$ (331,982)</u>	<u>\$ 4,261,016</u>	<u>\$ 329,248</u>

For governmental activities, compensated absences, other postemployment benefits and net pension liability will be funded from the general fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 7 - Employee Benefit Plans:

A. Florida Retirement System

The City contributes to the Florida Retirement System (FRS), a multiple-employer, cost-sharing, defined-benefit pension plan administered by the State of Florida, for the City's authorized permanent, full-time and part-time employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. State Statutes authorizes the State to establish and amend all plan provisions. The State of Florida issues a publicly available report that includes financial statements and required supplementary information for FRS. The report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the website: www.dms.myflorida.com/workforce_operations/retirement/publications.

Plan Descriptions - The FRS offers a choice between a defined-benefit plan (Pension Plan) or a defined-contribution plan (Investment Plan) which is administered by the State Board of Administration (SBA). In addition, a Health Insurance Subsidy plan (HIS) is offered to assist retired members of any state-administered retirement system in paying the costs of health insurance.

- 1) The Pension Plan members are eligible for retirement after vesting, which occurs at six (6) years of creditable service for regular members enrolled prior to July 1, 2011 and eight (8) years of creditable service if enrolled on or after July 1, 2011. Normal retirement age is attained at the earlier of thirty (30) or (33) years of creditable service, regardless of age, or retirement at age sixty-two (62) or (65) with at least (6) or (8) years of creditable service if enrolled prior to July 1, 2011 or on or after July 1, 2011 respectively. Early retirement may be taken any time after vesting; however, there is a five percent (5%) benefit reduction for each year prior to normal retirement age. Members are also eligible for inline-of-duty or regular disability benefits if permanently and totally disabled and unable to work. Benefits are computed on the basis of age, average final compensation, and service credit.

In addition to the above benefits, the Deferred Retirement Option Program (DROP) allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants. The employer contribution at fiscal year ended September 30, 2018 is 14.03%.

- 2) The Investment Plan provides for vesting after one year of creditable service. Under this plan, the employer makes contributions to a participant's account, and the participant directs where the contributions are invested among the plan's investment funds. Upon termination, vested participants receive amounts accumulated in their investment accounts.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 7 - Employee Benefit Plans (Continued):

A. *Florida Retirement System (Continued)*

- 3) Health Insurance Subsidy (HIS) Program is established by Chapter 112, Florida Statutes and provides insurance subsidy payments to persons who are retired under a state-administered retirement system, or a beneficiary who is a spouse or financial dependent entitled to receive benefits under a state-administered retirement system except those individuals who are pension recipients under Section 121.40, 237.08(18)(a) and 250.22, Florida Statutes, or recipients of health insurance coverage under Section 110.1232, Florida Statutes or any other special pension or relief act are not eligible for such pension payments. A person is deemed retired from a state-administered retirement system when he or she terminated employment with all employers participating in the Florida Retirement System and:
- a) for a member of the Investment Plan, the participant meets the age or service requirements to qualify for normal retirement per Section 121.021(29), Florida Statutes and meets the definition of retiree in Section 121.4501(2), Florida Statutes or
 - b) for a member of the Pension Plan or any employee who maintains creditable service under the pension plan and the investment plan, the member begins drawing retirement benefits from the pension plan. Any person retiring on or after July 1, 2011, as a member of the Florida Retirement System, including a member of the investment plan, must satisfy the vesting requirements for his or her membership class as administered under Chapter 121, Florida Statutes. Any person retiring due to disability must qualify for a regular or in-line-of-duty disability benefit per provisions under Chapter 112, Florida Statutes.

The HIS plan is funded by required contributions from FRS participating employers as set by the Florida legislature. Employer contributions are a percentage of gross compensation for all active FRS members. At fiscal year ended September 30, 2018, the contribution rate was 1.16% of payroll.

The HIS plan provides monthly payment assistance to retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Department of Management Services, Division of Retirement. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled. For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payment is at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare. Terms of the benefits provided by the plan may be amended only by the State Legislature with a change in the Statutes governing the plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 7 - Employee Benefit Plans (Continued):

A. Florida Retirement System (Continued)

Contributions - The FRS has many classes of membership. Employer contribution rates are set by law. Rates below include the appropriate retirement contribution rate, 1.66 percent HIS contribution rate, 0.06 percent administrative/educational fee and any applicable UAL rates. These classes, with descriptions and weighted average contribution rates in effect during the period ended September 30, 2018, are as follows:

Regular Class - members not qualifying for other classes (11.26% [includes 3% employee contribution] from July 1, 2018 through September 30, 2018 and 10.92% [includes 3% employee contribution from October 1, 2017 through June 30, 2018].)

Senior Management Service Class – members of senior management who do not elect the optional annuity retirement program (27.06% [includes 3% employee contribution] from July 1, 2018 through September 30, 2018 and 25.71% [includes 3% employee contribution] from October 1, 2017 through June 30, 2018.)

Special Risk Class – members employed as law enforcement officers, firefighters, or correctional officers and meet the criteria set to qualify for this class (27.50% [includes 3% employee contribution] from July 1, 2018 through September 30, 2018 and 26.27% [includes 3% employee contribution] from October 1, 2017 through June 30, 2018.)

Elected State Officer's Class – certain elected City officials (51.70% [includes 3% employee contribution] from July 1, 2018 through September 30, 2018 and 48.50% [includes 3% employee contribution] from October 1, 2017 through June 30, 2018.)

- 4) Pension Liabilities and Deferred outflows of Resources and Deferred Inflows of Resources Related to Pensions and Health Insurance Subsidy - At September 30, 2018, the City reported a liability of \$10,359,566 for its proportionate share of the FRS Pension Plan's net pension liability and \$2,083,710 for its proportionate share of the HIS Plan net liability. The net pension liabilities were measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportionate share of the net pension liabilities were based on accrued retirement contributions for employers that were members of the FRS Pension Plan during the year ended June 30, 2018. At June 30, 2018, the City's proportionate share was .0344 percent and 0.0197 percent, which was an increase (decrease) of .0008 percent and 0.001 percent from its proportionate share of 0.0336 and 0.0187 percent measured as of June 30, 2017 for both the FRS and HIS plans, respectively.

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 7 - Employee Benefit Plans (Continued):**A. Florida Retirement System (Continued)**

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$958,583 for the FRS Pension Plan and \$107,988 for the HIS Plan. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to these plans from the following sources:

Description	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 877,611	\$ 31,853	\$ 31,901	\$ 3,540
Change of assumptions	3,385,002	-	231,734	220,307
Net difference between projected and actual earnings on Pension Plan investments	-	800,403	1,258	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	703,486	-	263,021	-
City Pension Plan contributions subsequent to the measurement date	285,266	-	29,107	-
Total	<u>\$ 5,251,365</u>	<u>\$ 832,256</u>	<u>\$ 557,021</u>	<u>\$ 223,847</u>

The deferred outflows of resources related to FRS \$285,266 and HIS \$29,107 resulting from City contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported for the Plans as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

FRS		HIS	
Fiscal Year Ending	Amount	Fiscal Year Ending	Amount
September 30:	Recognized	September 30:	Recognized
2019	\$ 1,517,039	2019	\$ 89,319
2020	1,093,248	2020	89,213
2021	290,323	2021	69,405
2022	715,500	2022	44,489
2023	449,441	2023	4,888
Thereafter	68,292	Thereafter	6,753

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 7 - Employee Benefit Plans (Continued):**A. Florida Retirement System (Continued)**

- 5) Actuarial Assumptions - The total pension liability for both the FRS and HIS Plans was determined using the following actuarial assumption, applied to all periods included in the measurement:

	FRS	HIS
Inflation	2.60%	2.60%
Salary Increases, average, including inflation	3.25%	3.25%
Investment Rate of Return net of pension plan investment expense, including inflation	7.00%	3.87%
Mortality rates	Generational RP-2000 with projection scale BB tables	Generational RP-2000 with projection scale BB tables

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

- 6) Discount Rate - The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.00%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

The discount rate used to measure the HIS Plan liability was 3.87%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 7 - Employee Benefit Plans (Continued):**A. Florida Retirement System (Continued)**

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.90%	2.90%	1.80%
Fixed Income	18.00%	4.40%	4.30%	4.00%
Global Equity	54.00%	7.60%	6.30%	17.00%
Real Estate	11.00%	6.60%	6.00%	11.30%
Private Equity	10.00%	10.70%	7.80%	26.50%
Strategic Investments	6.00%	6.00%	5.70%	8.60%
Total	100.00%			
Assumed Inflation - Mean			2.60%	1.90%

(1) As outlined in the Pension Plan's investment policy

- 8) Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability of the FRS and HIS Plans calculated using the discount rate of 7.00% and 3.87% respectively. Also presented is what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
FRS Plan			
City's Proportionate Share of the Net Pension Liability	\$ 18,906,642	\$ 10,359,566	\$ 3,260,714
HIS Plan			
City's Proportionate Share of the Net Pension Liability	\$ 2,373,223	\$ 2,083,710	\$ 1,842,383

Contributions:

The City's contributions, including employee contributions, to the Pension Plan totaled \$1,009,475 and to the HIS Plan \$107,706 for the fiscal year ended September 30, 2018.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 7 - Employee Benefit Plans (Continued):***A. Florida Retirement System (Continued)***Payables:

At September 30, 2018, the City reported a payable in the amount of \$36,336 to the Pension Plan and \$0 to the HIS Plan for outstanding contributions.

Expense:

The City's Investment Plan pension expense totaled \$188,636 for the fiscal year ended September 30, 2018.

B. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all city employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, or death, or an unforeseeable emergency. The plan assets are held and administered by a third party; thus, the asset and related liabilities are not reflected in these financial statements.

