

CITY OF DAYTONA BEACH SHORES VOLUSIA COUNTY, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2019



City of Daytona Beach Shores, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended September 30, 2019

Prepared by: The Finance Department

City of Daytona Beach Shores, Florida
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September 30, 2019

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City of Daytona Beach Shores

"Life is Better Here"

"A Premier, Friendly Place to Be"

Office of the Finance Director

April 20, 2020

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Daytona Beach Shores:

State law requires that all general purpose local governments publish within nine months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Daytona Beach Shores for the fiscal year ended September 30, 2019.

This report consists of management's representations concerning the finances of the City of Daytona Beach Shores. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Daytona Beach Shores has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Daytona Beach Shores' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Daytona Beach Shores' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Carr, Riggs & Ingram, LLC, a firm of licensed certified public accountants, has audited the City of Daytona Beach Shores' financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Daytona Beach Shores for fiscal year ended September 30, 2019, are free of material misstatement. The independent audit involved examining, on a 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 the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Daytona Beach Shores' financial statements for the fiscal year ended September 30, 2019 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Daytona Beach Shores' MD&A can be found immediately following the report of the independent auditors.

Profile of Government

The City of Daytona Beach Shores, incorporated in 1960, is located in the central part of the state in Volusia County, Florida, on the Atlantic coast. As Volusia County has exhibited rather dramatic growth over the past ten years, the City of Daytona Beach Shores has proven to be an attractive location for some of this growth. Because of the City's proximity to the beach, its cooler summers and milder winters, and a host of other positive features, the City attracts a significant tourist population.

The City of Daytona Beach Shores currently occupies a land area of 1.31 square miles, serves a year-round population of 4,296 and, an estimated "seasonal" population of 20,000. The City of Daytona Beach Shores is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statutes to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City of Daytona Beach Shores has operated under the council-manager form of government since 1967. Policy-making and legislative authority are vested in the City Council consisting of the mayor and four other members. The City Council is responsible, among other things, for passing ordinances, resolutions, adopting the budget, appointing committees, and hiring both the City Manager and attorney. The City's manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City and for appointing the heads of various departments. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with a City election held every two years. The mayor is elected to serve a four-year term.

The City of Daytona Beach Shores provides a full range of services, including police, fire and rescue, street maintenance, planning and zoning, parks and recreation, cultural events, economic environment (development), and general administrative services. In addition, sewer service is provided under an Enterprise Fund concept with user charges established by the City Council to ensure adequate coverage of operating expenses and payments on outstanding debt. The City of Daytona Beach Shores provides sewer service outside the city limits to certain unincorporated parts of Volusia County. The City of Daytona Beach Shores contracts with private enterprise for solid waste collection.

The annual budget serves as the foundation for the City of Daytona Beach Shores' financial planning and control. All departments of the City of Daytona Beach Shores are required to submit requests for appropriation to the City Manager in May. The City Manager uses these requests as the starting point for developing a proposed budget. The Council receives the proposed budget and a workshop(s) are held in June; the City Council sets the millage rate at the second council meeting in July. The Council is required to adopt a final budget no later than September 30. The appropriated budget is prepared by fund, function, and department. Department heads may request the City Manager to make transfers of appropriations within their department. Effective with the approval of City charter amendments in November 2008, the City Council is required to hold only one public hearing to adopt and/or amend the annual budget, and all budget transfers are under the authority or delegated authority of the City Manager. The enclosed report provides budget-to-actual comparisons.

Information Useful in Assessing the Government's Economic Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Daytona Beach Shores operates.

Local Economy: The City of Daytona Beach Shores is experiencing an increasing trend toward a more permanent population base. This has become apparent with the many residential condominiums that have been built and sold. As is the case in the rest of the state and most of the nation, the City is continuing to slowly recover from the protracted downturn in both the commercial and real estate markets. New construction is well below historical norms, although some major renovation activity is occurring on the beachfront. Difficulty in obtaining commercial loans in the local market is seen as a continuing impediment to the City's west-side redevelopment.

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 delivery of services or the financial stability of the government. The results of this analysis are incorporated as appropriate into each year's pre-budget planning, assisting in the determination of major budgeting parameters such as tax policy, capital renewal, 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, i.e., 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 0.01%) are invested in the Local Government Investment Pool (LGIP) administered by the Florida State Board of Administration (SBA).

The City engages numerous policies and procedures to control financial risk, including incorporating a comprehensive insurance program (i.e., Worker's Compensation, property, liability, wind peril, and limited flood coverage), and specific accident prevention training programs. The City is self-insured to designated specific and aggregate stop-loss limits for employee health insurance.

Major Initiatives: None

Acknowledgements

Acknowledgments: 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. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the members of the City Council of the City of Daytona Beach Shores, preparation of this report would not have been possible.

Respectfully submitted,

Michael T. Booker

Michael T. Booker
City Manager

Kurt D. Swartzlander

Kurt D. Swartzlander
Finance Director

**City of Daytona Beach Shores, Florida
Principal Officials
September 30, 2019**

City Council

Nancy Miller

Richard Bryan

Richard Frizalone

Mel Lindauer

Michael Politis

Mayor

Vice Mayor

Council Member

Council Member

Council Member



Executive Management Team

Michael T. Booker

Kurt Swartzlander

Stephan Dembinsky

Fred Hiatt

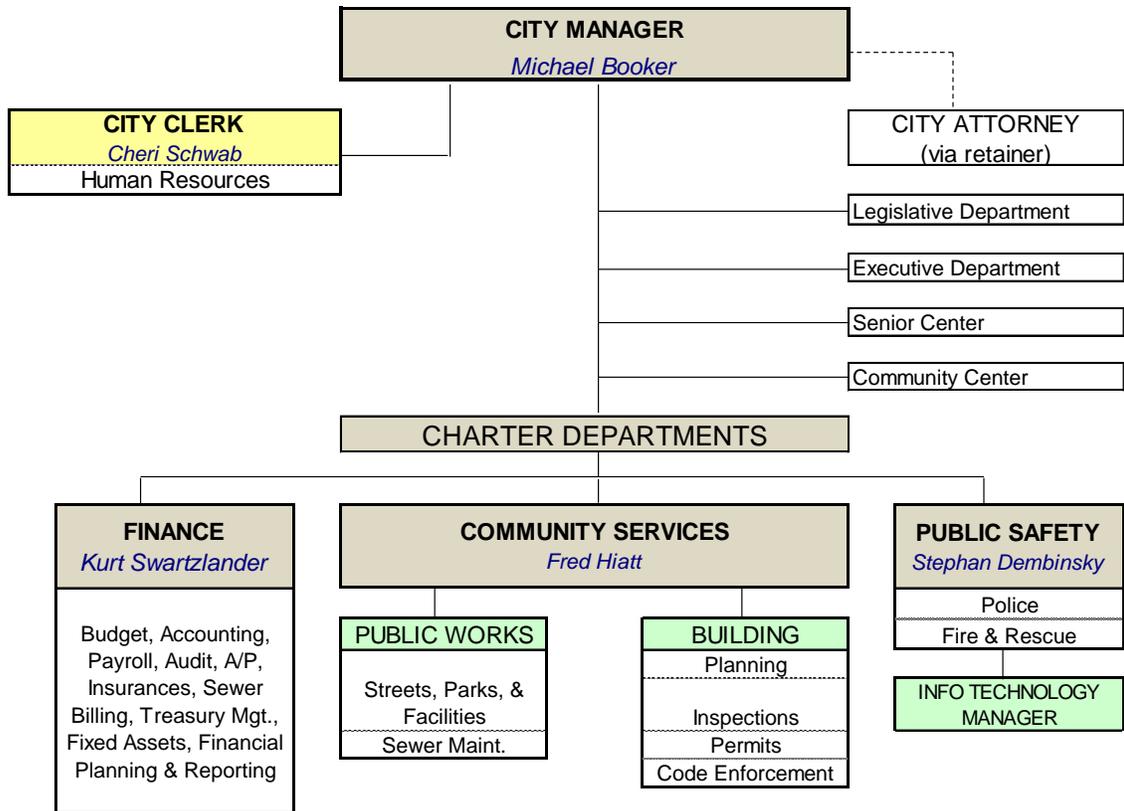
City Manager

Finance Director

Public Safety Director

Community Services Director

City of Daytona Beach Shores, Florida
Organization Chart
September 30, 2019





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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Daytona Beach Shores, 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 Daytona Beach Shores, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Daytona Beach Shores, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 the City of Daytona Beach Shores, Florida, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Daytona Beach Shores, Florida's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2020 on our consideration of the City of Daytona Beach Shores, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the effectiveness of the City of Daytona Beach Shores, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Daytona Beach Shores, Florida's internal control over financial reporting and compliance.

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

Melbourne, Florida
April 20, 2020



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City of Daytona Beach Shores, Florida Management's Discussion and Analysis

As management of the City of Daytona Beach Shores, we offer readers this overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019.

Fiscal Year End Financial Highlights

- The total assets of the City of Daytona Beach Shores exceeded its liabilities by \$55,416K.
- In the past fiscal year, the City's total net position increased by \$3,545K [6.8%].
- The City of Daytona Beach Shores' governmental funds reported combined ending fund balances of \$20,034K, an increase of \$2,051K [11.4%] in comparison with the prior year.
- Unassigned fund balance for the general fund was \$13,681K, an increase of \$1,608K from the prior year total of \$12,073K.
- Including a \$7,050K entry for the City's portion of the Florida Retirement System's (FRS) net pension liability, the City's total long-term (non-current) liabilities were \$22,456K, reflecting an annual decrease of \$2,578K. Although this FRS liability continues to be shown as a City liability, the City is on a pay-as-you-go rate structure from the FRS. Thus, the FRS pension "liability" represents an actuarial estimate of the City's portion of a future obligation of the FRS pension fund, not an existing debt or claim on City cash.

Overview of Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Daytona Beach Shores' basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Table 1 provides a synopsis of these statements.

Government-Wide Financial Statements—The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. The statement of net position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community services and culture and recreation. The business-type activities of the City include only sewer operations.

**City of Daytona Beach Shores, Florida
Management's Discussion and Analysis**

**TABLE 1
Major Features of Government-Wide versus Fund Financial Statements**

Feature	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Enterprise Funds
Scope	Entire Government (excluding fiduciary funds)	Activities of the Gov't that are not Proprietary or Fiduciary (e.g., public safety, culture & recreation, general gov't services, administration)	Activities operated like private business -- with distinct charges for service (e.g. water & sewer)
Required Financial Statements	{a} Statement of Net Assets {b} Statement of Activities	{a} Balance Sheet; {b} Statement of Revenues, Expenditures, and Changes in Fund Balance	{a} Statement of Net Assets {b} Statement of Revenues, Expenses, & Changes in Net Assets {c} Statement of Cash Flows
Basis of Accounting and Measurement Focus	Accrual Accounting; Economic Resources Focus	Modified Accrual Accounting; Current Financial Resources Focus	Accrual Accounting; Economic Resources Focus
Type of Asset and Liability Information	All Assets and Liabilities; Both Financial and Capital -- Short-Term and Long-Term	Assets and Liabilities are Expected to be Fully Discharged During the Year; No Capital Assets or Long-Term Liabilities	All Assets and Liabilities; Both Financial and Capital -- Short-Term and Long-Term
Type of Inflow and Outflow Information	All Revenues and Expenses, Regardless of When Cash is Received or Paid	{a} Revenues for which cash is received during the year; {b} Expenses when Goods & Services have been received and the related liability is due	All Revenues and Expenses, Regardless of When Cash is Received or Paid

City of Daytona Beach Shores, Florida Management's Discussion and Analysis

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 of Daytona Beach Shores, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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 the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of liquid resources, as well as on balances of liquid resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Daytona Beach Shores maintains two 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 which is a major fund. Data from the Contraband/Forfeiture fund is presented as a non-major governmental fund.

The City of Daytona Beach Shores adopts an annual appropriated budget for its General fund. A budgetary comparison schedule has been provided for the General fund to demonstrate compliance with this budget.

Proprietary Funds—The City of Daytona Beach Shores maintains one type of proprietary fund, which is an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Daytona Beach Shores uses enterprise funds to account for its sewer activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the sewer activities.

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.

Other Information—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for the budget versus actual schedules for the general fund and the required post-employment benefit schedules.

Governmental-wide Financial Analysis—As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City of Daytona Beach Shores, assets and deferred outflows exceed liabilities and deferred inflows by \$55,416K at the close of the most recent fiscal year.

A significant portion of the City of Daytona Beach Shores' net position [57.8%] reflect its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that is

City of Daytona Beach Shores, Florida Management's Discussion and Analysis

still outstanding. The City of Daytona Beach Shores uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Another portion of the City's net position [7.4%] represents resources that are subject to external restrictions on how they may be used. The remaining 34.7% [\$19,249K] of net position is unrestricted may be used to meet the government's ongoing obligations.

At the end of the current fiscal year, the City can report positive balances in all categories of net position, both for the government as a single entity, as well as for its separate governments and business-type activities. The same situation held true for the prior fiscal year.

- The government's net position increased by \$3,545K during the fiscal year, primarily as a result of favorable revenue and expense budget variances combined with a scheduled pay down of debt. These favorable variances were widespread across both revenue and expense categories and are detailed later in this report.

City of Daytona Beach Shores: Net Position (in 000's) September 30, 2019

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 21,691	\$ 19,654	\$ 10,008	\$ 9,001	\$ 31,699	\$ 28,655
Capital assets	42,694	44,185	4,281	4,430	46,975	48,615
Total Assets	<u>64,385</u>	<u>63,839</u>	<u>14,289</u>	<u>13,431</u>	<u>78,674</u>	<u>77,270</u>
Deferred outflows of resources	2,386	2,799	-	-	2,386	2,799
Long-term liabilities outstanding	21,364	23,724	1,092	1,310	22,456	25,034
Other liabilities	982	1,118	416	252	1,398	1,370
Total Liabilities	<u>22,346</u>	<u>24,842</u>	<u>1,508</u>	<u>1,562</u>	<u>23,854</u>	<u>26,404</u>
Deferred inflows of resources	1,790	1,794	-	-	1,790	1,794
Net Position:						
Invested in capital assets, net of related debt	28,837	27,392	3,212	3,142	32,049	30,534
Restricted	4,006	3,763	112	112	4,118	3,875
Unrestricted	9,792	8,847	9,457	8,615	19,249	17,462
Total Net Position	<u>\$42,635</u>	<u>\$40,002</u>	<u>\$12,781</u>	<u>\$11,869</u>	<u>\$55,416</u>	<u>\$51,871</u>

City of Daytona Beach Shores, Florida Management's Discussion and Analysis

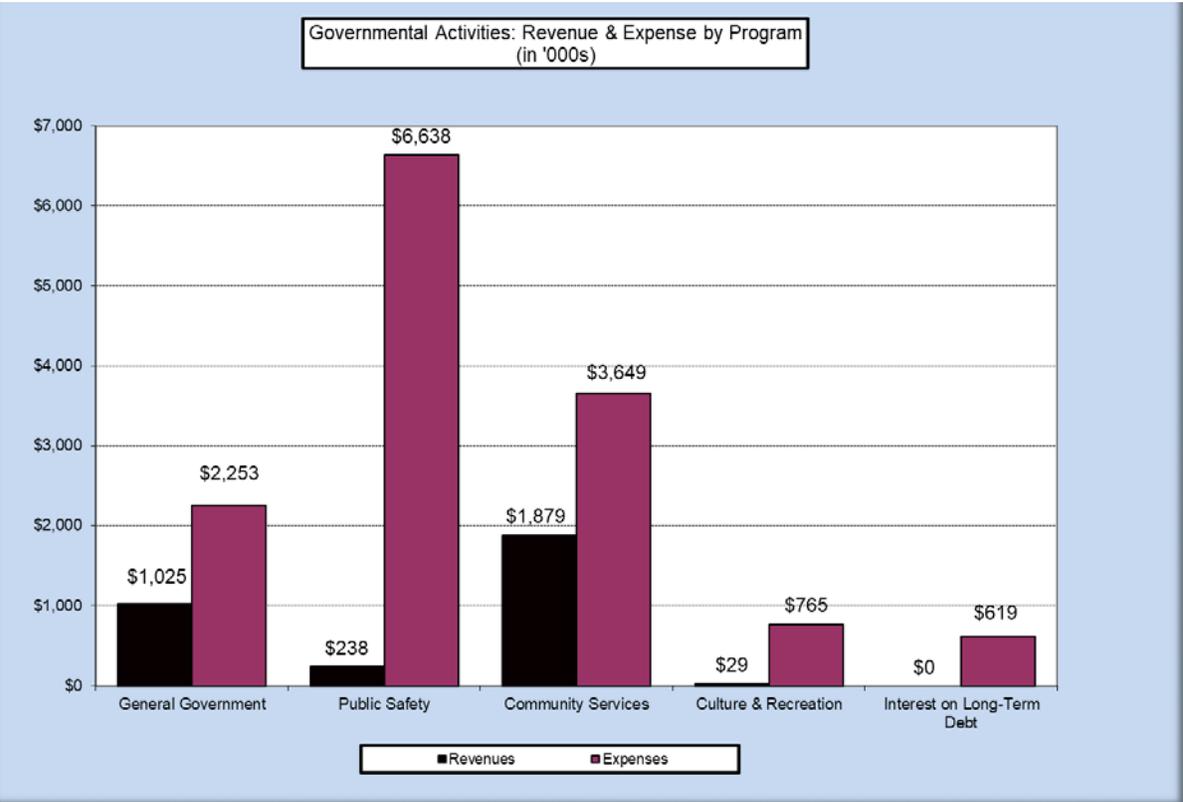
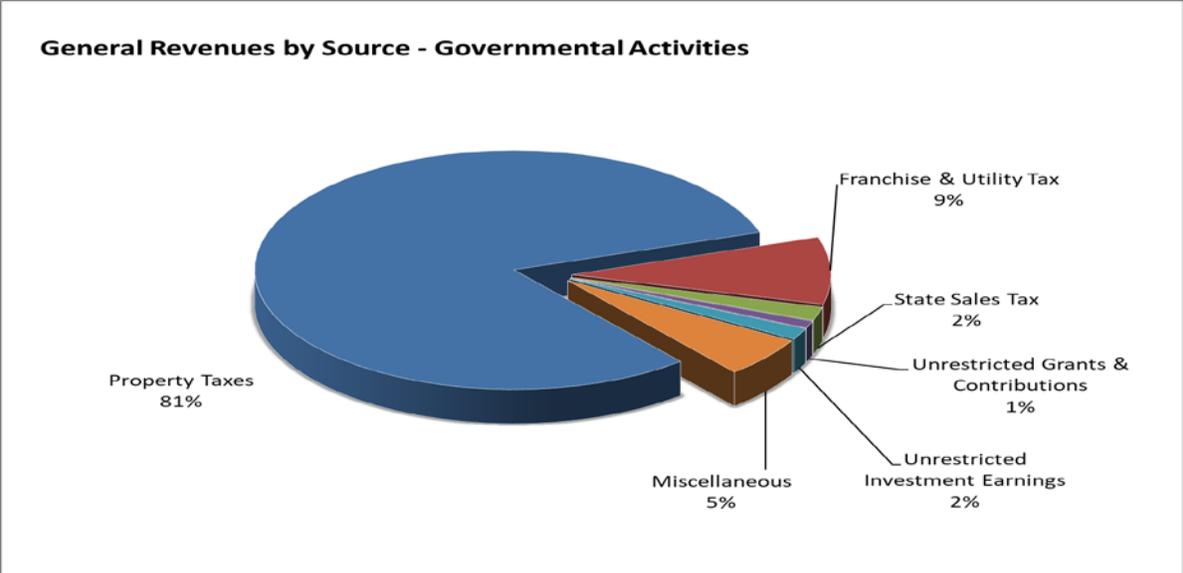
The following is a summary of financial activities during the fiscal year ended September 30, 2019.

City of Daytona Beach Shores: Net Position (in 000's)

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Property taxes	\$ 10,844	\$ 10,586	\$ -	\$ -	\$ 10,844	\$ 10,586
Sales taxes	250	249	-	-	250	249
Franchise & utility taxes	1,216	1,251	-	-	1,216	1,251
Grants & contributions, not restricted	133	133	-	-	133	133
Gain on sale of capital assets	4	5	25	-	29	5
Charges for services	2,716	2,629	3,403	3,420	6,119	6,049
Unrestricted investment earnings	209	172	-	-	209	172
Other miscellaneous	730	706	72	59	802	765
Sub-Total Revenues	16,102	15,731	3,500	3,479	19,602	19,210
Operating grants & contributions	358	808	-	-	358	808
Capital grants & contributions	97	94	23	62	120	156
Total Revenues	16,557	16,633	3,523	3,541	20,080	20,174
Expenses:						
General government	2,253	2,226	-	-	2,253	2,226
Public safety	6,638	5,960	-	-	6,638	5,960
Culture & recreation	765	795	-	-	765	795
Community services	3,649	3,506	-	-	3,649	3,506
Interest on long-term debt	619	729	-	-	619	729
Sewer	-	-	2,611	2,663	2,611	2,663
Total Expenses	13,924	13,216	2,611	2,663	16,535	15,879
Increase in net position	2,633	3,417	912	878	3,545	4,295
Net position, beginning of year	40,002	36,585	11,869	10,991	51,871	47,576
Net position, end of year	\$ 42,635	\$ 40,002	\$ 12,781	\$ 11,869	\$ 55,416	\$ 51,871

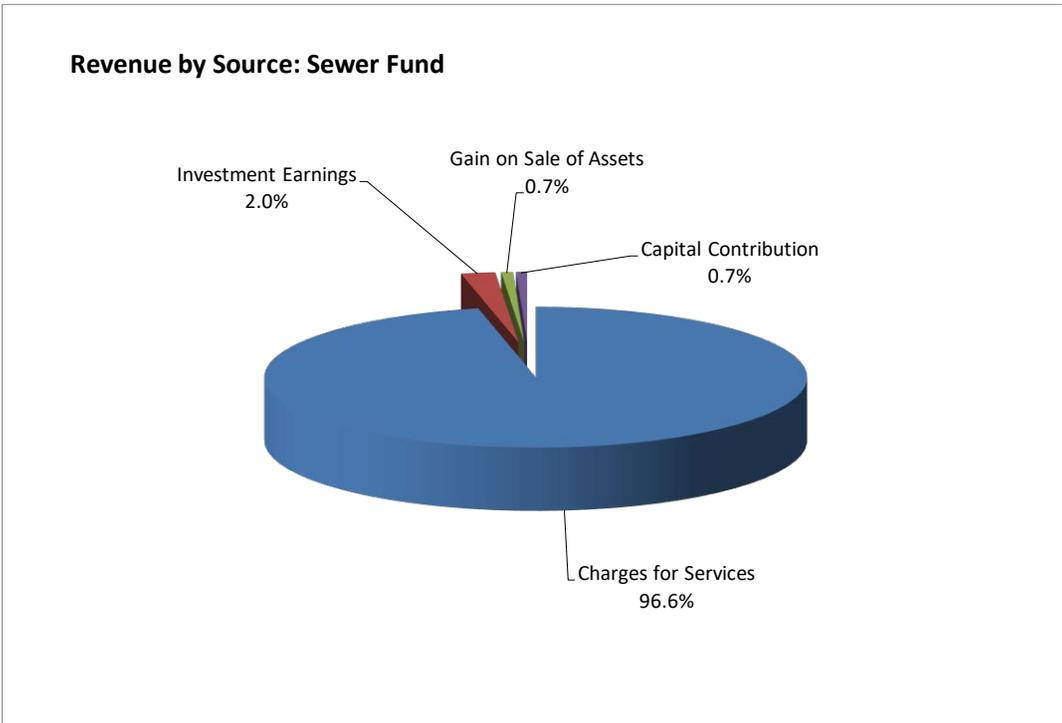
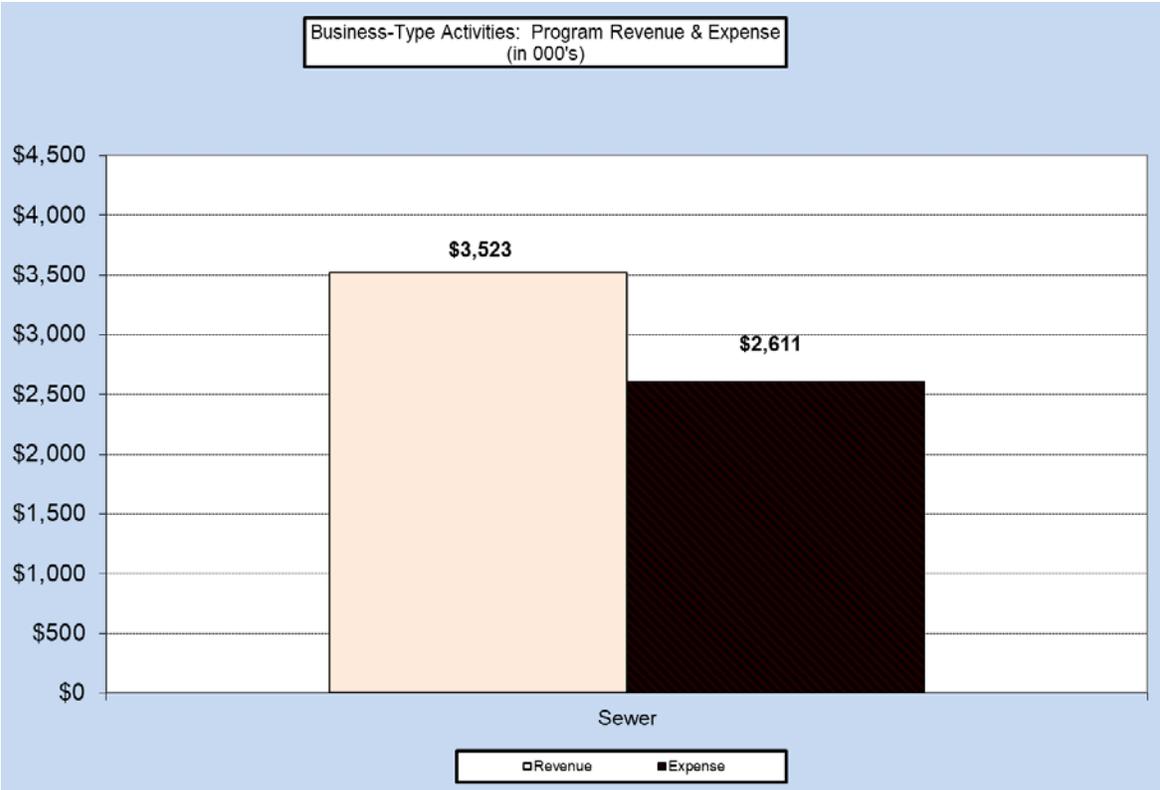
City of Daytona Beach Shores, Florida Management's Discussion and Analysis

Governmental Activities—Governmental activities increased the City of Daytona Beach Shores’ net position by \$2,633K, accounting for 74.3% of the total growth in the net position of the City of Daytona Beach Shores. This increase is primarily the result of favorable budget variances across all categories of revenue and expenses (including contingency), and the pay down of long-term debt.



City of Daytona Beach Shores, Florida Management's Discussion and Analysis

Business-Type Activities—Business-type activities showed an overall increase to net position by \$912K including a capital contribution of \$23K. The Sewer fund produced \$889K in income before capital contributions and grants.