Note 8 - Interfund Balances and Transfers:

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. These are transfers to support other funds without a requirement for repayment. The interfund transfer activity for the year ended September 30, 2018 consisted of the following:

<u>Transfers Out:</u>	<u>Transfers In</u>
	<u>Major Funds</u>
	<u>Fund</u>
Impact Fee	\$ 76,867
Utilities Enterprise Fund	258,750
Solid Waste	37,929
Sparkman	17,813
	<u>\$ 391,359</u>

Purpose:

The transfer of \$76,867 from the Impact Fee fund to the General Fund is for capital projects.

The transfer of \$37,929 from the Solid Waste Fund to the General Fund is the annual 10% franchise fee on residential solid waste.

The transfer of \$258,750 from the Utilities Enterprise Fund to the General Fund is to cover administrative costs including the city manager's and other general government employees' salaries and other unallocated costs.

The transfer of \$17,813 from the Sparkman fund to General Fund is related to close the fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 9 - Fund Balance:

In accordance with GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions* the City is required to report fund balance amounts in five classifications - nonexpendable and spendable categories of restricted, committed, assigned and unassigned as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. The City had a nonspendable fund balance of \$100,666 in its general fund, which consists of prepaid items.

Restricted - amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. The City had restricted fund balance of \$24,791 at September 30, 2018 restricted for the Forfeiture Fund related expenditures; \$5,265 for Shadow Ridge 2 assessments; \$79,287 for skate park improvements; and \$215,453 for community development.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the City's highest level of decision-making authority. The City Council addresses these commitments through formal board action, such as, the adoption of a resolution or by motion prior to the City's fiscal year end. Both actions (resolution or motion) are equally binding. The City had committed fund balance at September 30, 2018 of \$722,330 related to the Impact Fee approved capital activity.

Assigned - amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Assignments can be made by the City Council. The City had assigned fund balance of \$342,677 at September 30, 2018 to fund various improvements. Encumbrances of balances within the General Fund are classified as assigned. Under this method, purchase orders, contracts, memoranda of understanding, and other commitments outstanding at year end do not constitute expenditures or liabilities. GASB 54 provides additional guidance on the classification within the Fund Balance section of amounts that have been encumbered. These encumbrances are not separately classified in the financial statements and equal \$342,677. The City Council may also assign fund balance as it does when, fund balance is appropriated, to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balances may also include negative fund balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 10 - Commitments and Contingencies:

The City has a contract with Volusia County whereby Volusia County has agreed to provide a wastewater treatment and disposal system for the benefit of the City. This contract remains in effect until 2039, at which time the contract can be extended for additional ten-year terms. The fee for this service is established by Volusia County. The City's annual expense related to this contract for the year ended September 30, 2018 was approximately \$793,000.

In the normal course of operations, the City participates in various federal and/or state grant programs from year-to-year. The grant programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant. An additional liability for reimbursement which may arise as a result of these potential audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Various lawsuits and claims arising in the ordinary course of the City's operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, management believes, based on the advice of legal counsel, that there will be no material effect on the City's financial position and/or that the City has sufficient insurance coverage to cover any claims.

The City has various in progress consultant services and commitments in Governmental Funds and Enterprise Funds which amounted to \$3,046,377 at September 30, 2018.

Note 11 - 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 for which the City carries commercial insurance. Settled claims have not exceeded the specified commercial coverage limitations for the past three years. There have been no significant reductions in insurance coverage from the past year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 12 - Other Post-Employment Benefits (OPEB):Plan Description

In accordance with Florida Statutes Section 112.363, the City makes continued group health insurance through the City's current provider available to retirees, provided certain requirements and normal age retirement requirements have been met. This benefit has no cost to the City, other than the implicit cost of including retirees in the group calculation. All premiums are paid by the retiree. The City has chosen pay-as-you-go funding, but is recording the liability in the government-wide financial statements. This plan does not issue stand-alone financial statements.

As of October 1, 2017, the valuation date, there were 121 active employees and no inactive employees currently receiving benefits. The OPEB liability of \$150,903 was measured as of September 30, 2018 and was determined by the actuarial valuation. The covered payroll was \$5,930,325, and the ratio of Net OPEB liability as a percentage of covered payroll was 2.54%.

Summary of Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Other Postemployment Benefits Liability and Related Ratios Schedule, immediately following the notes to the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time. The schedule includes one year.

Projections of benefits for financial reporting purposes are based on the substantive OPEB plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Total liability was determined using the following actuarial assumptions and other inputs, applied to all periods include in the measurement unless otherwise specified:

Initial Health Care Cost Trend Rate	5%
Ultimate Health Care Cost Trend Rate	4.50%
Fiscal Year the Ultimate Rate is Reached	Fiscal year 2028
Valuation Date	October 1, 2017
Measurement Date	September 30, 2018
Actuarial Cost Method	Entry Age Normal
Discount Rate*	3.64%
Inflation Rate	3%
Salary Rate Increase	4%

* S&P Municipal Bond 20-year high-grade rate index as of September 30, 2018

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 12 - Other Post-Employment Benefits (OPEB) (Continued):

Below are the details regarding the Total OPEB liability for the measurement period from October 1, 2017, to September 30, 2018.

	Total OPEB Liability
Balance as of 9/30/2017 ⁽¹⁾	\$ 175,834
Changes for the year:	
Service Cost	12,567
Interest on Total OPEB Liability	5,864
Difference Between Expected & Actual Experience	(715)
Changes of Assumptions and Other Inputs	(17,460)
Benefit Payments ⁽²⁾	(1,592)
Other Changes	(23,595)
Net Changes	<u>\$ (24,931)</u>
Balance as of 9/30/2018	<u><u>\$ 150,903</u></u>

(1) Fiscal Year 2016 results calculated one year later using a 3.35% Discount Rate index as of 9/30/2017.

(2) Includes the Implicit Rate Subsidy.

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	Decrease <u>2.64%</u>	Discount Rate <u>3.64%</u>	Increase <u>4.64%</u>
Total OPEB Liability	\$ 165,750	\$ 150,903	\$ 136,951

The following presents the total liability of the city using the 2018 healthcare cost trend rate of 4.5 percent, as well as what the City's OPEB liability would be if it were calculated using healthcare trend rates that are 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates:

	Decrease <u>1%</u>	Health Care Trend	Increase <u>1%</u>
Total OPEB Liability	\$ 128,454	\$ 150,903	\$ 178,196

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

Note 12 - Other Post-Employment Benefits (OPEB) (Continued):

For the fiscal year ended September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
	<hr/>
Difference between expected and actual experience	\$ 647
Changes of assumptions	<hr/> 37,152
Total	<hr/> <hr/> \$ 37,799

Amounts reported as deferred outflows or resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

<u>Fiscal Year Ending September 30,</u>	
2019	\$ 3,972
2020	3,972
2021	3,972
2022	3,972
2023	3,972
Thereafter	17,939

Summary of Benefits:

Other postemployment benefits (OPEB's) - The City provides optional postemployment healthcare, dental and life insurance coverage to eligible individuals.

Eligible individuals - Employees of the City who are eligible for retirement or disability retirement under the Florida Retirement System (FRS) may elect to participate in the City-sponsored insurance plans (healthcare, dental and life) at their cost.

Retired monthly premiums for postemployment insurance coverage - retirees must pay monthly premiums as determined by the insurance carriers. Failure to pay insurance premiums will result in termination of insurance coverage without the ability to reinstate such coverage.

Note 13 - Subsequent Events:

Subsequent to year end, the City drew funds on the State Revolving Fund Loan of approximately \$595,000.



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CITY OF ORANGE CITY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2018

CITY OF ORANGE CITY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2018

Retiree Continuation Insurance Plan

Schedule of Changes in the City's Net OPEB Liability and Related Ratios

Last Ten Fiscal Years*

	<u>9/30/2018</u>
Total OPEB Liability	
Service cost	\$ 12,567
Interest	5,864
Differences between expected and actual experience	(715)
Changes of assumptions	(17,460)
Benefit Payments (2)	(1,592)
Other changes	<u>(23,595)</u>
Net change in total OPEB liability	<u>(24,931)</u>
Total OPEB liability, beginning (1)	175,834
Total OPEB liability, ending	<u><u>\$ 150,903</u></u>
 Plan fiduciary net position as a percentage of total OPEB liability	 0.00%
 Covered payroll	 \$ 5,930,325
 Net OPEB liability as a percentage of covered payroll	 2.54%

Notes to Schedule:

(1) Fiscal Year 2016 results calculated one year later using a 3.35% Discount Rate index as of 9/30/2017.

(2) Includes the Implicit Rate Subsidy.

*Only 1 year of data available; additional years' information will be displayed as it becomes available

CITY OF ORANGE CITY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2018

Schedule of the City's Proportionate Share of Net Pension Liability
Florida Retirement System (FRS)
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.034393717%	0.033648188%	0.031085301%	0.027824709%	0.026578069%
City's Proportionate Share of the Net Pension Liability	\$ 10,359,566	\$ 9,952,908	\$ 7,849,063	\$ 3,593,934	\$ 1,621,653
City's Covered Payroll	\$ 6,430,153	\$ 5,978,287	\$ 5,378,013	\$ 5,122,792	\$ 4,821,524
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	161.11%	166.48%	145.95%	70.16%	33.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.26%	83.89%	84.88%	92.00%	96.09%

Schedule of the City's Proportionate Share of Net Pension Liability
Health Insurance Subsidy (HIS)
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.019687145%	0.018744408%	0.017418735%	0.016885531%	0.016227781%
City's Proportionate Share of the Net Pension Liability	\$ 2,083,710	\$ 2,004,239	\$ 2,030,081	\$ 1,722,059	\$ 1,517,337
City's Covered Payroll	\$ 6,430,153	\$ 5,978,287	\$ 5,378,013	\$ 5,122,792	\$ 4,821,524
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	32.41%	33.53%	37.75%	33.62%	31.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.15%	1.64%	0.97%	0.50%	0.99%

* Information for prior years not available.