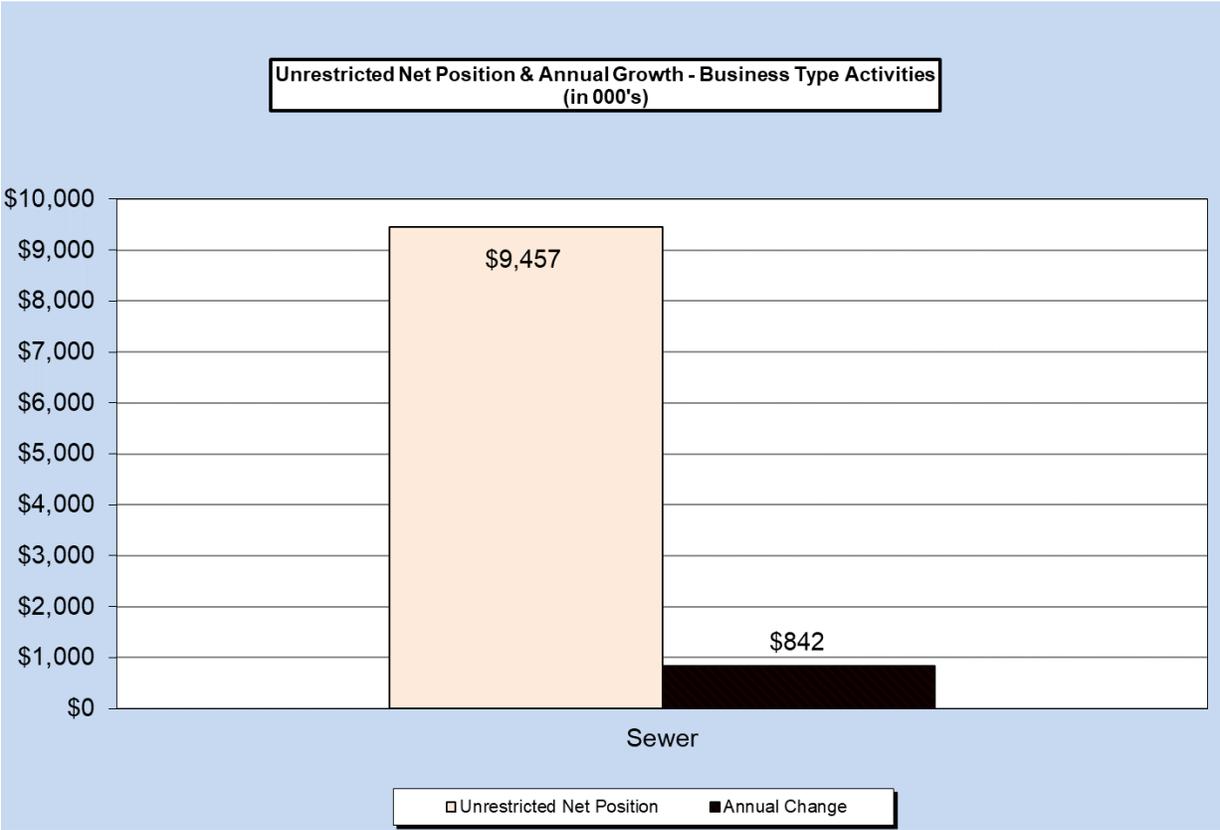
City of Daytona Beach Shores, Florida Management's Discussion and Analysis

Financial Analysis of the City's Funds—As noted earlier, the City of Daytona Beach Shores 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, and balances of liquid resources. Such information is useful in assessing the City of Daytona Beach Shores' financing requirements. Fund balance may serve as a useful measure of the City's net resources available for spending at the end of a fiscal year. As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$20,034K, an increase of \$2,051K [11.4%] in comparison with the prior year. \$13,681K [68.3%] of this total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is either not spendable (e.g., inventory), is legally restricted to specific functions or projects, or has a revocable assignment to a specific purpose. During the current fiscal year, the fund balance of the City's general fund increased by \$2,054k [11.4%], primarily reflecting favorable budget variances during the fiscal year.

Proprietary Funds—The City of Daytona Beach Shores' proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position of the Sewer fund at the end of the year amounted to \$9,457K. The total increase in unrestricted net position for the fund was \$842K [9.8%]. Operating income was \$821K, while the net non-operating revenues were \$97K. The capital contribution was \$23K.



City of Daytona Beach Shores, Florida Management's Discussion and Analysis

General Fund Budgetary Highlights—The following chart represents the budget variance condition for the City's General Fund.

General Fund Budget Variances (in 000's)

	Original Budget	Amended Budget	Change	Actual	Variance from Amended Budget
<u>REVENUES & SOURCES</u>					
Taxes	\$ 12,653	\$ 12,653	\$ -	\$ 12,629	\$ (24)
Licenses & Permits	353	353	-	413	60
Intergov'tal	802	802	-	846	44
Charges for Services (Incl. Internal)	2,142	2,142	-	2,249	107
Fines	85	85	-	172	87
Investment earnings (loss)	168	168	-	209	41
Miscellaneous	27	27	-	23	(4)
Proceeds from sale of capital assets	11	11	-	4	(7)
Insurance proceeds	10	10	-	-	(10)
Total Revenues & Sources	\$16,251	\$16,251	\$ -	\$16,545	\$294
<u>EXPENSES</u>					
General Gov't	\$ 2,049	\$ 2,047	\$ (2)	\$ 1,940	\$ 107
Public Safety	5,419	5,425	6	5,324	101
Community Services	2,855	2,855	-	2,792	63
Culture & Recreation	705	1,015	310	611	404
Contingency	1,142	733	(409)	-	733
Capital Outlay	935	1,030	95	250	780
Debt Service Principal	3,015	3,015	-	2,936	79
Debt Service Interest	671	671	-	638	33
Total Expenses	\$ 16,791	\$ 16,791	\$ -	\$ 14,491	\$2,300

The original and amended budgets were balanced by a planned use of prior year fund balance from reserves, restricted road taxes, and General Obligation debt proceeds funding. The unbalanced condition of the budget shown above stems from an accounting treatment that does not show a planned use of prior year fund balance as revenue.

The variance between the amended expense budget and actual expense is primarily a result of the typical conservatism of budget managers with respect to spending, the retention of contingency, and the under spending of reserves associated with the new Community Center building.

The variance between the amended revenue budget and actual revenue is a function of the normal discount applied to tax revenue for budgeting purposes, an increase in permit activity, and the City's typical conservatism with respect to budgeting revenue.

City of Daytona Beach Shores, Florida Management's Discussion and Analysis

Capital Assets—The City of Daytona Beach Shores' investment in capital assets for its governmental and business-type assets as of September 30, 2019, amounts to \$46,975K (net of accumulated depreciation), a decrease of \$1,640K for the year. Governmental assets decreased \$1,491K, while business-type assets also decreased \$149K. This investment in capital assets includes land, buildings and improvements other than buildings, equipment, and construction in progress. The City's ratio of accumulated depreciation to total depreciable capital assets (excludes land and CIP) is 48.4%, up from 45.0% in the prior year. The City's asset capitalization threshold is \$10K.

City of Daytona Beach Shores' Capital Assets (in 000's)

Additional information on the City of Daytona Beach Shores' capital assets is provided in the Financial Notes Section in Note III.D. of this report.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land & land improvements	\$ 18,790	\$ 18,790	\$ 239	\$ 239	\$ 19,029	\$ 19,029
Buildings	21,317	21,317	299	299	21,616	21,616
Improvements other than buildings	19,038	18,915	9,493	9,493	28,531	28,408
Equipment	2,578	2,500	1,388	1,270	3,966	3,770
Construction in progress	2	-	-	11	2	11
Accumulated depreciation	(19,031)	(17,337)	(7,138)	(6,882)	(26,169)	(24,219)
Total	<u>\$ 42,694</u>	<u>\$ 44,185</u>	<u>\$ 4,281</u>	<u>\$ 4,430</u>	<u>\$ 46,975</u>	<u>\$ 48,615</u>
Latest annual change	<u>\$ (1,491)</u>	<u> </u>	<u>\$ (149)</u>	<u> </u>	<u>\$ (1,640)</u>	<u> </u>
Accumulated depreciation ratio (excluding Land and CIP)	<u>44.3%</u>	<u>40.6%</u>	<u>63.8%</u>	<u>62.2%</u>	<u>48.4%</u>	<u>45.0%</u>

City of Daytona Beach Shores, Florida Management's Discussion and Analysis

Long-term debt— At the end of the current fiscal year, the City of Daytona Beach Shores had total outstanding debt of \$15,406K. More detailed information on long-term debt activity is provided in the Financial Section at Note III.E.

City of Daytona Beach Shores' Outstanding Debt (in 000's)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds payable	\$ 9,048	\$ 11,407	\$ -	\$ -	\$ 9,048	\$ 11,407
Notes/Loans payable	4,809	5,386	-	-	4,809	5,386
Compensated absences	400	411	20	22	420	433
State Revolving Loan Payable	-	-	1,069	1,288	1,069	1,288
Total	\$ 14,257	\$ 17,204	\$ 1,089	\$ 1,310	\$ 15,346	\$ 18,514
Change from prior year	<u>-17.1%</u>		<u>-16.9%</u>		<u>-17.1%</u>	

During the reported fiscal year, the outstanding debt for the City of Daytona Beach Shores decreased by \$3,165K [4.4%].

Economic Factors and Next Year's Budgets and Rates

- For tax year 2019, excluding new construction, property values in the City increased 4.5%. However, property valuation is still 20% below its 2007 peak. The City had \$1,803K in new construction. Despite some improving activity, west-side commercial property continues to struggle, and there remain a greater than normal number of vacant storefronts.
- After a November 2006 election, a debt service ad-valorem tax was implemented to support the borrowing of up to \$30 million for underground utilities and streetscape projects. The required debt service payment for these notes is just over \$2.7 million annually through FY 19-20, before trailing off to approximately \$1.8 million through FY 22-23.
- The City self-insures employee health coverage up to specific and aggregate stop-loss claims limits.
- The non-voted ad-valorem tax rate for 2019/2020 is 5.230 mils, the same as the 5.230 mils in 2018/2019. The 2019/2020 figure exceeds the legal "roll-back rate" as defined by state law by 4.5%. The general obligation debt service tax rate for 2019/2020 is 1.7977 mils, down from 1.8400 mils in FY 2018/2019, reflecting the increase in property valuations.

Requests for Information

This financial report is designed to provide a general overview of the City of Daytona Beach Shores' finances for all 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 City of Daytona Beach Shores, Finance Director, 2990 South Atlantic Avenue, Daytona Beach Shores, Florida 32118.



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CITY OF DAYTONA BEACH SHORES, FLORIDA

Basic Financial Statements

City of Daytona Beach Shores, Florida
Statement of Net Position

<i>September 30, 2019 (in thousands)</i>	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 17,570	\$ 9,209	\$ 26,779
Receivables, net	360	555	915
Due from other governments	568	-	568
Inventory	40	-	40
Prepaid items	50	-	50
Deposits	33	-	33
Derivative instruments - interest rate swaps	812	-	812
Restricted assets:			
Temporarily restricted assets:			
Cash and cash equivalents	2,258	244	2,502
Capital assets (net of accumulated depreciation):			
Land and land improvements	18,790	239	19,029
Buildings	14,619	192	14,811
Improvements other than buildings	8,475	3,457	11,932
Machinery and equipment	808	393	1,201
Construction in progress	2	-	2
Total assets	64,385	14,289	78,674
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,386	-	2,386
Total deferred outflows of resources	2,386	-	2,386

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

<i>September 30, 2019 (in thousands)</i>	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable and accrued liabilities	692	272	964
Accrued interest payable	166	12	178
Payable from restricted assets:			
Customer and developer escrow deposits	-	132	132
Unearned revenue	124	-	124
Noncurrent liabilities:			
Due within one year:			
General obligation bonds payable	2,453	-	2,453
Notes payable	603	-	603
State revolving loans payable	-	226	226
OPEB liability	5	1	6
Compensated absences	400	20	420
Due in more than one year:			
General obligation bonds payable	6,595	-	6,595
Notes payable	4,206	-	4,206
State revolving loans payable	-	843	843
Total OPEB liability, less current portion	52	2	54
Net pension liability	7,050	-	7,050
Total liabilities	22,346	1,508	23,854
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	910	-	910
Unearned revenue - business tax receipts	68	-	68
Accumulated increase in fair value of derivative instruments - interest rate swaps	812	-	812
Total deferred inflows of resources	1,790	-	1,790
NET POSITION			
Net investment in capital assets	28,837	3,212	32,049
Restricted for:			
Debt service	3,056	112	3,168
Road improvements	916	-	916
Law enforcement	33	-	33
Domestic violence	1	-	1
Unrestricted	9,792	9,457	19,249
Total net position	\$ 42,635	\$ 12,781	\$ 55,416

City of Daytona Beach Shores, Florida
Statement of Activities

For the year ended September 30, 2019 (in thousands)

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 2,253	\$ 988	\$ 37	\$ -
Public safety	6,638	237	1	-
Culture/recreation	765	29	-	-
Community services	3,649	1,462	320	97
Interest on long-term debt	619	-	-	-
Total governmental activities	13,924	2,716	358	97
Business-type activities:				
Sewer	2,611	3,403	-	23
Total business-type activities	2,611	3,403	-	23
Total primary government	\$ 16,535	\$ 6,119	\$ 358	\$ 120

General revenues:

Property taxes

Sales taxes

Franchise and utility taxes

Grants and contributions not restricted to specific programs

Gain on sale of capital assets

Unrestricted investment earnings

Miscellaneous revenue

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

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

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,228)	\$ -	\$ (1,228)
(6,400)	-	(6,400)
(736)	-	(736)
(1,770)	-	(1,770)
(619)	-	(619)
<u>(10,753)</u>	<u>-</u>	<u>(10,753)</u>
-	815	815
-	815	815
<u>(10,753)</u>	<u>815</u>	<u>(9,938)</u>
10,844	-	10,844
250	-	250
1,216	-	1,216
133	-	133
4	25	29
209	72	281
730	-	730
<u>13,386</u>	<u>97</u>	<u>13,483</u>
<u>2,633</u>	<u>912</u>	<u>3,545</u>
<u>40,002</u>	<u>11,869</u>	<u>51,871</u>
<u>\$ 42,635</u>	<u>\$ 12,781</u>	<u>\$ 55,416</u>

City of Daytona Beach Shores, Florida
Balance Sheet - Governmental Funds

<i>September 30, 2019 (in thousands)</i>	General	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 17,533	\$ 37	\$ 17,570
Restricted cash and cash equivalents	2,258	-	2,258
Accounts receivable, net	360	-	360
Due from other governments	568	-	568
Inventory	40	-	40
Prepaid items	50	-	50
Deposits	33	-	33
Total assets	\$ 20,842	\$ 37	\$ 20,879
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ 649	\$ 4	\$ 653
Unearned revenue	124	-	124
Total liabilities	773	4	777
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue - business tax receipts	68	-	68
Total deferred inflows of resources	68	-	68
FUND BALANCES			
Nonspendable:			
Inventory	40	-	40
Prepaid items	50	-	50
Restricted for:			
Road improvements	916	-	916
Debt service	3,056	-	3,056
Domestic violence	1	-	1
Law enforcement	-	33	33
Assigned for:			
Underground construction project	2,257	-	2,257
Unassigned	13,681	-	13,681
Total fund balances	20,001	33	20,034
Total liabilities, deferred inflows of resources and fund balances	\$ 20,842	\$ 37	\$ 20,879

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

City of Daytona Beach Shores, Florida
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position

September 30, 2019 (in thousands)

Total fund balances for governmental funds		\$ 20,034
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		42,694
<p>Deferred outflows and inflows of resources are not available in the current period and, therefore, are not reported in the governmental funds. Deferred outflows and inflows of resources at year-end consist of:</p>		
<p>Deferred outflow amount on pension liabilities:</p>		
Florida Retirement System	2,234	
Health Insurance Subsidy	152	2,386
<p>Deferred inflow amount on pension liabilities:</p>		
Florida Retirement System	(770)	
Health Insurance Subsidy	(140)	(910)
<p>Long-term liabilities, including bonds and notes payable, compensated absences, accrued interest, total OPEB liability, FRS net pension liability and IBNR, are not due and payable in the current period and, therefore, are not reported in the funds.</p>		(21,569)
<hr/>		
Net position of governmental activities		\$ 42,635
<hr/>		

City of Daytona Beach Shores, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds

<i>For the year ended September 30, 2019 (in thousands)</i>	General	Nonmajor Funds	Total Governmental Funds
Revenues			
Taxes	\$ 12,629	\$ -	\$ 12,629
Licenses and permits	413	-	413
Intergovernmental	846	-	846
Charges for services	2,249	-	2,249
Fines and forfeitures	172	12	184
Investment income	209	-	209
Miscellaneous	23	-	23
Total revenues	16,541	12	16,553
Expenditures			
Current:			
General government	1,940	-	1,940
Public safety	5,401	15	5,416
Community services	2,881	-	2,881
Culture and recreation	695	-	695
Debt service:			
Principal	2,936	-	2,936
Interest	638	-	638
Total expenditures	14,491	15	14,506
Deficiency of revenues under expenditures	2,050	(3)	2,047
Other financing sources			
Proceeds from sale of capital assets	4	-	4
Net other financing sources	4	-	4
Net change in fund balances	2,054	(3)	2,051
Fund balances, beginning	17,947	36	17,983
Fund balances, ending	\$ 20,001	\$ 33	\$ 20,034

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

City of Daytona Beach Shores, 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, 2019 (in thousands)

Net change in fund balances - total governmental funds	\$ 2,051
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>	(1,491)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the net effect of these differences in the treatment of long-term debt and related items.</p>	2,936
<p>Interest expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.</p>	19
<p>Incurred but not reported claims for health insurance reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.</p>	(19)
<p>The other post employment benefit obligation reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.</p>	(6)
<p>Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>	(868)
<p>Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	11
Change in net position of governmental activities	\$ 2,633

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

City of Daytona Beach Shores, Florida
Statement of Net Position - Proprietary Fund

<i>September 30, 2019 (in thousands)</i>	Business-type Activities - Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 9,209
Restricted current assets:	
Cash and cash equivalents	132
Accounts receivable, net	555
Total current assets	9,896
Noncurrent assets:	
Restricted cash and cash equivalents:	
Cash and cash equivalents - debt service	112
Total restricted assets	112
Capital assets:	
Land	239
Buildings	299
Improvements other than buildings	9,493
Machinery and equipment	1,388
Less accumulated depreciation	(7,138)
Total capital assets, net of accumulated depreciation	4,281
Total noncurrent assets	4,393
Total assets	14,289

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

<i>September 30, 2019 (in thousands)</i>	Business-type Activities - Enterprise Fund
LIABILITIES	
Current liabilities (payable from current assets):	
Accounts payable and accrued liabilities	272
Compensated absences	20
Current portion of OPEB liability	1
Current portion of state revolving loans payable	226
Current liabilities (payable from restricted assets):	
Accrued interest	12
Customer and developer escrow deposits	132
Total current liabilities	<u>663</u>
Noncurrent liabilities:	
Total OPEB liability, less current portion	2
State revolving loans payable	843
Total noncurrent liabilities	<u>845</u>
Total liabilities	<u>1,508</u>
NET POSITION	
Net investment in capital assets	3,212
Restricted for:	
Debt service	112
Unrestricted	9,457
Total net position	<u>\$ 12,781</u>

City of Daytona Beach Shores, Florida
Statement of Revenues, Expenses and Changes in Fund Net Position –
Proprietary Fund

	Business-type Activities - Enterprise Fund
<i>For the year ended September 30, 2019 (in thousands)</i>	
<hr/>	
Operating revenues:	
Charges for services	\$ 3,403
Total operating revenues	3,403
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Operating expenses:	
Personnel services	267
Contractual services	1,141
Material and supplies	822
Utility service	44
Depreciation	308
Total operating expenses	2,582
<hr/>	
Operating income	821
<hr/>	
Nonoperating revenues (expenses):	
Gain on sale of capital assets	25
Investment earnings	72
Interest expense	(29)
Total nonoperating revenues (expenses)	68
<hr/>	
Income before contributions	889
<hr/>	
Capital contributions	23
<hr/>	
Change in net position	912
Net position, beginning of year	11,869
Net position, end of year	\$ 12,781

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

City of Daytona Beach Shores, Florida
Statement of Cash Flows – Proprietary Fund

	Business-type Activities - Enterprise Fund
<i>For the year ended September 30, 2019 (in thousands)</i>	
<hr/>	
Cash flows from operating activities:	
Cash received from customers for sales and services	\$ 3,465
Cash payments to employees	(266)
Cash payments to suppliers for goods and services	(1,838)
Net cash provided by operating activities	1,361
<hr/>	
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(159)
Proceeds from sales of capital assets	25
Principal paid on state revolving loans	(219)
Proceeds from capital grants	23
Interest paid on long-term debt	(36)
Net cash used in capital and related financing activities	(366)
<hr/>	
Cash flows from investing activities:	
Investment income	72
Net cash provided by investing activities	72
<hr/>	
Net increase in cash and cash equivalents	1,067
Cash and cash equivalents, beginning of year	8,386
<hr/>	
Cash and cash equivalents, end of year	\$ 9,453
<hr/>	
Total cash and cash equivalents are presented in the statement of net position as follows:	
Cash and cash equivalents	\$ 9,209
Restricted cash and cash equivalents	132
Noncurrent restricted cash and cash equivalents	112
Total	\$ 9,453

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

City of Daytona Beach Shores, Florida
Statement of Cash Flows – Proprietary Fund (continued)

<i>For the year ended September 30, 2019 (in thousands)</i>	Business-type Activities - Enterprise Fund
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 821
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	308
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	57
Due from other governments	3
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	169
Compensated absences	1
Customer and developer escrow deposits	2
Total adjustments	540
Net cash provided by operating activities	\$ 1,361

City of Daytona Beach Shores, Florida Notes to Financial Statements *(in thousands)*

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Daytona Beach Shores, Florida (the "City") was incorporated on April 20, 1960, under the laws of the State of Florida, Florida Statutes Section 165.031(4). The City operates under a Council-City Manager form of government and provides services, as authorized by the City Charter: public safety (Police, Fire, and Building Departments), emergency management, community services, economic environment, culture/recreation and general government services.

The City has no blended or discretely presented component units requiring inclusion in the reporting entity.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

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

Separate financial statements are provided for governmental funds, proprietary fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

Basis of accounting refers to when revenues, expenditures or expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for Federal, state, local or private grants or awards, for which the period is 12 months. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, permits, intergovernmental revenues, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

The *sewer fund* accounts for sewer operations that are financed and operated in a manner like private business enterprise. The fund is intended to be predominantly self-supported from user charges.

The City's non-major governmental fund is a special revenue fund that accounts for contraband and forfeitures restricted for law enforcement use.

Generally, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the City's sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported in the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and providing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the sewer enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, followed by committed, assigned and unassigned resources. When expenditures have been incurred for which resources in more than one classification can be used, restricted resources are used first, then unrestricted resources are used as they are needed.

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

1. Cash, cash equivalents and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, repurchase agreements, short-term investments with original maturities of three months or less from the date of acquisition, money market funds, and the City's investments in external investment pools. Cash and cash equivalents for the proprietary fund statement of cash flows include cash and the City's investment in external investment pools.

Deposits available within various funds were consolidated for investment purposes. Substantially all deposits at September 30, 2019, were invested using the pooled investment concept. Interest earned was allocated to the various funds based on their average cash and investment balances.

Investments are reported at fair value, with the exception of external investment pools which comply with criteria set forth in Section 150: *Investments* of the GASB Codification and have elected to measure their investments at amortized cost. Accordingly, the fair value of the City's position in the external investment pools having met these criteria is equal to the value of pooled shares.

Per its investment policy, the City is authorized to invest surplus funds as follows:

- (1) The Florida Local Government Surplus Funds Trust Fund.
- (2) Bonds, notes, or other obligations of the United States guaranteed by the United States or for which the credit of the United States is pledged for the payment of principal and interest or dividends.
- (3) Interest-bearing savings accounts and/or certificates of deposit in state-certified qualified public depositories.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Cash, cash equivalents and investments (continued)

- (4) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- (5) Federal agencies and instrumentalities which are non-full faith and credit agencies.
- (6) Collateralized Mortgage Obligations (CMO's) supported by mortgages guaranteed by the following: Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), and Federal Home Loan Mortgage Corporation (FHLMC).
- (7) Commercial paper rated at the time of purchase, "Prime-1" by Moody's Investors Service and "A-1" by Standard & Poor's Corporation.
- (8) The Florida Municipal Investment Trust.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balance outstanding between the governmental activities is reported in the government-wide financial statements as "internal balances."

The sewer fund receivables are due from commercial and residential customers within the City of Daytona Beach Shores, Florida. The City's policy for collections is limited to collecting security deposits, the right to discontinue service and to place liens on property.

The City is permitted by State law to levy taxes up to 10 mills on assessed valuation. During a Special Session in June, 2007, the Florida Legislature adopted HB1B, which limits municipal property tax rates beginning in the 2008 fiscal year. This legislation established reductions in the millage rate based on a calculated growth in per capita taxes between the 2002 and 2007 fiscal years. The Legislature did authorize local governments to use the rolled back millage rate if approved by a super majority vote of the governing body. The Daytona Beach Shores City Council levy for the fiscal year ended September 30, 2019 and 2018 was 5.230 mills.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (in thousands)

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Receivables and payables (continued)

The property tax calendar is as follows:

Valuation date..... January 1, 2018

Each taxing authority is notified of their respective valuations based on the assessment roll prepared by the property appraiser and approved by the State..... July 1, 2018

City Council holds two (2) required public hearings, adopts an ad valorem tax millage rate, and adopts the budget for the coming fiscal year..... September 2018

All real and tangible personal property taxes are payable (levy date)..... November 1, 2018

The County mails Notice of Taxes to property owners on the assessment roll..... November 2018

Taxes are paid from November 2018 through March 2019, with the following applicable discounts:

Month Paid	Percent Discount
November.....	4%
December.....	3%
January.....	2%
February.....	1%
March.....	0%

All unpaid taxes on real and tangible personal property become delinquent..... April 1, 2019

Tax certificates are sold on all parcels with unpaid real property taxes (lien date)..... May 31, 2019

A court order is obtained by the County authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent personal property taxes..... August 2019

All trade and property tax receivables are shown net of allowance for uncollectible accounts.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Inventories and prepaid items

Inventories are valued at cost using the first-in, first-out (FIFO) method. Inventory consists of expendable supplies held for consumption. The cost of governmental fund-type inventories is recorded as expenditure when consumed. 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. Reported inventories and prepaid assets are equally offset by a fund balance reserve, which indicates that they do not constitute *available expendable resources* even though they are a component of net current assets.

4. Debt issuance costs

Debt issuance costs, except any portion related to prepaid insurance costs (as related to debt), should be recognized as an expense in the period incurred. Prepaid insurance costs are reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. The City has no prepaid insurance costs at September 30, 2019.

5. Restricted assets

Amounts set aside for repayment of customer deposits and amounts legally required to be used for debt service and construction are recorded as restricted assets. Amounts recorded as restricted net position are subject to external restrictions. Net position restricted for other purposes are restricted for use on law enforcement.

6. Capital assets

Capital assets, which include property, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City reported no capitalized interest for the year ended September 30, 2019.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Capital assets (continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	10 to 50 years
Improvements other than buildings	10 to 50 years
Equipment	3 to 20 years

Pursuant to GASB Statement No. 34, the City is exempt from being required to record and depreciate infrastructure assets acquired before the implementation date became effective. As a result, the governmental activities column in the government-wide financial statements does not reflect those infrastructure assets completed prior to October 1, 2001.

7. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time and sick pay benefits. All vacation and a portion of compensatory time and sick pay is accrued when incurred in the government-wide and proprietary fund type financial statements. The current portion of this debt is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, because of employee resignations and retirements.

Effective for employees hired on or after September 22, 2014, all new employees will earn and utilize "personal leave time" instead of vacation or sick time that the employees can accumulate and the City will accrue when incurred in the government-wide and proprietary fund type financial statements. The current portion of this debt is estimated based on historical trends and a liability for these amounts is reported in governmental funds only if they have matured, for example, because of employee resignations and retirements.

8. Swap agreements

The City has engaged in effective interest rate swap agreements and has recorded the swap agreements at fair market value in accordance with Section 150: *Investments* of the GASB Codification.

9. Long-term debt and other long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental, business-type activities, or proprietary fund type statement of net position.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Long-term debt and other long-term obligations (continued)

For current refunding's and advance refunding's resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

10. Pension and OPEB liabilities

Net pension liabilities and total OPEB liabilities are determined based on actuarial valuations. See Notes IV.B. and IV.E. for additional information.

11. Deferred outflows/inflows of resources

In addition to assets, the statement of net position has a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. In addition to liabilities, the statement of net position has a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue or adjustment to expense/expenditure) until that time.