CITY OF ORANGE CITY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2018

Schedule of City Contributions
Florida Retirement System (FRS)
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 1,009,475	\$ 894,145	\$ 830,349	\$ 678,390	\$ 582,173
Contributions in Relation to the					
Contractually Required Contribution	(1,009,475)	(894,145)	(830,349)	(678,390)	(582,173)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 5,930,325	\$ 6,285,736	\$ 5,790,168	\$ 5,265,351	\$ 4,987,721
Contributions as a Percentage of Covered- employee Payroll	17.02%	14.22%	14.34%	12.88%	11.67%

Schedule of City Contributions
Health Insurance Subsidy (HIS)
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 107,706	\$ 102,265	\$ 94,886	\$ 64,547	\$ 55,591
Contributions in Relation to the					
Contractually Required Contribution	(107,706)	(102,265)	(94,886)	(64,547)	(55,591)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 5,930,325	\$ 6,285,736	\$ 5,790,168	\$ 5,265,351	\$ 4,987,721
Contributions as a Percentage of Covered- employee Payroll	1.82%	1.63%	1.64%	1.23%	1.11%

* Information for prior years not available.

CITY OF ORANGE CITY, FLORIDA

BUDGET TO ACTUAL COMPARISON GENERAL FUND

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 4,731,201	\$ 4,731,201	\$ 4,787,976	\$ 56,775
Franchise Fees	1,131,000	1,131,000	1,245,420	114,420
Local Option Gas Tax	204,000	204,000	230,519	26,519
Utility Service Taxes	1,414,000	1,414,000	1,548,629	134,629
Fees and Fines	23,850	23,850	20,288	(3,562)
Licenses and Permits	503,000	663,700	610,078	(53,622)
Intergovernmental	1,162,328	3,020,104	1,890,546	(1,129,558)
Charges for Services	222,750	122,050	214,965	92,915
Investment Earnings	16,000	16,000	29,390	13,390
Contractual - DeBary Fire	1,631,235	1,631,235	1,650,365	19,130
Miscellaneous	293,400	320,104	389,072	68,968
Total revenues	11,332,764	13,277,244	12,617,248	(659,996)
EXPENDITURES:				
Current:				
General Government:				
City Council	189,956	189,956	170,382	19,574
Administration	615,952	615,949	577,294	38,655
City Clerk	262,473	262,473	249,373	13,100
Finance	387,213	377,216	338,094	39,122
Development Services	501,321	476,321	452,727	23,594
General Government	885,827	809,282	438,936	370,346
Public Safety:				
Police	3,001,347	3,061,347	2,952,797	108,550
Fire	2,370,087	2,370,087	2,174,551	195,536
DeBary Fire Services	1,449,530	1,449,530	1,328,858	120,672
Building Division	300,000	400,000	399,916	84
Emergency and Disaster Relief	-	640,407	610,981	29,426
Transportation	1,615,674	3,039,058	1,705,627	1,333,431
Parks and Recreation:				
Parks Maintenance	688,865	723,652	457,681	265,971
Leisure Services	-	462,884	430,098	32,786
Total expenditures	12,268,245	14,878,162	12,287,315	2,590,847
Excess (deficiency) of revenues over expenditures	(935,481)	(1,600,918)	329,933	1,930,851
OTHER FINANCING SOURCES (USES):				
Transfers In	409,984	409,984	391,359	(18,625)
Transfers Out	-	(108,745)	-	108,745
Total other financing sources (uses)	409,984	301,239	391,359	90,120
Net change in fund balances	(525,497)	(1,299,679)	721,292	2,020,971
Fund Balances, beginning of year	6,941,770	6,941,770	6,941,770	-
Fund Balances, end of year	\$ 6,416,273	\$ 5,642,091	\$ 7,663,062	\$ 2,020,971

CITY OF ORANGE CITY, FLORIDA

BUDGET TO ACTUAL COMPARISON
IMPACT FEE FUND - SPECIAL REVENUE FUND

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Public Safety Impact Fees	\$ 11,000	\$ 11,000	\$ 106,800	\$ 95,800
Transportation Impact Fees	17,500	17,500	87,669	70,169
Community Park Impact Fees	11,390	11,390	19,283	7,893
Investment Earnings	250	250	-	(250)
Total revenues	40,140	40,140	213,752	173,612
EXPENDITURES:				
Current:				
Transportation	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	40,140	40,140	213,752	173,612
OTHER FINANCING SOURCES (USES):				
Transfers Out	(97,100)	(97,100)	(76,867)	20,233
Total other financing sources (uses)	(97,100)	(97,100)	(76,867)	20,233
Net change in fund balances	(56,960)	(56,960)	136,885	193,845
Fund Balances, beginning of year	585,445	585,445	585,445	-
Fund Balances, end of year	\$ 528,485	\$ 528,485	\$ 722,330	\$ 193,845

CITY OF ORANGE CITY, FLORIDA

BUDGET TO ACTUAL COMPARISON
CRA - SPECIAL REVENUE FUND

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 225,579	\$ 225,579	\$ 237,535	\$ 11,956
Total revenues	225,579	225,579	237,535	11,956
EXPENDITURES:				
Current:				
General government	300,095	2,346,239	22,082	2,324,157
Total Expenditures	300,095	2,346,239	22,082	2,324,157
Excess (deficiency) of revenues over expenditures	(74,516)	(2,120,660)	215,453	2,336,113
OTHER FINANCING SOURCES (USES):				
Notes payable	-	2,046,144	-	(2,046,144)
	-	2,046,144	-	(2,046,144)
Net change in fund balances	(74,516)	(74,516)	215,453	289,969
Fund Balances, beginning of year	-	-	-	-
Fund Balances, end of year	\$ (74,516)	\$ (74,516)	\$ 215,453	\$ 289,969

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2018

1. Summary of Significant Budget Policies

The City Council annually adopts budgets for the General Fund of the primary government. All appropriations are legally controlled at the fund and department level for the General Fund. On September 26, 2017, the City Council approved the original adopted budget and on November 14, 2018 approved the revised final budget reflected in the financial statements.

The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statement for all funds with annual budgets, compares the expenditures with the amended budgets. The budget is presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with U.S. Generally Accepted Accounting Principles on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on the annual budget lapse at the end of each fiscal year.

All major Special Revenue Funds budgets were legally adopted.

2. Material Violations

There were no material violations of the annual appropriated budget for the General Fund for the fiscal year ended September 30, 2018. In addition, there were no excesses of budgetary expenditures for the period. However, the City Community Redevelopment - Special revenue fund budgeted excess appropriations over anticipated revenues and available fund balance.

CITY OF ORANGE CITY, FLORIDA

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

For the Year Ended September 30, 2018

CITY OF ORANGE CITY, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds account for revenues from specific taxes or other earmarked revenue sources which, by law, are designated to finance particular functions or activities of government. The City has the following Special Revenue Funds.

Forfeiture Fund

- This fund is established pursuant to the Florida Contraband Forfeiture Act for the receipts of contraband sales proceeds to be used for law enforcement, excluding normal operating expenditures.

Solid Waste Special Assessment Fund

- The Solid Waste Special Assessment Fund is a special revenue fund that is used to account for the collection of the special assessment revenue and expenditures related to residential solid waste services.

Sparkman Special Assessment Fund

- This is a special revenue fund that is used to account for the collection of the special assessment revenue and expenditures related to repayment of the debt and operating expenditures for the Sparkman road project.

Shadow Ridge 2 Streetlighting District Fund

- This is a special revenue fund that is used to account for the collection of the special assessment revenue and expenditures related to the Shadow Ridge 2 Streetlighting District.

CITY OF ORANGE CITY, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2018

	Special Revenue Funds				Total Funds
	Forfeiture Fund	Solid Waste Assessment Fund	Sparkman Special (SAD) Assessment Fund	Shadow Ridge 2 Streetlighting District	
ASSETS:					
Cash and cash equivalents	\$ 24,791	\$ -	\$ -	\$ -	\$ 24,791
Due from other funds	-	-	-	5,265	5,265
Total assets	<u>\$ 24,791</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,265</u>	<u>\$ 30,056</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accrued interest	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted	24,791	-	-	5,265	30,056
Total fund balances	<u>24,791</u>	<u>-</u>	<u>-</u>	<u>5,265</u>	<u>30,056</u>
Total Liabilities and Fund Balances	<u>\$ 24,791</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,265</u>	<u>\$ 30,056</u>

CITY OF ORANGE CITY, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2018

	Special Revenue Funds				Total Funds
	Forfeiture Fund	Solid Waste Assessment Fund	Sparkman Special (SAD) Assessment Fund	Shadow Ridge 2 Streetlighting District	
REVENUES					
Assessments	\$ -	\$ 372,057	\$ -	\$ 14,563	\$ 386,620
Total revenues	-	372,057	-	14,563	386,620
EXPENDITURES					
Current:					
General government	-	334,128	-	-	334,128
Transportation	-	-	-	9,298	9,298
Total expenditures	-	334,128	-	9,298	343,426
Excess (Deficiency) of Revenues Over Expenditures	-	37,929	-	5,265	43,194
OTHER FINANCING SOURCES (USES)					
Transfers out	-	(37,929)	(17,813)	-	(55,742)
Total other financing sources and uses	-	(37,929)	(17,813)	-	(55,742)
Net Change in Fund Balances	-	-	(17,813)	5,265	(12,548)
Fund Balances, beginning of year	24,791	-	17,813	-	42,604
Fund Balances, end of year	\$ 24,791	\$ -	\$ -	\$ 5,265	\$ 30,056