Resources received before time requirements have been met, but after all other eligibility requirements are met, are classified as deferred inflows of resources. The unearned items consist primarily of business tax and garbage collection revenues collected in advance. These amounts are deferred and will be recognized in the next fiscal year.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Deferred outflows/inflows of resources (continued)

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

The deferred outflows and inflows of resources related to other postemployment benefits (OPEB) are an aggregate of items related to OPEB as calculated in accordance with GASB Codification Section P52: *Postemployment Benefits Other Than Pensions – Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria*. The deferred outflows and inflows of resources related to OPEB will be recognized as either an adjustment to OPEB expense or a reduction in the total OPEB liability in future reporting years. There were no deferred outflows or inflows of resources related to OPEB at September 30, 2019.

Details on the composition of deferred outflows related to pensions and OPEB are reported in subsequent notes.

12. Fund equity

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

Nonspendable Fund Balance – Amounts that are inherently not spendable because of their form (such as inventory) and/or that cannot convert or are not readily convertible to cash (such as prepaid assets or the long-term portion of loans receivable).

Restricted Fund Balance – Amounts that have externally enforceable limitations on their use. These amounts are constrained to the specific purposes by their providers (such as grantors, bondholders, or higher levels of government pursuant to enabling legislation, e.g., gas tax revenues that must be used for road repairs).

Committed Fund Balance – Amounts that have self-imposed limitations established through actions of the City Council (the City's highest level of decision making authority) set in place prior to the end of a financial reporting period. These amounts cannot be used for any other purpose unless the City Council acts to remove or change the limitation. The City had no committed fund balance at September 30, 2019.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

12. Fund equity (continued)

Assigned Fund Balance – Amounts that the City intends to use for a specific purpose. The authority for such intent may be expressed by the City Council, or is herein delegated independently to the City Manager and/or Finance Director.

Unassigned Fund Balance – The remaining portion of fund balance which is spendable and not obligated or specifically designated, and thus, available for any purpose.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

13. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

14. Subsequent events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 20, 2020, see Note IV.D. for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

15. Recently issued and implemented accounting pronouncements

In fiscal year 2019, the City has implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this statement is to provide for the measurement and accounting of legally enforceable liabilities associated with the retirement of tangible capital assets. Additional information on changes to the financial statements related to the implementation of this statement can be found in Note III.J.

The City has implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The implementation of this statement did not result in any change in the City's financial statements. GASB Statement No. 88 requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

15. Recently issued and implemented accounting pronouncements (continued)

clauses. For notes to the financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt. Additional information can be found in Note III.E.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 84, *Fiduciary Activities*, seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

The City is evaluating the requirements of the above statements and the impact on reporting.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (in thousands)

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

One element of that reconciliation explains that “long-term liabilities, including bonds and notes payable, compensated absences, accrued interest, total OPEB liability, FRS net pension liability and IBNR, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$(21,569) difference are as follows:

General obligation bonds payable	\$	(9,048)
Notes payable		(4,809)
Accrued interest payable		(166)
Compensated absences		(400)
Incurred but not reported (IBNR) health insurance claims		(39)
Net OPEB obligation		(57)
Net pension liability		(7,050)
<hr/>		
Net adjustment to reduce fund balance - total governmental funds to arrive at <i>net position - governmental activities</i>	\$	(21,569)
<hr/>		

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 change in fund balances - total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$(1,491) difference are as follows:

Capital outlay	\$	250
Depreciation expense		(1,741)
<hr/>		
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	(1,491)
<hr/>		

Another element of the reconciliation states that “the issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position.”

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

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

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

The details of this \$2,936 difference are as follows:

Principal repayments:	
General obligation bonds payable	\$ 2,359
Notes payable	577
<hr/>	
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ 2,936
<hr/>	

NOTE III: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned. In accordance with Florida Statutes, as of September 30, 2019, all the City’s bank balances are held with qualified public depositories. Monies invested in amounts greater than federal depository insurance (FDIC) coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses per the validated claims of the City pursuant to Section 280.08, Florida Statutes. At September 30, 2019, the City’s carrying amount of cash deposits was \$29,281, including petty cash, and the bank balance was \$29,277.

At September 30, 2019, the City held investments of \$1 in the Florida State Board of Administration Local Government Surplus Funds Trust Fund (“Florida PRIME”) external investment pool. The Florida PRIME is administered by the Florida State Board of Administration (“SBA”), who provides regulatory oversight. Florida PRIME currently meets all of the necessary criteria set forth in Section In5: *Investment Pools (External)* of the GASB Codification to measure its investments at amortized costs; therefore, the City’s account balance in the SBA is also reported at amortized cost.

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool’s authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of September 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the City’s access to 100 percent of their account value in their external investment pool.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (in thousands)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of an investment in debt securities as described by a nationally recognized rating organization. As a means to limiting its exposure to credit risk, the City limits investments to government-back securities or investments with a credit rating of A-1.

The City's investment in Florida PRIME had a fair value of \$1 at September 30, 2019. The weighted average to maturity as of that same date was 33 days and the credit rating was AAAM as rated by Standard & Poors.

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The City's investment policy does not limit the maturities of investments to reduce the interest rate risk for the primary government.

Concentration of credit risk – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents 5% or more of total investments, excluding investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pools and other pooled investments.

The City's investment policy limits the maximum amount that may be invested in federal instruments and collateralized mortgage obligations to be 40%, with no individual issue to exceed 20% of the total portfolio; investments in federal agencies may not exceed 40% with no one individual issuer exceeding 5% of the portfolio; and investments in non-negotiable certificates of deposit not to exceed 20% of the portfolio.

Foreign currency risk – The City's investments are not exposed to foreign currency risk. The City's investment policy does not address foreign currency risk.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at September 30, 2019.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (in thousands)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

The City has the following recurring fair value measurements as of September 30, 2019:

- Investment derivative instrument – pay-fixed, receive-variable interest rate swap valued using a market approach that considers benchmark interest rates (Level 2 inputs).

B. Restricted Assets

The balances of the restricted asset accounts in the governmental and business-type activities at September 30, 2019 are as follows (in thousands):

	Governmental Activities	Business-type Activities
Construction financing account	\$ 2,258	\$ -
Customer and developer deposit accounts	-	132
Bond debt service account - noncurrent	-	112
Totals	\$ 2,258	\$ 244

C. Receivables

Receivables and amounts due from other governments as of fiscal year end for the individual major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows (in thousands):

	Governmental Activities	Business-type Activities	Total
Receivables:			
Accounts receivable	\$ 234	\$ -	\$ 234
Solid waste	122	-	122
Utilities	-	555	555
Franchise	4	-	4
Gross receivables	360	555	915
Less: allowance for uncollectible accounts	-	-	-
Total net receivables	\$ 360	\$ 555	\$ 915

City of Daytona Beach Shores, Florida
Notes to Financial Statements (in thousands)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital assets

Capital asset activity for the year ended September 30, 2019 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 18,790	\$ -	\$ -	\$ 18,790
Construction in progress	-	2	-	2
Total capital assets, not being depreciated	18,790	2	-	18,792
Capital assets, being depreciated:				
Buildings	21,317	-	-	21,317
Improvements other than buildings	18,915	123	-	19,038
Machinery and equipment	2,500	125	(47)	2,578
Total capital assets being depreciated	42,732	248	(47)	42,933
Less accumulated depreciation for:				
Buildings	(5,977)	(721)	-	(6,698)
Improvements other than buildings	(9,739)	(824)	-	(10,563)
Machinery and equipment	(1,621)	(196)	47	(1,770)
Total accumulated depreciation	(17,337)	(1,741)	47	(19,031)
Total capital assets being depreciated, net	25,395	(1,493)	-	23,902
Governmental activities capital assets, net	\$ 44,185	\$ (1,491)	\$ -	\$ 42,694
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 239	\$ -	\$ -	\$ 239
Construction in progress	11	-	(11)	-
Total capital assets, not being depreciated	250	-	(11)	239
Capital assets, being depreciated:				
Buildings	299	-	-	299
Improvements other than buildings	9,493	-	-	9,493
Machinery and equipment	1,270	170	(52)	1,388
Total capital assets being depreciated	11,062	170	(52)	11,180
Less accumulated depreciation for:				
Buildings	(98)	(9)	-	(107)
Improvements other than buildings	(5,796)	(240)	-	(6,036)
Machinery and equipment	(988)	(59)	52	(995)
Total accumulated depreciation	(6,882)	(308)	52	(7,138)
Business-type activities capital assets, net	\$ 4,430	\$ (138)	\$ (11)	\$ 4,281

City of Daytona Beach Shores, Florida
Notes to Financial Statements (in thousands)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital assets (continued)

Depreciation expense was charged to functions/programs of the City as follows (in thousands):

Governmental activities:	
General government	\$ 293
Public safety	505
Community services	791
Culture/recreation	152
Total depreciation expense - governmental activities	\$ 1,741
Business-type activities:	
Sewer	\$ 308

E. Long-term debt

General obligation bonds payable

On October 1, 2007, the City issued \$10,000 of General Obligation Bonds, Series 2007, for the purpose of financing costs of certain streetscape and improvements, including the undergrounding of utilities. This debt was considered Community Redevelopment Area (CRA) debt until its termination in fiscal year 2013 upon completion of the community redevelopment activities. The bonds are subject to redemption prior to their maturity at the option of the City.

On October 1, 2008, the City issued \$10,000 of General Obligation Bonds, Series 2008, for the purpose of financing costs of certain streetscape and improvements, including the undergrounding of utilities. The bonds are subject to redemption prior to their maturity at the option of the City.

On October 1, 2009, the City converted an expiring \$10,000 credit line to a term note secured by tax incremental financing revenues (TIF). Some of the proceeds of this note had been expended via the credit line in prior years. Included in these expenditures was \$5,593 in land purchases that supported the purposes of the City's general fund voter-approved general obligation debt issue.

During fiscal year 2009, it was determined that the future valuation of properties within the boundaries of the redevelopment area would fall below the baseline increment value (eliminating TIF revenues). In April 2010, the City negotiated with the note holder to re-secure the balance of the note (\$8,970) under the City's general obligation bond issue, receiving a reduction in the interest charged on the note as consideration. In conjunction with this re-securitization, the debt proceeds that had yet to be repaid (\$8,970) were transferred from the community redevelopment agency fund to the voter approved General Obligation Bonds housed in the City's general fund.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term debt (continued)

General obligation bonds payable (continued)

In recognition of this transfer of the remaining debt obligation from the community redevelopment agency fund to the General Obligation Bonds, the general fund was allocated the assets of the community redevelopment agency fund equal to the remaining obligation. These assets consisted of \$5,593 in land previously acquired in the community redevelopment agency fund that fulfilled the purpose of the voter-approved debt issue, and \$3,378 in cash. Accordingly, the City recorded a transfer of \$3,378 from the community redevelopment agency fund to the general fund. The community redevelopment agency fund was subsequently closed out.

General obligation bonds outstanding at year end are as follows (*in thousands*):

Governmental activities:

General obligation bonds, Series 2007, original issuance amount of \$10,000 and associated interest swap, due \$485 to \$890 annually through 2022; interest at 4.068% payable quarterly, secured by the full faith, credit and resources of the City.	\$ 3,335
General obligation bonds, Series 2008, original issuance amount of \$10,000 and associated interest swap, due \$435 to \$1,735 annually through 2023; interest at 4.137% payable quarterly, secured by the full faith, credit and resources of the City.	4,630
General obligation bonds, Series 2010, original issuance amount of \$8,970 with fixed interest of 3.45%; principal and interest of \$85 is payable monthly through 2021.	1,083
Total general obligation bonds payable - governmental activities	\$ 9,048

As a means of lowering its borrowing costs, when compared against fixed rate bonds at the time of issuance, the City entered into interest rate swap agreements with the bank issuing its \$20,000 of variable rate bonds. The intention of the swaps was to effectively change the City's variable rate bonds to synthetic fixed rates of 4.068% for the series 2007 bonds and 4.137% for the series 2008 bonds.

Under the swap agreements, the City pays the counterpart interest calculated at fixed rates, as described above. In return, the counterpart owes the City interest based on 63.7% of the London Interbank Offering Rate (LIBOR) plus a spread of 0.7%. Only the net difference in the interest payments is exchanged with the counterpart. The bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The swap agreements have terms of 15 years and the associated variable-rate bonds had an initial \$20,000 principal amount combined with like terms.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term debt (continued)

General obligation bonds payable (continued)

The debt service requirements of the variable-rate debt and net swap payments are shown below assuming current interest rates remain the same. The current variable rate as of September 30, 2019, is 1.984% on the series 2007 and series 2008 bonds. Therefore, the interest rate as of the same date is 2.084% related to the series 2007 swap, and 2.153% related to the series 2008 swap, calculated as the difference between the synthetic fixed rates and the variable rate.

The notional amounts on the swaps are \$3,335 and \$4,630 on the series 2007 and series 2008 bonds, respectively, at September 30, 2019. The series 2007 and 2008 swap agreements were entered on October 1, 2007 and October 1, 2009 and mature on October 1, 2022 and October 1, 2023, respectively. There are no embedded options on the swap agreements and no cash was paid or received when the swap agreements were entered into.

Principal and interest paid for the current fiscal year was \$2,756, and pledged gross revenues were \$10,844. As of September 30, 2019, principal and interest to maturity in 2024 to be paid from pledged future revenues totaled \$10,079.

Annual debt service requirements to maturity for the City's general obligation bonds payable are as follows (*in thousands*):

<i>Year ending September 30,</i>	Governmental Activities				Total
	Principal	Interest	Interest Swap		
2020	\$ 2,453	\$ 180	\$ 169	\$	2,802
2021	1,610	129	138		1,877
2022	1,590	99	106		1,795
2023	1,660	67	72		1,799
2024	1,735	34	37		1,806
Totals	\$ 9,048	\$ 509	\$ 522	\$	10,079

City of Daytona Beach Shores, Florida
Notes to Financial Statements (in thousands)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term debt (continued)

Notes payable

Note payable balances outstanding at year end are as follows (in thousands):

Governmental activities:

Note payable, Series 2005, original issuance amount of \$10,700 and associated interest rate swap, due \$347 to \$778 annually through October 2025; interest at 4.36% payable semi-annually; secured by a lien upon and pledge of non ad valorem revenues.	\$ 4,809
Total notes payable - governmental activities	\$ 4,809

The loan covenant related to the above-mentioned notes payable is as follows: fund balance of the general fund shall not be less than 16.67% of the City's general fund expenditures. As of September 30, 2019, the City is in compliance with this covenant.

As a means of lowering its borrowing costs, when compared against fixed rate bonds at the time of issuance in October 2005, the City entered into an interest rate swap agreement with the bank issuing its \$10,700 variable rate note payable. The intention of the swap was to effectively change the City's variable rate note to a synthetic fixed rate of 4.36% on the \$10,700 note payable.

Under the swap agreement, the City pays the counterparty interest calculated at a fixed rate of 4.36% for the \$10,700 note payable. In return, the counterparty owes the City interest based on 63.7% of LIBOR plus a spread of 1.0% on the \$10,700 note. Only the net difference in the interest payments is exchanged with the counterparty. The \$10,700 in note principal is not exchanged; it is only the basis on which the interest payments are calculated.

The swap agreement related to the \$10,700 note began on October 1, 2005 and matures on October 1, 2025 and has a notional amount of \$4,809 as of September 30, 2019. The associated variable-rate note has a \$4,809 principal amount as of the same date and has a like term. There are no embedded options on the swap agreement and no cash was paid or received when the swap agreement was executed.

The debt service requirements of the variable-rate debt and net swap payments are shown below assuming current interest rates remain the same. The current variable rate on the \$10,700 note is 2.284% as of September 30, 2019. Therefore, the interest rate related to the corresponding swap is 2.076% as of the same date, calculated as the difference between the synthetic fixed rate of 4.360% and the 2.284% variable rate.

Principal and interest paid for the current fiscal year was \$818 and pledged gross revenues were \$5,697 for the note payable, Series 2005. As of September 30, 2019, principal and interest to maturity in 2026 to be paid from pledged future revenues totaled \$5,695 for the note payable, Series 2005.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (in thousands)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term debt (continued)

Notes payable (continued)

Annual debt service requirements to maturity for the City's notes payable are as follows (in thousands):

<i>Year ending September 30,</i>	Governmental Activities			Total
	Principal	Interest	Interest Swap	
2020	\$ 603	\$ 113	\$ 100	\$ 816
2021	629	99	87	815
2022	656	84	74	814
2023	684	68	61	813
2024	714	52	46	812
2025-2027	1,523	62	40	1,625
Totals	\$ 4,809	\$ 478	\$ 408	\$ 5,695

Interest rate swap agreements

As described above, the City has interest rate swap agreements related to certain outstanding bonds and notes payable. The swaps have an aggregate negative fair value of \$812, and aggregative notional amounts of \$12,774 as of September 30, 2019. The negative fair value of the swaps may be countered by reductions in total interest payments required under the variable-rate bonds and notes payable, creating lower synthetic rates. Because the payments on the City's variable-rate bonds and notes payable adjust to changing interest rates, the bonds and notes do not have corresponding fair value increases. The fair values of the swaps were obtained from the counterparty and are based on the quoted market price using the mark-to-market method. The change in fair value for the year ended September 30, 2019 is \$121.

As of September 30, 2019, the City was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates change and the fair value of the swaps become positive, the City would be exposed to credit risk in the amount of each derivative's fair value. As of September 30, 2019, the swaps' counterparty was rated A by Fitch Ratings. The calculation of variable interest payments is estimated. It is calculated based upon total interest to be paid less the calculated amount of swap interest to be paid.

State revolving loans

On April 27, 2001, the City was awarded financial assistance from the Florida Department of Environmental Protection, in the form of a Clean Water State Revolving Loan Fund, for financing construction of certain wastewater pollution control facilities.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term debt (continued)

State revolving loans (continued)

During 2001, the City was awarded an initial construction loan of \$261 under the Florida Department of Environmental Protection’s Clean Water State Revolving Loan Fund, for financing preconstruction activities, which consist of the planning, administrative and engineering work related to the construction of certain wastewater transmission, collection, reuse, and treatment facilities. The loan bears interest at a fixed rate of 3.08% per annum, with principal and interest payments due in November and May of each fiscal year until the loan is paid in full in fiscal year 2024.

During 2003, the City was awarded an additional construction loan of \$3,465 under the Florida Department of Environmental Protection’s Clean Water State Revolving Loan Fund, for financing the construction of certain wastewater transmission, collection, reuse, and treatment facilities. The loan bears interest at a fixed rate of 2.90% per annum, with principal and interest payments due in November and May of each fiscal year until the loan is paid in full in fiscal year 2024.

Each of the loans through the Florida Department of Environmental Protection, as described above, is considered a federal grant and is recorded in the financial statements as a noncurrent liability. The amount of the loan payable at September 30, 2019 is \$1,069.

Loan covenants related to the State Revolving Funds include a required debt service coverage ratio of 1.15 to 1.00 of sewer system revenues. As of September 30, 2019, the City is in compliance with this covenant.

The balances outstanding under State Revolving Loan Funds as of September 30, 2019 are as follows (*in thousands*):

<i>Year ending September 30,</i>	Business-Type Activities			Total
	Principal	Interest		
2020	\$ 226	\$ 27	\$	253
2021	232	20		252
2022	239	13		252
2023	246	6		252
2024	126	1		127
Totals	\$ 1,069	\$ 67	\$	1,136

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term debt (continued)

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2019, is as follows (*in thousands*):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes from direct borrowings:					
Series 2005	\$ 5,386	\$ -	\$ (577)	\$ 4,809	\$ 603
Bonds from direct borrowings:					
Series 2007	4,080	-	(745)	3,335	780
Series 2008	5,280	-	(650)	4,630	675
Series 2010	2,047	-	(964)	1,083	998
Total notes and bonds from direct borrowings	16,793	-	(2,936)	13,857	3,056
Compensated absences	411	467	(478)	400	400
Governmental activities long-term liabilities	\$ 17,204	\$ 467	\$ (3,414)	\$ 14,257	\$ 3,456
Business-type activities:					
Notes from direct borrowings:					
State revolving loans	\$ 1,288	\$ -	\$ (219)	\$ 1,069	\$ 226
Total notes from direct borrowings	1,288	-	(219)	1,069	226
Compensated absences	19	13	(12)	20	20
Business-type activities long-term liabilities	\$ 1,307	\$ 13	\$ (231)	\$ 1,089	\$ 246

The City's outstanding bonds from direct borrowings related to the 2008 and 2010 series of \$5,713 contain a provision that in the event of default, outstanding amounts become immediately due if the City is unable to make payment.

For the governmental activities, compensated absences are generally liquidated by the General Fund.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term debt (continued)

Changes in long-term liabilities (continued)

The derivative contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The City or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contracts. If the swaps were terminated, the variable-rate notes and bonds would no longer carry synthetic interest rates. Also, if at the time of termination, a swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value as of that date. As of September 30, 2019, the City has no intention of terminating its swap agreements.

F. Florida Retirement System

Plan description. The City participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

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

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

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

F. Florida Retirement System (continued)

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

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

Contributions. The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS Pension Plan. The employer's contribution rates as of September 30, 2019, were as follows:

	FRS	HIS
Regular class	6.81%	1.66%
Special risk class	23.82%	1.66%
Senior management service class	23.75%	1.66%
DROP	12.94%	1.66%
Re-employed retiree	(1)	1.66%

(1) Contribution rates are dependent upon the retirement class in which the employee was re-employed

The employer's contributions for the year ended September 30, 2019, were \$551 to the FRS Pension Plan and \$46 to the HIS Program.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (in thousands)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

F. Florida Retirement System (continued)

Pension liabilities and pension expense. In its financial statements for the year ended September 30, 2019, the City reported a liability for its proportionate share of the net pension liability of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS Program. The net pension liabilities were measured as of June 30, 2019. The City's proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net pension liability	\$ 6,115	\$ 935
Proportion at:		
Current measurement date	0.0178%	0.0084%
Prior measurement date	0.0185%	0.0086%
Decrease in proportionate share	-0.0007%	-0.0002%
Pension expense (benefit)	\$ 1,413	\$ 65

Deferred outflows/inflows of resources related to pensions. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 363	\$ 4	\$ 11	\$ 1
Changes of assumptions	1,571	-	108	77
Net difference between projected and actual earnings on pension plan investments	-	338	1	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	168	428	21	62
Employer contributions subsequent to the measurement date	132	-	11	-
Total	\$ 2,234	\$ 770	\$ 152	\$ 140

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

City of Daytona Beach Shores, Florida
Notes to Financial Statements (in thousands)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

F. Florida Retirement System (continued)

<i>Year ending September 30,</i>	FRS	HIS
2020	\$ 531	\$ 12
2021	152	9
2022	359	2
2023	238	(16)
2024	40	(7)
Thereafter	12	1
Total	\$ 1,332	\$ 1

Actuarial assumptions. The total pension liability for each of the defined benefit plans was measured as of June 30, 2019. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2019. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2018 and using standard actuarial roll forward procedures to develop the liability at June 30, 2019.

The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases, including inflation	3.25%	3.25%
Investment rate of return	6.90%	N/A
Discount rate	6.90%	3.50%

Mortality assumptions for the FRS Pension Plan were based on PUB2010 base tables projected generationally with Scale MP-2018. Mortality assumptions for the HIS Program were based on the Generational RP-2000 with Projection Scale BB.

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

The following changes in key actuarial assumptions occurred in 2019:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.00% to 6.90%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.87% to 3.50%.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (in thousands)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

F. Florida Retirement System (continued)

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

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	3.3%	3.3%
Fixed income	18%	4.1%	4.1%
Global equity	54%	8.0%	6.8%
Real estate	10%	6.7%	6.1%
Private equity	11%	11.2%	8.4%
Strategic investments	6%	5.9%	5.7%
Total allocation	100%		

Discount rate. The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.90%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.50% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

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

	FRS			HIS		
	Current			Current		
	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Employer's proportionate share of the net pension liability	\$ 10,572	\$ 6,115	\$ 2,394	\$ 1,067	\$ 935	\$ 824

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

City of Daytona Beach Shores, Florida
Notes to Financial Statements (in thousands)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

G. Defined contribution pension plans

Retirement Plan and Trust for the General Employees (RPTGE) – RPTGE is a defined contribution pension plan established by the City to provide benefits at retirement to general employees of the City who began with the City after December 31, 1995. RPTGE is affiliated with the Florida Municipal Pension Trust (FMPT), an agent multiple employer pension plan administered by Florida League of Cities; Inc. FMPT pools the administrative and investment functions for single-employer plans. Separate accounts are maintained for each employer and the City's contributions provide benefits for its employees. An employee is eligible to participate in RPTGE after 90 days of service. At September 30, 2019, there were 40 plan members. The City contributes 10% of eligible employee's payroll who were employed prior to May 1, 2010.

The City contributed 6% to employees that begin after May 1, 2010. Employees vest 100% of their benefits after three years. No contributions are required from employees. City Ordinance 96-10 assigns the authority to establish and amend the plan provisions and contribution requirements of RPTGE. Employee contributions are not permitted. For the years ended September 30, 2019 and 2018, the total covered payroll was \$1,776 and \$1,647, respectively. The amount of pension expense was \$157 for fiscal year 2019 and \$146 for fiscal year 2018.

Senior Management Service Class Pension Plan (SMSCPP) – Effective October 4, 1999, the City entered a pension agreement with the ICMA Retirement Corporation, under which the ICMA Retirement Corporation provides full administration of the Senior Management Service Class Pension Plan (SMSCPP). This plan is a single employer, defined contribution pension plan under which the City Manager and key members of management are covered. At September 30, 2019, there were 2 plan members. The plan calls for immediate vesting. Plan provisions and contribution requirements are established by Resolution 2000-06 and were amended by the City Council on March 5, 2018. As of the date of this amendment, employer contributions will match that of FRS Senior Management Service Class rates and covered employees will contribute at least 3% of their compensation. The amount of covered payroll for the years ended September 30, 2019 and 2018 was \$277 and \$332, respectively. The amount of pension expense was \$45 for fiscal year 2019 and \$46 for fiscal year 2018.

H. Pension expense

The total pension expense for the year ended September 30, 2019 is aggregated as follows:

Florida Retirement System	\$ 1,478
Retirement Plan and Trust for General Employees	157
Senior Management Service Class Pension Plan	45
<u>Total pension expense</u>	<u>\$ 1,680</u>

Pension liabilities are liquidated by the respective funds that are obligated for the related costs. For governmental activities, pension liabilities are generally liquidated by the General Fund.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (in thousands)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

I. Post-employment benefits other than pensions (OPEB)

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

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

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

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

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

For the year ended September 30, 2019, the City will recognize OPEB expense of \$6, which includes an estimate of the implied subsidy contributions described above. Contributions of Plan members totaled \$108 for the year ended September 30, 2019.