CITY OF ORANGE CITY, FLORIDA

BUDGET TO ACTUAL COMPARISON
FORFEITURE FUND - SPECIAL REVENUE FUND

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Confiscated Property	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Investment Earnings	-	-	-	-
Total revenues	5,000	5,000	-	(5,000)
EXPENDITURES:				
Current:				
Public safety	5,000	5,000	-	5,000
Total expenditures	5,000	5,000	-	5,000
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund Balances, beginning of year	24,791	24,791	24,791	-
Fund Balances, end of year	\$ 24,791	\$ 24,791	\$ 24,791	\$ -

CITY OF ORANGE CITY, FLORIDA

BUDGET TO ACTUAL COMPARISON
SOLID WASTE ASSESSMENT FUND - SPECIAL REVENUE FUND

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Residential Assessments	\$ 384,458	\$ 384,458	\$ 371,889	\$ (12,569)
New Homes	1,200	1,200	168	(1,032)
Investment Earnings	-	-	-	-
Total revenues	<u>385,658</u>	<u>385,658</u>	<u>372,057</u>	<u>(13,601)</u>
EXPENDITURES:				
Current:				
Solid waste collection contract	328,265	328,265	328,128	137
Operating expenditures	<u>21,072</u>	<u>21,072</u>	<u>6,000</u>	<u>15,072</u>
Total expenditures	<u>349,337</u>	<u>349,337</u>	<u>334,128</u>	<u>15,209</u>
Excess (deficiency) of revenues over expenditures	<u>36,321</u>	<u>36,321</u>	<u>37,929</u>	<u>1,608</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(36,321)</u>	<u>(36,321)</u>	<u>(37,929)</u>	<u>(1,608)</u>
Total other financing sources (uses)	<u>(36,321)</u>	<u>(36,321)</u>	<u>(37,929)</u>	<u>(1,608)</u>
Net change in fund balance	-	-	-	-
Fund Balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ORANGE CITY, FLORIDA

BUDGET TO ACTUAL COMPARISON
SPARKMAN SPECIAL ASSESSMENT (SAD) FUND - SPECIAL REVENUE FUND

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers out	(17,813)	(17,813)	(17,813)	-
Total other financing sources (uses)	(17,813)	(17,813)	(17,813)	-
Net change in fund balance	(17,813)	(17,813)	(17,813)	-
Fund Balances, beginning of year	17,813	17,813	17,813	-
Fund Balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF ORANGE CITY, FLORIDA

BUDGET TO ACTUAL COMPARISON
SHADOW RIDGE 2 STREETLIGHTING DISTRICT - SPECIAL REVENUE FUND

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ 15,568	\$ 15,568	\$ 14,563	\$ (1,005)
Total revenues	15,568	15,568	14,563	(1,005)
EXPENDITURES:				
Current:				
Transportation	15,568	15,568	9,298	6,270
Total expenditures	15,568	15,568	9,298	6,270
Excess (deficiency) of revenues over expenditures	-	-	5,265	5,265
Net change in fund balance	-	-	5,265	5,265
Fund Balances, beginning of year	-	-	-	-
Fund Balances, end of year	\$ -	\$ -	\$ 5,265	\$ 5,265



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Community Events & Sponsorships



Orange City strives to provide a variety of fun, free and family-oriented events for our community to enjoy. From pet costume contests, to fitness challenges, we strive to ensure there is something for everyone to enjoy. Our Movie in the Park program shows the most recent blockbusters once a month, free of charge. Our Fireworks and Fun event has the best pyrotechnics show, as evident by the steady increase in participation from year to year. During the holiday season, we channel the north by offering snow and a snow slide. By working with our business community, we are able to offset a portion of the costs through sponsorships.

Orange City also proudly supports our community and the organizations that improve it. Support is provided to a select number of events and programs that are consistent with the City of Orange City Strategic Plan via a sponsorship program that was established in 2016. Recipients have ranged from established festivals to start up programs. Providing a sense of place in our community is a priority for the City.

Photos courtesy of City of Orange City

CITY OF ORANGE CITY, FLORIDA

STATISTICAL SECTION

For the Year Ended September 30, 2018

This part of the Orange City, Florida 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.

CONTENTS

TABLES

Financial Trends

1 through 4

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

Revenue Capacity

5 through 8

These schedules contain information to help readers assess the City's most significant local revenue source - its property tax.

Debt Capacity

9 through 11

These schedules present information to help readers assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. There are no limitations placed upon the amount of debt the City may issue by either the City Charter or the City's Code of Ordinances or by Florida Statutes.

Demographic and Economic Information

12 through 13

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

Operating Information

14 through 16

These schedules contain service and infrastructure data to help readers understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Except where noted, the information in these schedules is derived from the City of Orange City's comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 54 in 2011; schedules presenting fund equity include information beginning in that year.

CITY OF ORANGE CITY, FLORIDA

TABLE 1

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(Prepared on the accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015 (1)	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 3,731,120	\$ 4,451,599	\$ 4,317,972	\$ 4,607,684	\$ 4,574,133	\$ 5,923,764	\$ 6,823,702	\$ 7,652,289	\$ 8,614,451	\$ 8,986,632
Restricted	19,667	725,893	647,659	629,310	627,575	671,649	557,372	646,346	628,049	1,047,126
Unrestricted	4,716,936	4,258,027	5,475,269	6,947,175	8,385,609	8,197,908	4,832,747	3,522,587	249,665	(25,867)
Total governmental activities net position	\$ 8,467,723	\$ 9,435,519	\$ 10,440,900	\$ 12,184,169	\$ 13,587,317	\$ 14,793,321	\$ 12,213,821	\$ 11,821,222	\$ 9,492,165	\$ 10,007,891
Business-type activities										
Net investment in capital assets	\$ 5,584,590	\$ 5,583,788	\$ 5,395,541	\$ 5,146,940	\$ 6,052,364	\$ 6,799,490	\$ 7,616,441	\$ 10,283,233	\$ 16,076,379	\$ 20,963,248
Restricted	-	-	-	-	270,000	280,000	285,000	295,000	310,000	320,000
Unrestricted	2,731,182	3,260,108	4,117,190	4,962,967	4,581,617	4,535,413	4,030,677	3,291,079	4,048,384	5,008,520
Total business-type activities net position	\$ 8,315,772	\$ 8,843,896	\$ 9,512,731	\$ 10,109,907	\$ 10,903,981	\$ 11,614,903	\$ 11,932,118	\$ 13,869,312	\$ 20,434,763	\$ 26,291,768
Primary government										
Net investment in capital assets	\$ 9,315,710	\$ 10,035,387	\$ 9,713,513	\$ 9,754,624	\$ 10,626,497	\$ 12,723,254	\$ 14,440,143	\$ 17,935,522	\$ 24,690,830	\$ 29,949,880
Restricted	19,667	725,893	647,659	629,310	897,575	951,649	842,372	941,346	938,049	1,367,126
Unrestricted	7,448,118	7,518,135	9,592,459	11,910,142	12,967,226	12,733,321	8,863,424	6,813,666	4,298,049	4,982,653
Total primary government net position	\$ 16,783,495	\$ 18,279,415	\$ 19,953,631	\$ 22,294,076	\$ 24,491,298	\$ 26,408,224	\$ 24,145,939	\$ 25,690,534	\$ 29,926,928	\$ 36,299,659

(1) Updated for GASB 68

CITY OF ORANGE CITY, FLORIDA

TABLE 2

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Prepared on the accrual basis of accounting)

Expenses	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
General government	\$ 2,330,092	\$ 2,258,273	\$ 2,092,252	\$ 2,311,911	\$ 2,432,709	\$ 2,628,172	\$ 2,567,621	\$ 3,012,446	\$ 2,637,169	\$ 2,794,659
Public safety	3,961,588	4,786,504	4,702,471	4,524,106	4,569,526	5,101,304	5,108,840	6,247,281	7,045,247	8,125,224
Transportation	1,202,293	1,124,656	1,230,467	1,135,701	1,055,079	1,170,091	1,196,175	1,508,542	1,107,884	1,611,000
Culture and recreation	322,205	327,271	258,884	270,948	285,116	438,508	537,128	541,844	1,265,752	693,156
Economic environment	-	-	-	-	-	-	-	-	10,822	12,046
Interest on long-term debt	92,024	31,934	48,764	28,464	18,909	17,675	8,358	-	-	-
Total governmental activities expenses	7,908,202	8,528,638	8,332,838	8,271,130	8,361,339	9,355,750	9,418,122	11,310,113	12,066,874	13,236,085
Business-type activities:										
Water and wastewater system	2,679,153	2,757,280	2,743,375	2,781,943	2,722,748	3,083,384	3,337,193	3,577,722	3,881,259	4,048,452
Stormwater	-	-	-	-	-	-	-	78,101	102,091	221,775
Total business-type activities expenses	2,679,153	2,757,280	2,743,375	2,781,943	2,722,748	3,083,384	3,337,193	3,655,823	3,983,350	4,270,227
Total primary government expenses	\$ 10,587,355	\$ 11,285,918	\$ 11,076,213	\$ 11,053,073	\$ 11,084,087	\$ 12,439,134	\$ 12,755,315	\$ 14,965,936	\$ 16,050,224	\$ 17,506,312
Program Revenues										
Governmental activities:										
Charges for services:										
General government	2,357,933	2,494,399	2,404,738	2,527,353	2,775,157	2,498,242	2,579,408	2,327,456	2,417,373	2,485,552
Public safety	217,784	1,026,239	1,047,084	1,111,303	1,242,642	1,449,976	1,538,576	1,732,887	1,799,228	1,838,168
Transportation	209,121	158,508	241,341	256,923	290,337	313,543	344,900	366,401	391,186	422,213
Culture and recreation	6,005	7,075	10,762	14,782	13,974	23,577	24,061	76,571	40,265	30,512
Operating grants and contributions	257,077	302,820	40,854	442,216	81,837	103,754	994,570	85,438	113,316	491,300
Capital grants and contributions	-	-	-	-	-	-	-	114,297	154,178	432,918
Total governmental activities program revenues	3,047,920	3,989,041	3,744,779	4,352,577	4,403,947	4,389,092	5,481,515	4,703,050	4,915,546	5,700,663
Business-type activities:										
Charges for services:										
Water and wastewater system	3,265,022	3,415,060	3,538,409	3,420,232	3,460,206	4,106,345	4,176,905	4,440,775	4,574,779	4,541,038
Stormwater	-	-	-	-	-	-	-	553,682	580,751	609,144
Operating grants and contributions	127,971	3,907	16,560	81,504	205,400	12,780	28,935	148,118	-	-
Capital grants and contributions	-	-	-	-	-	-	-	314,435	3,456,591	5,239,319
Total business-type activities program revenues	3,392,993	3,418,967	3,554,969	3,501,736	3,665,606	4,119,125	4,205,840	5,457,010	8,612,121	10,389,501
Total primary government program revenues	6,440,913	7,408,008	7,299,748	7,854,313	8,069,553	8,508,217	9,687,355	10,160,060	13,527,667	16,090,164

CITY OF ORANGE CITY, FLORIDA

TABLE 2

CHANGES IN NET POSITION

Continued

LAST TEN FISCAL YEARS

(Prepared on the accrual basis of accounting)

Net (Expense)/Revenue	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities	(4,860,282)	(4,539,597)	(4,588,059)	(3,918,553)	(3,957,392)	(4,966,658)	(3,936,607)	(6,607,063)	(7,151,328)	(7,535,422)
Business-type activities	713,840	661,687	811,594	719,793	942,858	1,035,741	868,647	1,801,187	4,628,771	6,119,274
Total primary government net expense	<u>\$ (4,146,442)</u>	<u>\$ (3,877,910)</u>	<u>\$ (3,776,465)</u>	<u>\$ (3,198,760)</u>	<u>\$ (3,014,534)</u>	<u>\$ (3,930,917)</u>	<u>\$ (3,067,960)</u>	<u>\$ (4,805,876)</u>	<u>\$ (2,522,557)</u>	<u>\$ (1,416,148)</u>
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	3,094,975	3,203,919	3,254,075	3,354,635	3,473,084	3,696,581	3,835,377	3,992,652	4,289,865	5,025,511
Local option gas and use tax	188,223	185,405	184,707	185,391	184,237	185,530	194,547	210,491	222,898	230,519
Utility service taxes	1,376,528	1,523,177	1,486,608	1,449,481	1,002,145	1,530,836	1,451,019	1,450,946	1,452,492	1,548,629
State sales tax	399,435	386,763	426,278	470,793	516,870	542,940	584,986	620,006	679,175	808,666
Unrestricted investment earnings	(36,635)	35,649	18,764	5,875	11,132	1,167	10,781	9,140	18,247	29,390
Miscellaneous	101,182	22,480	73,008	45,647	23,072	61,108	68,351	58,487	89,855	111,777
Refund of contrib. to partnership ctr.	-	-	-	-	-	-	-	-	-	-
Transfers	150,000	150,000	150,000	150,000	150,000	154,500	159,900	(127,258)	(1,930,261)	258,750
Total governmental activities	<u>5,273,708</u>	<u>5,507,393</u>	<u>5,593,440</u>	<u>5,661,822</u>	<u>5,360,540</u>	<u>6,172,662</u>	<u>6,304,961</u>	<u>6,214,464</u>	<u>4,822,271</u>	<u>8,013,242</u>
Business-type activities:										
Investment earnings	(21,708)	16,437	7,241	8,657	4,271	(991)	4,087	1,172	1,582	1,582
Miscellaneous	-	-	-	18,726	(3,055)	-	-	7,577	4,837	28,307
Transfers	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(154,500)	(159,900)	127,258	1,930,261	(258,750)
Total business-type activities	<u>(171,708)</u>	<u>(133,563)</u>	<u>(142,759)</u>	<u>(122,617)</u>	<u>(148,784)</u>	<u>(155,491)</u>	<u>(155,813)</u>	<u>136,007</u>	<u>1,936,680</u>	<u>(228,861)</u>
Total primary government	5,102,000	5,373,830	5,450,681	5,539,205	5,211,756	6,017,171	6,149,148	6,350,471	6,758,951	7,784,381
Change in Net Position										
Functions and Programs										
Governmental activities	413,426	967,796	1,005,381	1,743,269	1,403,148	1,206,004	2,368,354	(392,599)	(2,329,057)	477,820
Business-type activities	542,132	528,124	668,835	597,176	794,074	880,250	712,834	1,937,194	6,565,451	5,890,413
Total primary government	<u>\$ 955,558</u>	<u>\$ 1,495,920</u>	<u>\$ 1,674,216</u>	<u>\$ 2,340,445</u>	<u>\$ 2,197,222</u>	<u>\$ 2,086,254</u>	<u>\$ 3,081,188</u>	<u>\$ 1,544,595</u>	<u>\$ 4,236,394</u>	<u>\$ 6,368,233</u>

CITY OF ORANGE CITY, FLORIDA

TABLE 3

FUND BALANCES, GOVERNMENTAL FUNDS**LAST TEN FISCAL YEARS****(Prepared on the modified accrual basis of accounting)**

	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,920,788	5,349,312	-	-	-	-	-	-	-	-
Nonspendable	-	-	28,967	2,826	12,448	4,559	120,242	87,800	103,117	100,666
Restricted	-	-	-	-	-	-	-	-	-	79,287
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	219,136	75,261	188,871	2,314,824	1,354,722	694,077	1,053,781	342,677
Unassigned	-	-	6,255,144	7,842,898	9,140,660	6,844,582	8,542,451	8,633,352	5,784,872	7,140,432
Total general fund	<u>\$ 4,920,788</u>	<u>\$ 5,349,312</u>	<u>\$ 6,503,247</u>	<u>\$ 7,920,985</u>	<u>\$ 9,341,979</u>	<u>\$ 9,163,965</u>	<u>\$10,017,415</u>	<u>\$ 9,415,229</u>	<u>\$ 6,941,770</u>	<u>\$ 7,663,062</u>
All other governmental funds										
Reserved for:										
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	748,942	725,893	-	-	-	-	-	-	-	-
Committed	-	-	635,492	615,143	611,408	656,463	484,602	489,942	603,258	722,330
Restricted	-	-	12,167	14,167	16,167	15,186	72,770	157,468	24,791	245,509
Total all other governmental funds	<u>\$ 748,942</u>	<u>\$ 725,893</u>	<u>\$ 647,659</u>	<u>\$ 629,310</u>	<u>\$ 627,575</u>	<u>\$ 671,649</u>	<u>\$ 557,372</u>	<u>\$ 647,410</u>	<u>\$ 628,049</u>	<u>\$ 967,839</u>

Notes:

(1) The City implemented GASB Statement No. 54 in fiscal year 2011. That statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications in years prior to 2011 served as a measure of the availability or nonavailability of spending of current financial resources.

TABLE 4

CITY OF ORANGE CITY, FLORIDA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**LAST TEN FISCAL YEARS****(Prepared on the modified accrual basis of accounting)**

	2009	2010	2011	2012	2013
REVENUES					
Property taxes	\$ 3,094,975	\$ 3,203,920	\$ 3,254,075	\$ 3,354,636	\$ 3,473,084
Franchise fees	1,312,106	1,374,113	1,347,724	1,351,333	1,293,984
Local option gas tax	188,223	185,405	184,707	185,391	184,537
Utility service taxes	1,376,528	1,523,177	1,486,608	1,449,482	1,503,849
Fees and fines	143,766	71,927	51,899	59,692	49,010
Licenses and permits	318,407	311,581	352,722	441,373	330,237
Intergovernmental	705,529	1,042,706	703,843	1,052,403	888,871
Charges for services	635,502	1,628,809	1,559,847	1,643,829	550,681
Impact fees	81,797	59,212	18,906	120,749	15,930
Investment earnings	(36,635)	35,648	18,764	20,011	11,132
Contractual - DeBary Fire and PW	-	-	-	-	1,158,747
Miscellaneous	236,355	175,009	209,124	185,500	228,667
Total revenues	8,056,553	9,611,507	9,188,219	9,864,399	9,688,729
EXPENDITURES					
Current:					
General government	2,273,564	2,227,772	1,994,111	2,144,498	2,341,796
Public safety	3,691,653	4,491,448	4,387,143	4,237,149	4,302,806
Transportation	1,127,394	1,028,627	1,141,188	1,046,601	950,865
Culture and recreation	263,924	265,953	202,357	195,765	200,868
Debt service:					
Principal	77,236	85,931	109,851	114,291	51,759
Interest and other charges	89,124	31,934	48,764	28,464	18,909
Capital outlay	757,019	1,224,367	379,104	848,242	552,468
Total expenditures	8,279,914	9,356,032	8,262,518	8,615,010	8,419,471
Excess (deficiency) of revenues over expenditures	(223,361)	255,475	925,701	1,249,389	1,269,258
OTHER FINANCING SOURCES (USES)					
Proceeds from debt	545,100	-	-	-	-
Refund of contrib. to partnership ctr.	-	-	-	-	-
Transfers in	348,874	274,723	255,857	315,980	190,722
Transfer out	(198,874)	(124,723)	(105,857)	(165,980)	(40,722)
Total other financing sources and uses	695,100	150,000	150,000	150,000	150,000
Net change in fund balance	\$ 471,739	\$ 405,475	\$ 1,075,701	\$ 1,399,389	\$ 1,419,258
Debt service as a percentage of noncapital expenditures	2.21%	1.45%	2.01%	1.84%	0.90%