Plan membership. Plan membership as of September 30, 2019 was:

	Number of covered individuals
Inactive members currently receiving benefits	-
Inactive members currently entitled to but not yet receiving benefits	-
Active members	80
Total	80

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

I. Post-employment benefits other than pensions (OPEB)

Actuarial assumptions and other inputs. The OPEB liability was determined based on the following assumptions and information:

Employer's reporting date:	September 30, 2019
Measurement date:	September 30, 2019
Valuation date:	October 1, 2017
Salary Increases:	3.00% per annum
Discount Rate:	3.58% per annum; this rate was used to discount all future benefit payments and is based on the return on the S&P Municipal Bond 20-year High Grade Index as of the measurement date.
Cost-of-living increases:	Retiree contributions, health insurance premiums, and the implied subsidy have been assumed to increase in accordance with the healthcare cost trend rates.
Healthcare cost trend rates:	Increases in healthcare costs are assumed to be 8.00% for fiscal year 2018 graded down by 0.50% per year to 5.00% for fiscal year 2024 and later fiscal years.
Age-related morbidity:	Healthcare costs are assumed to increase at the rate of 3.50% for each year of age.
Implied Subsidy:	Because the insurance carrier charges the same monthly rate for health insurance regardless of age, an implied monthly subsidy of \$650 per individual has been assumed at age 62 for FY2018; at other ages, the implied subsidy was developed based on the age-related morbidity assumption and, for other fiscal years, the implied subsidy was increased in accordance with the healthcare cost trend rates; the implied subsidy is assumed to disappear at age 65.
Mortality Basis:	Sex-distinct rates set forth in the RP-2000 Combined Mortality Table (general employees) or RP-2000 Blue Collar Mortality Table (police officers), both with full generational improvements in mortality using Scale BB.
Retirement:	For general employees, retirement is assumed to occur at age 62; for police officers, retirement is assumed to occur at age 55.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (in thousands)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

I. Post-employment benefits other than pensions (OPEB)

- Other decrements: Assumed employment termination is based on the Scale 155 table; assumed disability is based on the Wyatt 1985 Disability Study (Class 1 for general employees and Class 4 for police officers).
- Coverage Election: 2.5% of eligible employees are assumed to elect medical coverage upon retirement or disability, with one third of electing retirees also covering their spouse.
- Spouses and dependents: Husbands are assumed to be three years older than wives; retirees are not assumed to have any dependent children.
- COBRA: Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation, because the COBRA premium is determined periodically based on plan experience, the COBRA premium to be paid by the participant is assumed to fully cover the cost of providing healthcare coverage during the relevant period.
- Changes: Since the prior measurement date, the discount rate was decreased from 3.64% per annum to 3.58% per annum.

Total OPEB liability. The components of the total OPEB liability at September 30, 2019 were as follows:

Total OPEB liability	Fiduciary net position	OPEB liability	Funded percentage
\$ 60	\$ -	\$ 60	0%

The changes in the OPEB liability for the year ended September 30, 2019 were as follows:

	Total OPEB Liability
Balance as of September 30, 2018	\$ 54
Service Cost	4
Interest	3
Benefit payments	(1)
Balance as of September 30, 2019	\$ 60

City of Daytona Beach Shores, Florida
Notes to Financial Statements (in thousands)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

I. Post-employment benefits other than pensions (OPEB)

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

	1% decrease (2.58%)	Discount rate (3.58%)	1% increase (4.58%)
Total OPEB liability	\$ 67	\$ 60	\$ 54

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

	1% decrease in trend rate	Current trend rate	1% increase in trend rate
Total OPEB liability	\$ 52	\$ 60	\$ 69

Deferred inflows and outflows of resources. At September 30, 2019, the City reported no deferred outflows or inflows of resources related to OPEB. During the year ended September 30, 2019 there were no changes to the net OPEB liability as a result of amortization of deferred inflows or outflows.

J. Asset retirement obligations

Asset retirement obligations generally apply to legal obligations associated with the retirement of a tangible long-lived asset that result from the acquisition, construction, or development and the normal operation of a long-lived asset. The City assesses asset retirement obligations on a periodic basis. If a reasonable estimate of fair value can be made, the fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred or a change in estimate occurs.

The City has an underground fuel storage tank which is regulated by Florida Administrative Code (FAC) 62-762, and requires certain activities if use of the fuel storage tank is discontinued. The City has determined the fair value of the liability for the disposal of this item is immaterial at September 30, 2019 and, accordingly, has not recorded an asset retirement obligation for this matter.

K. Rental income

The City receives lease revenue for certain buildings on a month-to-month basis with monthly rental payments ranging from \$320 to \$783 (*in hundreds*). Rent received during the year ended September 30, 2019 was \$25 (*in thousands*).

City of Daytona Beach Shores, Florida
Notes to Financial Statements (*in thousands*)

NOTE IV: OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; worker's compensation and natural disasters. Except for worker's compensation, inland marine, automobile physical damage, named windstorm, and certain bonds, the City carries commercial insurance.

The City is a member of the Florida Municipal Self-Insurance Fund (the "Fund"). The Fund was created to allow members to pool their liabilities pursuant to provisions in Florida Worker's Compensation Law. The City pays an annual premium to the Fund for its worker's compensation coverage. The Fund's underwriting and rate setting policies were established after consulting with an independent actuary. The Fund is non-assessable and therefore, the City has no liability for future deficits of the Fund, if any.

The City is also a member of the Florida Municipal Insurance Trust (the "Trust"). The Trust is a self-insurance program established to provide certain liability, casualty, and property coverage to participating units of local governments in Florida, pursuant to various provisions of Florida Statutes. The Trust's underwriting and rate setting policies were established after consulting with an independent actuary. The Trust is non-assessable and therefore, the City has no liability for future deficits of the Trust, if any. The City currently does not carry named windstorm coverage.

There have been no significant reductions in insurance coverage during the fiscal year 2019. Also, there have been no settlements that exceeded insurance coverage for each of the past three fiscal years.

The City adopted a self-insurance program for employee health insurance coverage effective October 1, 2006, instituting a high deductible, self-funded HRA health insurance program, which pays 100% of a fixed level of claims for each employee, and provides discounted rates and co-insurance capped by a catastrophic claims limit.

The uninsured risk of loss is \$60 deductible per covered person and \$791 in the aggregate plus expended employee HRA accounts for a policy year. Commercial insurance for claims more than the coverage provided by the City is supplied by a private insurance company. The City has contracted with outside agencies to perform certain administrative functions, such as monitoring, reviewing and paying claims. Settled claims have not exceeded commercial excess coverage in any of the past three years.

All departments of the City participate in the program and make payments based on estimates of amounts needed to pay prior and current year claims, claims reserves, and administrative costs. A liability for claims is reported if it is probable that a liability has occurred and the amount is estimable. As of September 30, 2019, the City reported a liability of \$52 in the general fund with an additional \$39 as Incurred but Not Reported Claims (IBNR) for a total liability of \$91. Both are included in accounts payable and accrued liabilities.

City of Daytona Beach Shores, Florida
Notes to Financial Statements (in thousands)

NOTE IV: OTHER INFORMATION (Continued)

A. Risk management (continued)

Changes in the estimated accrued claims payable in fiscal years 2019 and 2018 were as follows:

	2019	2018
Balance, beginning of year	\$ 63	\$ 72
Current year claims and changes in estimate	942	782
Claims payments	(914)	(791)
Balance, end of year	\$ 91	\$ 63

B. Litigation

Various other suits in the ordinary course of operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the City, the liabilities that may arise from such actions would not result in losses that would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial position of the City or results of operations.

C. Commitments and contingencies

The City has no active construction projects as of September 30, 2019.

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

On September 9, 2019, the City entered into an agreement to lease property to an unrelated third party. Pursuant to this agreement, the City will expend up to \$150 for demolition to prepare the property for build-out (construction) by the new tenant. The initial lease term will be for 10 years for \$12,000 per year, adjusted by the Consumer Price Index for All Urban Consumers. The lease term will begin once the tenant completes its capital investment in the property; construction is expected to be completed in fiscal year 2020.

D. Subsequent events

On December 10, 2019, the City passed Resolution 2019-23 that provides for the City's general employees to rejoin the Florida Retirement System. The City will rollover existing 401(a) funds and has been authorized by the City Council to provide for up to \$380 in order to complete the buyback option for prior years' service.

City of Daytona Beach Shores, Florida
Notes to Financial Statements *(in thousands)*

NOTE IV: OTHER INFORMATION (Continued)

D. Subsequent events (continued)

On March 10, 2020, the City passed the first reading of Ordinance 2020-01 to approve the developer agreement for development of property located at 2900 S. Atlantic Avenue. The sale of the property, which was initially approved by City Council on September 24, 2019, was contingent upon execution of a developer agreement. After the second reading, Ordinance 2020-01 was approved and adopted by the Council at the Special City Council meeting held on March 27, 2020.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, broad domestic and international stock market indices have declined and the City's return on investments and the City's proportionate share of the Florida Retirement System investments have experienced similar volatility. Such declines in the fair value of investments held by or on behalf of the City may materially and adversely impact the City's ability to achieve its investment objectives and therefore, its operational objectives. In addition, the extent to which these events will affect the amounts reported in future financial statements remains uncertain.



REQUIRED SUPPLEMENTARY INFORMATION



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City of Daytona Beach Shores, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – General Fund

<i>For the Year Ended September 30, 2019</i> <i>(in thousands)</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 12,653	\$ 12,653	\$ 12,629	\$ (24)
Licenses and permits	353	353	413	60
Intergovernmental	802	802	846	44
Charges for services	2,142	2,142	2,249	107
Fines and forfeitures	85	85	172	87
Investment income	168	168	209	41
Miscellaneous	27	27	23	(4)
Total revenues	16,230	16,230	16,541	311
Expenditures				
Current:				
General government	2,049	2,047	1,940	107
Public safety	5,419	5,425	5,324	101
Community services	2,855	2,855	2,792	63
Culture and recreation	705	1,015	611	404
Contingency	1,142	733	-	733
Capital outlay	935	1,030	250	780
Debt service:				
Principal	3,015	3,015	2,936	79
Interest	671	671	638	33
Total expenditures	16,791	16,791	14,491	2,300
Excess (deficiency) of revenues over (under) expenditures	(561)	(561)	2,050	2,611
Other financing sources (uses)				
Proceeds from sale of capital assets	11	11	4	(7)
Proceeds from insurance recovery	10	10	-	(10)
Transfers in	553	553	-	(553)
Net other financing sources (uses)	574	574	4	(570)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	13	13	2,054	2,041
Fund balances, beginning of year	17,947	17,947	17,947	-
Fund balances, end of year	\$ 17,960	\$ 17,960	\$ 20,001	\$ 2,041

City of Daytona Beach Shores, Florida Budgetary Notes to Required Supplementary Information

A. Budgetary information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for all funds, except for the non-major special revenue fund. Budgeted amounts reflected in the accompanying budget and actual comparisons are as adopted, and subsequently amended, by the City Council. All annual appropriations lapse at fiscal year-end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- The City Manager annually prepares and submits to the City Council a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them.
- The required number of public hearings are held by the City Council to obtain taxpayer comments.
- Prior to October 1, the budget is legally enacted through passage of a resolution.
- Any budget revisions that increase the total expenditures of a fund must be approved by the City Council. The City Manager is authorized to approve line item budget transfers within a fund without approval of City Council. The Finance Director is authorized to approve line item budget transfers within a department without approval of City Council. The level of classified account detail at which expenditures may not legally exceed appropriations is within a department by fund (i.e. general government, public safety, community services, culture/recreation, contingency, economic development).
- Formal budgetary integration is employed as a management control device during the year for the general fund. The non-major special revenue fund is appropriated in the manner provided for in Florida Statutes Chapter 932.7055, and accordingly, formal budgetary integration is not used.

City of Daytona Beach Shores, Florida
Required Supplementary OPEB Information
Schedule of Changes in Total OPEB Liability and Related Ratios

<i>September 30, (in thousands)</i>	2019	2018
Total OPEB liability - beginning	\$ 54	\$ 49
Changes due to:		
Service cost	4	4
Interest	2	2
Changes of assumptions	1	-
Benefit payment	(1)	(1)
Net changes in total OPEB Liability	6	5
Total OPEB liability - ending	\$ 60	\$ 54
Covered-employee payroll for the measurement period	\$ 3,920	\$ 3,920
Net OPEB Liability as a percentage of covered employee payroll	1.53%	1.38%

Notes:

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

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

(3) There were no changes in benefit terms or assumptions.

(4) There is no actuarial determined contribution to the OPEB plan.

City of Daytona Beach Shores, Florida
Required Supplementary Pension Information
Schedule of Proportionate Share of Net Pension Liability

Florida Retirement System (FRS)	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.0178%	0.0185%	0.0203%	0.0210%	1.7800%
Employer's proportionate share of the net pension liability (asset)	\$ 6,115	\$ 5,559	\$ 5,995	\$ 5,296	\$ 2,298
Employer's covered payroll ⁽²⁾	\$ 2,713	\$ 2,808	\$ 2,829	\$ 2,839	\$ 2,946
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	225.40%	197.97%	211.91%	186.54%	78.00%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%
<hr/>					
Health Insurance Subsidy Program (HIS)	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.0084%	0.0086%	0.0089%	0.0092%	0.0087%
Employer's proportionate share of the net pension liability (asset)	\$ 935	\$ 910	\$ 949	\$ 1,072	\$ 886
Employer's covered payroll ⁽²⁾	\$ 2,713	\$ 2,749	\$ 2,812	\$ 2,796	\$ 2,640
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	34.46%	33.10%	33.75%	38.34%	33.56%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%

Notes to schedules:

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

(2) **Covered payroll.** Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

(3) **Changes in benefit terms.** There were no changes in benefit terms for the four years ended June 30, 2018.

(4) **Changes in assumptions.** For FRS, the investment rate of return was decreased from 7.00% to 6.90%. For HIS, the investment rate of return was decreased from 3.87% to 3.50%.

(5) GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, the City is presenting information only for those years for which it is available.

(6) The amounts in the schedule above are rounded to the nearest thousand.

City of Daytona Beach Shores, Florida
Required Supplementary Pension Information
Schedule of Contributions

Florida Retirement System (FRS)	2019	2018	2017	2016	2015
Contractually required contribution	\$ 563	\$ 526	\$ 528	\$ 512	\$ 434
Contributions in relation to the contractually required contribution	563	526	528	512	434
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll ⁽²⁾	\$ 2,751	\$ 2,713	\$ 2,858	\$ 2,796	\$ 2,640
Contributions as a percentage of covered payroll	20.47%	19.39%	18.47%	18.31%	16.44%
<hr/>					
Health Insurance Subsidy Program (HIS)	2019	2018	2017	2016	2015
Contractually required contribution	\$ 47	\$ 47	\$ 47	\$ 47	\$ 33
Contributions in relation to the contractually required contribution	47	47	47	47	33
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll ⁽²⁾	\$ 2,751	\$ 2,713	\$ 2,812	\$ 2,749	\$ 2,640
Contributions as a percentage of covered payroll	1.71%	1.71%	1.67%	1.68%	1.25%

Notes to schedules:

(1) GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available.

(2) **Covered payroll.** Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

(3) The amounts in the schedule above are rounded to the nearest thousand.



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STATISTICAL SECTION



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STATISTICAL SECTION

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

Table of Contents

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

Schedules 1 to 4

B. Revenue Capacity – These schedules contain information to help the reader assess the City's most significant local own-source revenues - ad valorem property taxes, occupational license taxes, and building permits revenues.