CITY OF ORANGE CITY, FLORIDA

TABLE 4

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**Continued**
LAST TEN FISCAL YEARS**(Prepared on the modified accrual basis of accounting)**

	2014	2015	2016	2017	2018
REVENUES					
Property taxes	\$ 3,696,581	\$ 3,835,377	\$ 3,992,652	\$ 4,289,865	\$ 5,025,511
Franchise fees	1,353,098	1,388,094	1,207,730	1,168,329	1,245,420
Local option gas tax	185,530	194,547	210,491	222,898	230,519
Utility service taxes	1,530,836	1,451,019	1,450,946	1,452,492	1,548,629
Fees and fines	45,780	47,595	37,866	26,393	20,288
Licenses and permits	364,897	371,598	469,346	599,236	610,078
Intergovernmental	942,904	1,487,484	1,137,065	1,266,730	1,890,546
Charges for services	130,919	185,503	462,890	251,914	214,965
Impact fees	516,003	548,300	194,505	483,644	600,372
Investment earnings	1,167	10,781	9,140	18,247	29,390
Contractual - DeBary Fire and PW	1,303,866	1,373,291	1,438,124	1,545,004	1,650,365
Miscellaneous	335,673	332,318	434,017	343,326	389,072
Total revenues	10,407,254	11,225,907	11,044,772	11,668,078	13,455,155
EXPENDITURES					
Current:					
General government	2,568,833	2,567,062	2,686,782	2,426,057	2,501,028
Public safety	4,834,288	5,089,990	5,549,894	6,054,775	6,932,578
Transportation	1,115,289	1,257,034	1,256,655	1,475,164	1,300,869
Culture and recreation	227,001	256,070	289,492	339,410	402,929
Economic environment	-	-	-	9,508	10,505
Debt service:					
Principal	30,938	24,036	-	-	-
Interest and other charges	17,675	8,358	-	-	-
Capital outlay	1,901,670	1,444,084	1,680,167	1,925,723	1,504,914
Total expenditures	10,695,694	10,646,634	11,462,990	12,230,637	12,652,823
Excess (deficiency) of revenues over expenditures	(288,440)	579,273	(418,218)	(562,559)	802,332
OTHER FINANCING SOURCES (USES)					
Proceeds from debt	-	-	-	-	-
Refund of contrib. to partnership ctr.	-	-	-	-	-
Transfers in	171,897	436,281	273,345	295,479	391,359
Transfer out	(17,397)	(276,381)	(367,275)	(2,225,740)	(132,609)
Total other financing sources and uses	154,500	159,900	(93,930)	(1,930,261)	258,750
Net change in fund balance	\$ (133,940)	\$ 739,173	\$ (512,148)	\$ (2,492,820)	\$ 1,061,082
Debt service as a percentage of noncapital expenditures	0.55%	0.35%	0.00%	0.00%	0.00%

TABLE 5

CITY OF ORANGE CITY, FLORIDA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**LAST TEN FISCAL YEARS**

Fiscal Year	Estimated Market Value		Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2009	847,396,744	62,233,675	194,486,158	715,144,261	4.4800
2010	759,454,124	76,727,507	197,407,363	638,774,268	5.1930
2011	661,411,151	67,355,983	198,831,440	529,935,694	6.3445
2012	615,287,106	72,167,257	198,954,171	488,500,192	7.0757
2013	601,650,375	68,070,422	193,358,668	476,362,129	7.5100
2014	617,411,675	71,888,508	188,090,767	501,209,416	7.5900
2015	651,261,340	94,058,070	218,252,303	527,067,107	7.4900
2016	678,491,531	89,179,203	217,673,966	549,996,768	7.4500
2017	723,709,685	87,125,986	222,289,211	588,546,460	7.4500
2018	777,294,578	85,322,431	230,806,662	631,810,347	8.0650

Source: Volusia County Property Appraiser

Notes:

Table 5 has been adjusted to reflect the fiscal year versus the tax year.

CITY OF ORANGE CITY, FLORIDA

TABLE 6

DIRECT AND OVERLAPPING PROPERTY TAX RATES**LAST TEN FISCAL YEARS**

Fiscal Year	City of Orange City, Florida Operating Millage (2)	Overlapping Rates (1)					
		Volusia		St. Johns Water Mgmt	FL Inland Nav. District	Hospital Operating & Debt	Total Millage
		School Board	County				
2009	4.4800	7.4590	5.4037	0.4158	0.0345	1.4672	19.2602
2010	5.1953	7.8050	6.3734	0.4158	0.0345	1.7450	21.5690
2011	6.3445	8.2370	6.3025	0.4158	0.0345	2.0818	23.4161
2012	7.0757	8.0630	6.7791	0.3313	0.0345	2.3849	24.6685
2013	7.5100	7.8880	6.8809	0.3313	0.0345	2.4666	25.1113
2014	7.5900	7.3580	7.2709	0.3283	0.0345	2.3759	24.9576
2015	7.4900	7.3360	7.2709	0.3164	0.0345	1.9237	24.3715
2016	7.4500	7.1970	7.2709	0.3023	0.0320	1.6679	23.9201
2017	7.4500	6.8480	7.0520	0.2885	0.0320	1.5900	23.2605
2018	8.0650	6.5200	7.0520	0.2724	0.0320	2.3660	24.3074

Source: Volusia County Property Appraiser

Notes:

Table 6 has been adjusted to reflect the fiscal year versus tax year.

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Orange City. Not all overlapping rates apply to all Orange City property owners.

(2) Orange City's direct rate is for operating millage. There is no debt service millage.

CITY OF ORANGE CITY, FLORIDA

TABLE 7

PRINCIPAL PROPERTY TAXPAYERS, CURRENT YEAR AND TEN YEARS AGO

SEPTEMBER 30, 2018

Taxpayer Name	Type of Business	2018			Percentage of Total City Taxable Assessed Taxes	2009			Percentage of Total City Taxable Assessed Taxes
		2017 Taxable Assessed Value	2018 Assessed City Taxes	Rank		2008 Taxable Assessed Value	2009 Assessed City Taxes	Rank	
Northland Grandeville LLC	Apartments (316)	25,254,869	203,681	1	4.00%	18,076,155	80,981	1	2.32%
EBSCO Integra Landings LLC	Apartments (270)	21,962,271	177,126	2	4.48%	-	-		0.00%
John Knox Village of Central FL	Assisted Living Facility	21,325,362	171,989	3	3.38%	17,018,017	76,241	2	2.18%
KRG Orange City Saxon LLC	Saxon Crossings	13,506,183	108,927	4	2.14%	-	-		0.00%
985 W Volusia LLC	Shopping Center	12,009,127	96,854	5	1.90%	\$ 14,362,600	64,344	7	1.84%
Walmart Stores East LP	Retail Store	11,862,808	95,674	6	1.88%	16,693,340	74,786	3	2.14%
Publix Super Markets Inc	Crown Center Plaza North	11,366,310	91,669	7	1.80%	-	-		0.00%
Orange City Marketplace, LLC	Shopping Center	8,899,076	71,771	8	1.41%	10,051,996	45,033	6	1.29%
Lowe's Home Centers, Inc.	Retail Store	7,916,574	63,847	9	1.25%	11,163,212	50,011	4	1.43%
Saxon Trace Partners LTD	Apartments (292)	7,870,641	63,477	10	0.00%	8,169,075	36,597	10	1.05%
The Home Depot	Retail Store	-	-		0.00%	10,532,366	47,185	5	1.35%
Sun Life Assurance of Canada	Shopping Center (Crown Ctr.)	-	-		0.00%	9,445,705	42,317	8	1.21%
Enterprise Development	Condos (196)	-	-		0.00%	8,759,383	39,242	9	1.12%
Total For Principal Taxpayers		141,973,221	1,145,014		22.23%	124,271,849	556,738		15.93%
Total For Other Taxpayers		489,837,126	3,950,536		77.53%	656,005,789	2,938,906		83.49%
Total		<u>\$ 631,810,347</u>	<u>\$ 5,095,550</u>		<u>100.00%</u>	<u>\$ 780,277,638</u>	<u>\$ 3,495,644</u>		<u>100.00%</u>

Source: Research conducted by the City of Orange City, Finance Department from data supplied by the Volusia County Property Appraiser's Office.

Notes:

Table 7 has been adjusted to reflect the fiscal year versus the tax year.

CITY OF ORANGE CITY, FLORIDA

TABLE 8

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	3,495,644	3,063,346	87.63%	31,629	3,094,975	88.54%
2010	3,318,624	3,164,962	95.37%	36,608	3,201,570	96.47%
2011	3,362,177	3,230,880	96.09%	21,071	3,251,951	96.72%
2012	3,456,481	3,319,592	96.04%	34,684	3,354,276	97.04%
2013	3,577,480	3,322,184	92.86%	150,864	3,473,048	97.08%
2014	3,801,950	3,653,823	96.10%	42,758	3,696,582	97.23%
2015	3,947,733	3,695,147	93.60%	89,495	3,784,642	95.87%
2016	4,097,476	3,813,028	93.06%	143,907	3,956,934	96.57%
2017	4,384,671	4,064,996	92.71%	72,124	4,137,120	94.35%
2018	5,095,737	4,669,059	91.63%	118,917	4,787,976	93.96%

Source: Volusia County Tax Collector's Office

CITY OF ORANGE CITY, FLORIDA

TABLE 9

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			Percentage of Personal Income	Per Capita (1)
	Line of Credit	Capital Improvement Revenue Bonds 2007	Special Assessment Revenue Bonds 2009	Utility Refunding Revenue 2005 (2)	Capital Improvement SRF DW 642000	Total Primary Government		
2009	-	269,477	548,000	3,306,262	-	4,123,739	1.77%	404
2010	-	190,227	541,317	3,089,907	-	3,821,451	2.15%	370
2011	-	107,791	513,901	2,858,552	-	3,480,244	2.11%	328
2012	-	22,043	485,359	2,617,197	-	3,124,599	1.83%	278
2013	-	-	455,643	2,635,842	-	3,091,485	1.77%	273
2014	-	-	424,705	2,515,000	-	2,939,705	1.66%	256
2015	-	-	-	2,235,000	-	2,235,000	1.20%	193
2016	-	-	-	1,950,000	-	1,950,000	0.99%	167
2017	-	-	-	1,655,000	579,457	2,234,457	1.09%	189
2018	-	-	-	1,345,000	1,517,538	2,862,538	1.31%	244

Notes:

(1) See Table 12 for personal income and population data

(2) Net of advanced refunding costs. 2014 refunding cost removed due to new GASB pronouncement

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**AS OF SEPTEMBER 30, 2018**

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the Governmental Unit</u>	<u>City of Orange City, FL - Share of Debt</u>
Direct:			
The City of Orange City	\$ -	0.00%	\$ -
Overlapping:			
School District	- (1)	0.00%	-
County of Volusia	<u>9,480,000 (2)</u>	2.02%	<u>191,496</u>
Total Direct and Overlapping Debt	<u><u>\$ 9,480,000</u></u>		<u><u>\$ 191,496</u></u>

Source:

(1) Information provided by the Volusia County School Board. Effective 2007 debt was paid off.

(2) Information provided by Volusia County, Accounting Department.

TABLE 11

CITY OF ORANGE CITY, FLORIDA

PLEDGED REVENUE COVERAGE

BUSINESS-TYPE ACTIVITIES

LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Basic Covenant Coverage
				Principal	Interest	Total	
2009	3,265,022	1,846,651	1,418,371	235,000	148,193	383,193	3.701
2010	3,415,060	1,908,955	1,506,105	235,000	139,334	374,334	4.023
2011	3,538,409	1,892,510	1,645,899	250,000	131,535	381,535	4.314
2012	3,420,232	1,978,342	1,441,890	260,000	119,918	379,918	3.795
2013	3,460,206	2,086,258	1,373,948	- *	54,779	54,779	25.082
2014	4,104,430	2,467,151	1,637,279	270,000	104,410	374,410	4.373
2015	4,176,905	2,524,487	1,652,418	280,000	93,728	373,728	4.421
2016	4,440,775	2,648,948	1,791,827	285,000	65,996	350,996	5.105
2017	4,574,779	3,081,657	1,493,122	295,000	73,331	368,331	4.054
2018	4,542,620	3,353,609	1,189,011	310,000	70,330	380,330	3.126

Notes:

(1) Gross revenues from water and sewer charges for services, plus interest income and service charges.

(2) Total operating expenses exclusive of depreciation and amortization of intangibles.

(3) Includes principal and interest of revenue bonds only. Does not include debt defeasance transactions.

* Principal payments are due October 1. Historically the payment was made prior to September 30 each year. In fiscal year the payment was made October 1.

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

Fiscal Year	Estimated Population (1)	School Enrollment (2)	Median Household Effective Buying Income (4)	Per Capita Personal Income (3)	Personal Income (3)	Unemployment Rate (4)
2009	10,203	2,759	38,100	31,364	233,473,616	11.7%
2010	10,599	4,783	40,075	32,098	177,887,116	11.9%
2011	11,143	5,525	41,368	33,384	165,132,420	10.3%
2012	11,226	5,439	30,706	34,473	170,476,650	8.8%
2013	11,337	5,568	40,838	35,081	174,451,770	7.1%
2014	11,483	5,614	41,769	35,302	176,962,450	5.9%
2015	11,569	5,764	43,419	36,641	186,104,350	5.7%
2016	11,679	5,609	41,117	38,176	197,823,100	5.5%
2017	11,850	5,500	40,788	38,807	205,432,530	5.1%
2018	11,720	5,216	43,838	40,658	219,020,760	4.3%

Sources:

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

(2) Public schools are within the jurisdiction of the Volusia County School Board.

This table reflects the 20-day report (Membership Report) for enrollment of public schools within the Orange City city limits. A new elementary school opened in 2006, a new middle school opened in the fall of 2008, and a new high school opened in fall of 2010.

(3) <http://edr.state.fl.us/Content/area-profiles/county/volusia.pdf>

Summary, for Volusia County. Separate information for the City of Orange City is not available.

(4) Volusia County, Department of Economic Development. Figures are for Volusia County.

TABLE 13

CITY OF ORANGE CITY, FLORIDA

PRINCIPAL EMPLOYERS

<u>Employer</u>	<u>September 30, 2018</u>			<u>September 30, 2009</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Population</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Population</u>
Florida Hospital Fish Memorial	983	1	8%	946	1	9%
John Knox Village	763	2	7%	492	3	5%
Volusia County Schools	580	3	5%	300	4	3%
Wal-Mart	338	4	3%	502	2	5%
Orange City Racing & Card Club	260	5	2%	(1)		
Publix - Lakeland for Store #422	168	6	1%	160	5	2%
Lowe's	161	7	1%	126	7	1%
Orange City Nursing & Rehab Ctr.	157	8	1%	160	8	2%
Home Depot	146	9	1%	110	9	1%
Olive Garden Italian Restaurant	138	10	1%	(1)		
Kohl's	133	11	1%	101	10	1%
Target	127	12	1%	150	6	1%
City of Orange City	125	13	1%	177	5	2%
Texas Roadhouse	110	14	1%	114	10	1%
TOTAL	<u>4,189</u>		<u>36%</u>	<u>3,338</u>		<u>33%</u>
Population	<u>11,720</u>			<u>10,203</u>		

Source: City of Orange City, Finance Department

(1) Information not available

CITY OF ORANGE CITY, FLORIDA

TABLE 14

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function/Program										
General government										
Administration	3.00	4.00	5.00	6.00	6.00	6.00	6.00	5.90	5.00	6.00
City Clerk	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Finance	4.00	3.50	3.50	3.50	4.00	4.00	4.00	4.00	4.00	4.00
Planning and Zoning	5.50	4.00	4.00	4.00	5.00	5.00	5.00	5.00	4.92	4.92
General Government (2)	1.50	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Building (1)	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Police										
Officers	23.00	24.00	24.00	24.00	24.00	25.00	25.00	25.00	26.00	28.00
Civilians	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Fire										
Firefighters and officers	18.50	18.50	18.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50
Civilians	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Public Works										
Public Works	13.00	14.50	14.00	14.00	14.25	14.25	14.25	13.00	11.00	11.00
Parks Maintenance	3.00	3.00	2.00	2.00	2.00	2.00	2.00	3.50	4.00	4.00
Leisure Services	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Utilities Enterprise	17.00	18.00	15.50	15.50	15.75	16.75	16.75	19.60	19.50	19.50
CRA Fund	-	-	-	-	-	-	-	-	0.08	0.08
Stormwater Fund	-	-	-	-	-	-	-	-	2.00	2.00
TOTAL	97.50	99.50	93.50	95.50	97.50	99.50	99.50	102.50	103.00	106.00

Source: City of Orange City Annual Budget Book

Notes:

(1) The Building Department began contracting services in 2004

(2) General Government employee included with Administration 2012

TABLE 15

CITY OF ORANGE CITY

OPERATING INDICATORS BY FUNCTION/PROGRAM

Function/Program	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Arrests	691	520	572	622	810	958	945	777	676	503
Parking violations	495	257	299	275	173	146	94	72	107	60
Uniformed Traffic citations	6,019	2,092	2,588	2,708	2,299	2,419	1,640	1,394	1,003	826
911 Calls (cell phones tracking start 2013)	3,336	2,998	2,912	3,484	11,821	12,578	12,689	13,935	13,935	13,436
Cases investigated (CID)	351	(3)	542	360	387	363	318	385	344	458
Cases submitted to State Attorney	412	548	479	948	1102	1,352	1,289	1,890	903	703
Code enforcement cases	501	314	245	420	356	1,434	680	657	842	424
Code enforcement fines (dollars)	5,245	1,825	400	2,750	9,625	7,000	111,420	42,915	45,377	6,915
Animal control (captured animals)	150	143	222	57	78	203	160	564	521	284
Fire										
Emergency responses	4,430	4,356	5,918	6,099	6,516	6,648	6,608	7,114	7,629	7,313
Fires extinguished	143	117	114	103	86	65	100	94	97	108
Inspections	901	1,002	1,206	1,210	1,251	1,111	870	740	1,048	916
Public education programs	22	41	35	25	65	72	72	63	119	92
Public Works										
Street resurfacing (miles)	2.80	1.43	0.44	0.82	1.08	0	3	1.56	0	0
Potholes repaired	65	61	21	21	20	43	38	41	44	52
Parks and Recreation										
Park usage permits	149	148	112	153	142	160	190	180	230	193
General government										
Construction permits issued	808	719	884	1,038	840	928	849	917	952	987
Value of construction permits (thousands)	15,203	11,417	15,028	22,083	10,615	17,043	12,330	28,229	43,259	43,103
New commercial	(3)	2	4	3	0	4	3	2	6	5
New commercial value (thousands)	(3)	1,112	3,476	12,015	-	4,348	3,772	2,514	16,058	16,105
New residential	(3)	9	2	7	10	4	4	14	21	47
New residential value (thousands)	(3)	2,167	421	1,968	3,087	1,417	1,272	6,818	8,612	14,100
New redevelopment	(3)	4	6	2	0	2	0	9	9	2
New redevelopment value (thousands)	(3)	3,306	11,066	1,012	-	6,370	0	8,981	5,114	1,536
Annexations - number	25	5	9	2	5	3	4	3	1	3
Acres	26.42	29.92	43.27	10.25	18.47	4.10	74.54	10.23	1.87	5.99
Taxable value	6,093,582	3,352,900	7,582,934	2,147,985	341,232	526,908	1,214,604	361,079	0*	125,692
Business licenses (new)	181	182	159	174	159	154	130	115	137	144
Legal notices published	57	36	63	30	35	37	34	36	38	38
Library										
Volumes in collection	28,797	29,839	21,536	20,327	18,205	17,702	17,404	17,387	17,834	15,629
Total volumes borrowed	162,999	106,329	91,182	89,281	83,563	72,324	61,632	53,783	50,539	42,657
Computer sessions	(3)	14,706	12,725	11,121	(3)	(3)	(3)	(3)	(3)	(3)
New patrons added during year	(3)	666	630	655	511	755	562	423	407	360
Total patrons registered	8,322	3,908	4,538	5,238	5,689	7,937	7,937	11,492	11,906	12,226
Water										
New connections	59	20	7	9	6	10	6	9	25	53
Water mains breaks	22	16	21	10	29	12	12	24	15	19
Average daily consumption (1,000 gal.)	1,346	1,369	1,592	1,252	1,346	1,604	1,150	1,177	1,215	1,618
Peak daily consumption (1,000 gal.)	2,022	1,945	1,953	1,479	1,650	1,899	1,364	1,386	1,403	2,472
Avg. daily sewage treatment (1,000 gal.)	201,572	279,822	269,340	299,860	296,000	345,000	299,928	283,545	232,120	397,934

Source: Various City departments

Notes:

(3) Statistical information not available.

* Exempt - church status

CITY OF ORANGE CITY

TABLE 16

CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM

Function/Program	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	16	16	16	16	16	16	16	16	16	18
Traffic units (5)	0	0	0	0	0	0	0	0	0	0
Fire stations	2	2	2	2	2	2	2	2	2	2
Public Works										
Street (miles)	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3
Highways (miles)	45.6	45.6	45.6	45.6	45.6	45.6	47.0	47.0	47.0	47
Streetlights (1)	499	499	500	500	500	500	500	500	500	500
Traffic signals (1)	1	2	2	2	2	2	2	2	2	2
Parks and recreation										
Parks	7	7	7	9	9	9	9	9	9	7
Acreage	67	67	67	70	70	70	70	70	70	76.62
Playgrounds	3	3	3	3	3	3	3	3	3	3
Baseball/softball fields	5	5	5	5	5	5	5	5	5	5
Soccer/football fields	2	2	2	2	2	2	2	2	2	2
Tennis/pickleball courts	2	2	2	2	2	2	2	2	2	2
Basketball/volleyball courts	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	4	4
Senior centers	1	1	1	1	1	1	1	1	1	1
Shuffleboard facility	1	1	1	1	1	1	1	1	1	1
Splash pad	1	1	1	1	1	2	2	2	2	2
Water										
Water mains (miles)	71.1	71.1	71.1	71.1	71.1	72.8	89.04	91.04	90.28	94
Fire hydrants	431	434	438	444	444	457	481	503	500	506
Storage capacity (1,000 gal.)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1500
Sewage (2)										
Wastewater lift stations	16	16	16	16	16	16	16	16	16	21
Stormwater										
Stormwater retention areas	14	14	14	14	15	15	15	15	15	19

Source: Various city departments

Notes:

- (1) Owned by Progress Energy, leased to City.
- (2) Processed by Volusia County
- (3) Statistical information not available.
- (5) Traffic units were discontinued in 2009 and moved to patrol units.



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Youth Programs



Orange City's Police Explorer program educates and involves youth in police operations to spark interest in a future law enforcement career and to build mutual understanding. The education aspect provides knowledge of the law enforcement function in their community. Through involvement, the explorer program establishes an awareness of the complexities of police services.

The Fire Cadet program is a youth-based, educational program designed to introduce high school age students into the career field of fire and medical emergency services. The cadets assist the fire department and the city when requested. They participate in local fire competitions against other departments, attend training events at various training grounds, and learn what it is like to have a career as a firefighter.

The Orange City School of Government is a partnership with University High School to encourage students to become more interested in government. Each year, University High School selects approximately 20 students to participate in the seven-course program. Involving a variety of local governmental agencies, students are exposed to the various roles of city, county, and state governments. The program has been successful in promoting civic engagement in our youth and training potential future civic leaders in local government.

Photos courtesy of City of Orange City

**INDEPENDENT AUDITOR'S 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**

The Honorable Mayor and City Council
City of Orange City, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the *City of Orange City, Florida*, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Orange City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Orange City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Orange City'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Orange City's financial statements are free from 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 result 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McDiarmid Davis & Company, LLC

Orlando, Florida
March 22, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Honorable Mayor and City Council
City of Orange City, Florida

Report on Compliance for Each Major Federal Program

We have audited the *City of Orange City's* (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2018. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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'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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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's internal control over compliance.

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

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

McDiernit Davis & Company, LLC

Orlando, Florida
March 22, 2019

CITY OF ORANGE CITY, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2018

Award type**Grantor****Pass-through grantor**

Grantor program title	CFDA Number	Agency or Pass-through Entity Grant Number	Expenditures
Federal Grants			
United States Department of Housing and Urban Development			
Passed through Volusia County			
Community Development Block Grants/Entitlement Grants	14.218	CDBG 16/17	\$ 2,850
Community Development Block Grants/Entitlement Grants	14.218	CDBG 17/18	25,039
Program Total			<u>27,889</u>
United States Department of Transportation			
Passed through State of Florida, Department of Transportation			
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	FPN 435499-1-58/68-01	6,431
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	FPN 435538-1-38-01	225,251
Program Total			<u>231,682</u>
United States Environmental Protection Agency			
Passed through State of Florida, Department of Environmental Protection			
Drinking Water State Revolving Funds Capitalization Grants *	66.468	DW642000	<u>5,682,763</u>
United States Department of Homeland Security			
Disaster Grants - Public Assistance - Hurricane Matthew	97.036	17-PA-U5-06-74-03-034	198,244
Program Total			<u>198,244</u>
Total federal awards			<u><u>\$ 6,140,578</u></u>

* Denotes a major program

CITY OF ORANGE CITY, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2018

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Orange City (the City) under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Therefore, amounts reported on the Schedule are based on expenditures incurred as of September 30, 2018, even if grant or loan was received subsequent to that date. Federal expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Loans and Loan Guarantees:

In December 2015, the City executed a State Revolving Fund Loan agreement DW642000 for the City's drinking water project. Loan balance as of September 30, 2018 is \$1,517,538. Loan amount received and reported in current year SEFA is \$938,081.

Note 4 - Indirect cost rate:

Indirect cost rate is dictated by its federal contract terms. The 10-percent de Minimis indirect rate as allowed under the Uniform Guidance is not in effect nor is available under its contracts.

CITY OF ORANGE CITY, FLORIDA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARD PROGRAMS**

Year Ended September 30, 2018

Section I - Summary of Independent Auditor's Results:*Financial Statements*

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness identified?	___ Yes	<u> X </u> No
• Significant deficiency identified	___ Yes	<u> X </u> None reported
Noncompliance material to financial Statements noted?	___ Yes	<u> X </u> No

Federal Awards

Type of auditors' report issued on compliance for major federal programs:	Unmodified	
Internal control over major Federal program:		
• Material weakness identified?	___ Yes	<u> X </u> No
• Significant deficiency identified	___ Yes	<u> X </u> None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	<u> X </u> No

Identification of major Federal Programs

CFDA No. 66.468

Drinking Water Revolving Funds

Dollar threshold used to distinguish between type A and type B programs

\$750,000

Auditee qualified as a low-risk auditee?

___ Yes

 X No**Section II – Financial Statement Findings:**

None

Section III – Federal Award Findings and Questioned Costs:

None

Section IV – Federal Award Summary Schedule of Prior Year Findings:

No Prior Year Findings

MANAGEMENT LETTER

Honorable Mayor and City Council
City of Orange City, Florida

Report on the Financial Statements

We have audited the financial statements of the *City of Orange City, Florida*, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 22, 2019.

Auditor's 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's 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 Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Auditor's 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 March 22, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no such findings in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the *City of Orange City, 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 Orange City, Florida* did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition and Management (Continued)

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the *City of Orange City, 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 we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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

McDiernit Davis & Company, LLC

Orlando, Florida
March 22, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

The Honorable Mayor and City Council
City of Orange City, Florida

We have examined City of Orange City's (the City) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, City of Orange City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

McDirmit Davis & Company, LLC

Orlando, Florida
March 22, 2019

Honorable Mayor and City Council
City of Orange City, Florida

We have audited the financial statements of *City of Orange City* as of and for the year ended September 30, 2018, and have issued our report thereon dated March 22, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated September 20, 2018, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of *City of Orange City* solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, and others in our firm, as appropriate, our firm, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City of Orange City is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, during the year, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the Statement of Activities. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate for the allowance for doubtful accounts is based on historical loss levels, and an analysis of the individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimation for the allowance for depreciation is based on the estimated useful lives of the capital assets. We evaluated the reasonableness of the useful lives as well as the depreciation methods in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's allocation of the net pension liability, deferred inflows/outflows and pension expense is based on the FRS contributions made. We evaluated the reasonableness of the allocation methods in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to City of Orange City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the representation letter dated March 22, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with City of Orange City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as City of Orange City's auditors.

This report is intended solely for the information and use of management, the City Council and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

McDiarmid Davis & Company, LLC

Orlando, Florida
March 22, 2019



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