Schedules 5 to 7

C. Debt Capacity – These schedules present information to help the reader assess the affordability of the City's current levels of debt outstanding and the City's ability to issue additional debt in the future, as necessary.

Schedules 8 to 10

D. Demographic and Economic Information Financial Trends – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other local governments.

Schedules 11 to 12

E. Operating Information – These schedules contain information about the City's operations and resources to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Schedules 13 to 15

Additional Notes

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

City of Daytona Beach Shores, Florida
Net Position by Component (*in thousands*)
Last Ten Fiscal Years

<i>As of September 30,</i>	2010	2011	2012	2013
Governmental activities				
Invested in capital assets, net of related debt	\$ 8,405	\$ 5,118	\$ 10,722	\$ 12,557
Restricted	5,280	3,672	2,835	2,964
Unrestricted	5,410	13,171	11,290	11,931
Total governmental activities net assets	<u>\$ 19,095</u>	<u>\$ 21,961</u>	<u>\$ 24,847</u>	<u>\$ 27,452</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 2,304	\$ 2,324	\$ 2,560	\$ 2,680
Restricted	112	112	112	112
Unrestricted	3,586	4,105	4,534	4,656
Total business-type activities net assets	<u>\$ 6,002</u>	<u>\$ 6,541</u>	<u>\$ 7,206</u>	<u>\$ 7,448</u>
Primary Government				
Invested in capital assets, net of related debt	\$ 10,709	\$ 7,442	\$ 13,282	\$ 15,237
Restricted	5,392	3,784	2,947	3,076
Unrestricted	8,996	17,276	15,824	16,587
Total primary government net assets	<u>\$ 25,097</u>	<u>\$ 28,502</u>	<u>\$ 32,053</u>	<u>\$ 34,900</u>

Schedule 1

2014	2015	2016	2017	2018	2019
\$ 13,863	\$ 15,365	\$ 17,010	\$ 20,779	\$ 27,392	\$ 28,837
3,161	3,329	3,533	3,580	3,763	4,006
13,482	12,038	13,384	12,273	8,847	9,792
<u>\$ 30,506</u>	<u>\$ 30,732</u>	<u>\$ 33,927</u>	<u>\$ 36,632</u>	<u>\$ 40,002</u>	<u>\$ 42,635</u>
\$ 2,847	\$ 3,090	\$ 3,268	\$ 3,200	\$ 3,142	\$ 3,212
112	112	112	112	112	112
4,954	5,805	6,763	7,681	8,615	9,457
<u>\$ 7,913</u>	<u>\$ 9,007</u>	<u>\$ 10,143</u>	<u>\$ 10,993</u>	<u>\$ 11,869</u>	<u>\$ 12,781</u>
\$ 16,710	\$ 18,455	\$ 20,278	\$ 23,979	\$ 30,534	\$ 32,049
3,273	3,441	3,645	3,692	3,875	4,118
18,436	17,843	20,147	19,954	17,462	19,249
<u>\$ 38,419</u>	<u>\$ 39,739</u>	<u>\$ 44,070</u>	<u>\$ 47,625</u>	<u>\$ 51,871</u>	<u>\$ 55,416</u>

City of Daytona Beach Shores, Florida
Changes in Net Position (*in thousands*)
Last Ten Fiscal Years

<i>Fiscal year ended September 30,</i>	2010	2011	2012	2013
Expenses				
Governmental activities				
General government	\$ 1,696	\$ 1,748	\$ 1,642	\$ 1,701
Public safety	4,602	4,752	4,590	4,672
Community services	3,037	3,385	3,568	3,134
Culture/recreation	453	462	488	471
Economic environment	110	50	52	-
Interest on long-term debt	1,488	1,400	1,307	1,206
Total governmental activities expenses	<u>11,386</u>	<u>11,797</u>	<u>11,647</u>	<u>11,184</u>
Business-type activities				
Sewer	1,988	1,962	2,006	2,288
Total business-type activities net assets	<u>1,988</u>	<u>1,962</u>	<u>2,006</u>	<u>2,288</u>
Total primary government expenses	<u>\$ 13,374</u>	<u>\$ 13,759</u>	<u>\$ 13,653</u>	<u>\$ 13,472</u>
Program Revenues				
Governmental activities				
Charges for services (see Schedule 2A for detail)	\$ 2,254	\$ 2,227	\$ 2,310	\$ 2,172
Operating grants and contributions	955	467	376	420
Capital grants and contributions	36	563	912	69
Total governmental activities program revenues	<u>3,245</u>	<u>3,257</u>	<u>3,598</u>	<u>2,661</u>
Business-type activities				
Charges for services (see Schedule 2A for detail)	2,547	2,470	2,642	2,961
Capital grants and contributions	8	18	11	7
Total business-type activities program revenues	<u>2,555</u>	<u>2,488</u>	<u>2,653</u>	<u>2,968</u>
Total primary government program revenues	<u>\$ 5,800</u>	<u>\$ 5,745</u>	<u>\$ 6,251</u>	<u>\$ 5,629</u>
Net (Expense)/Revenue				
Governmental activities	\$ (8,141)	\$ (8,540)	\$ (8,049)	\$ (8,523)
Business-type activities	567	526	647	680
Total primary government net expense	<u>\$ (7,574)</u>	<u>\$ (8,014)</u>	<u>\$ (7,402)</u>	<u>\$ (7,843)</u>
Governmental Revenues and Other Changes in Net Assets				
Governmental activities				
Property taxes	\$ 8,902	\$ 9,439	\$ 9,233	\$ 9,446
Sales taxes	221	224	178	196
Franchise and utility taxes	822	809	804	831
Unrestricted grants and contributions	128	129	127	125
Gain on sale of capital asset	-	-	-	-
Unrestricted investment earnings	189	109	114	67
Miscellaneous	538	696	479	463
Total governmental activities	<u>10,800</u>	<u>11,406</u>	<u>10,935</u>	<u>11,128</u>
Business-type activities				
Unrestricted investment earnings	19	13	15	11
Miscellaneous	-	-	3	5
Gain on sale of capital asset	-	-	-	-
Special item	-	-	-	(454)
Total business-type activities	<u>19</u>	<u>13</u>	<u>18</u>	<u>(438)</u>
Total primary government	<u>\$ 10,819</u>	<u>\$ 11,419</u>	<u>\$ 10,953</u>	<u>\$ 10,690</u>
Change in Net Assets				
Governmental activities	\$ 2,659	\$ 2,866	\$ 2,886	\$ 2,605
Business-type activities	586	539	665	242
Total primary government	<u>\$ 3,245</u>	<u>\$ 3,405</u>	<u>\$ 3,551</u>	<u>\$ 2,847</u>

Schedule 2

2014	2015	2016	2017	2018	2019
\$ 1,815	\$ 1,745	\$ 1,785	\$ 1,958	\$ 2,226	\$ 2,253
4,931	4,411	5,488	5,799	5,960	6,638
3,271	3,151	3,335	3,433	3,506	3,649
542	627	633	727	795	765
-	-	-	-	-	-
<u>1,138</u>	<u>1,028</u>	<u>932</u>	<u>819</u>	<u>729</u>	<u>619</u>
<u>11,697</u>	<u>10,962</u>	<u>12,173</u>	<u>12,736</u>	<u>13,216</u>	<u>13,924</u>
<u>2,464</u>	<u>2,391</u>	<u>2,526</u>	<u>2,534</u>	<u>2,663</u>	<u>2,611</u>
<u>2,464</u>	<u>2,391</u>	<u>2,526</u>	<u>2,534</u>	<u>2,663</u>	<u>2,611</u>
<u>\$ 14,161</u>	<u>\$ 13,353</u>	<u>\$ 14,699</u>	<u>\$ 15,270</u>	<u>\$ 15,879</u>	<u>\$ 16,535</u>
\$ 2,364	\$ 2,367	\$ 2,400	\$ 2,459	\$ 2,629	\$ 2,716
344	360	341	379	808	358
<u>96</u>	<u>86</u>	<u>89</u>	<u>92</u>	<u>94</u>	<u>97</u>
<u>2,804</u>	<u>2,813</u>	<u>2,830</u>	<u>2,930</u>	<u>3,531</u>	<u>3,171</u>
2,891	3,458	3,542	3,335	3,420	3,403
<u>30</u>	<u>16</u>	<u>91</u>	<u>7</u>	<u>62</u>	<u>23</u>
<u>2,921</u>	<u>3,474</u>	<u>3,633</u>	<u>3,342</u>	<u>3,482</u>	<u>3,426</u>
<u>\$ 5,725</u>	<u>\$ 6,287</u>	<u>\$ 6,463</u>	<u>\$ 6,272</u>	<u>\$ 7,013</u>	<u>\$ 6,597</u>
\$ (8,893)	\$ (8,149)	\$ (9,343)	\$ (9,806)	\$ (9,685)	\$ (10,753)
<u>457</u>	<u>1,083</u>	<u>1,107</u>	<u>808</u>	<u>819</u>	<u>815</u>
<u>\$ (8,436)</u>	<u>\$ (7,066)</u>	<u>\$ (8,236)</u>	<u>\$ (8,998)</u>	<u>\$ (8,866)</u>	<u>\$ (9,938)</u>
\$ 10,175	\$ 10,196	\$ 10,213	\$ 10,204	\$ 10,586	\$ 10,844
207	221	231	238	249	250
873	929	1,235	1,201	1,251	1,216
127	130	131	133	133	133
-	-	-	-	-	4
21	100	101	95	172	209
<u>544</u>	<u>597</u>	<u>627</u>	<u>640</u>	<u>711</u>	<u>730</u>
<u>11,947</u>	<u>12,173</u>	<u>12,538</u>	<u>12,511</u>	<u>13,102</u>	<u>13,386</u>
8	11	24	34	59	72
-	-	5	8	-	-
-	-	-	-	-	25
-	-	-	-	-	-
<u>8</u>	<u>11</u>	<u>29</u>	<u>42</u>	<u>59</u>	<u>97</u>
<u>\$ 11,955</u>	<u>\$ 12,184</u>	<u>\$ 12,567</u>	<u>\$ 12,553</u>	<u>\$ 13,161</u>	<u>\$ 13,483</u>
\$ 3,054	\$ 4,024	\$ 3,195	\$ 2,705	\$ 3,417	\$ 2,633
465	1,094	1,136	850	878	912
<u>\$ 3,519</u>	<u>\$ 5,118</u>	<u>\$ 4,331</u>	<u>\$ 3,555</u>	<u>\$ 4,295</u>	<u>\$ 3,545</u>

Daytona Beach Shores, Florida
Detail Schedule of Charges for Services (in thousands)
Last Ten Fiscal Years
Schedule 2A

<i>Fiscal year ended September 30,</i>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
General government	\$ 823	\$ 772	\$ 850	\$ 785	\$ 926	\$ 926	\$ 921	\$ 986	\$ 1,002	\$ 988
Public safety	239	262	265	268	151	133	148	147	228	237
Community services	1,074	1,117	1,118	1,044	1,182	1,225	1,259	1,311	1,380	1,462
Culture & recreation	118	76	77	75	105	83	72	15	19	29
Total governmental activities	\$ 2,254	\$ 2,227	\$ 2,310	\$ 2,172	\$ 2,364	\$ 2,367	\$ 2,400	\$ 2,459	\$ 2,629	\$ 2,716
Business-type activities										
Sewer utility	\$ 2,547	\$ 2,470	\$ 2,642	\$ 2,961	\$ 2,891	\$ 3,458	\$ 3,542	\$ 3,335	\$ 3,420	\$ 3,403
Total business-type activities	\$ 2,547	\$ 2,470	\$ 2,642	\$ 2,961	\$ 2,891	\$ 3,458	\$ 3,542	\$ 3,335	\$ 3,420	\$ 3,403

Daytona Beach Shores, Florida
Fund Balances – Governmental Funds (*in thousands*)
Last Ten Fiscal Years
Schedule 3

<i>As of September 30,</i>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Reserved	\$ 5,086	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Spendable	-	108	612	151	140	129	75	89	78	90
Restricted	-	3,455	2,808	2,949	3,138	3,246	3,442	3,519	3,727	3,973
Assigned	500	2,191	1,396	1,487	1,582	1,671	1,816	1,921	2,069	2,257
Unassigned	10,125	9,788	10,107	11,160	12,707	14,323	15,789	14,721	12,073	13,681
Total general fund	<u>\$ 15,711</u>	<u>\$ 15,542</u>	<u>\$ 14,923</u>	<u>\$ 15,747</u>	<u>\$ 17,567</u>	<u>\$ 19,369</u>	<u>\$ 21,122</u>	<u>\$ 20,250</u>	<u>\$ 17,947</u>	<u>\$ 20,001</u>
All other governmental funds										
Restricted	\$ -	\$ 217	\$ 27	\$ 15	\$ 23	\$ 83	\$ 91	\$ 61	\$ 36	\$ 33
Unreserved, reported in:										
Special revenue funds	292	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 292</u>	<u>\$ 217</u>	<u>\$ 27</u>	<u>\$ 15</u>	<u>\$ 23</u>	<u>\$ 83</u>	<u>\$ 91</u>	<u>\$ 61</u>	<u>\$ 36</u>	<u>\$ 33</u>

Note: The City began to report fund balance definitions under GASB Statement 54 in 2011.

Daytona Beach Shores, Florida
Changes in Fund Balances – Governmental Funds (*in thousands*)
Last Ten Fiscal Years

<i>Fiscal year ended September 30,</i>	2010	2011	2012	2013
Revenues				
Taxes	\$ 10,298	\$ 10,782	\$ 10,621	\$ 10,798
Licenses and permits	245	234	263	262
Intergovernmental	1,343	1,387	1,597	815
Charges for services	1,682	1,721	1,700	1,674
Investment income	182	108	114	66
Fines and forfeitures	144	315	95	112
Interest and other	-	-	-	-
Miscellaneous	91	41	119	35
Total revenues	<u>13,985</u>	<u>14,588</u>	<u>14,509</u>	<u>13,762</u>
Expenditures				
General government	1,599	1,651	1,528	1,849
Public safety	4,258	4,323	4,275	4,701
Community services	6,721	4,735	5,306	2,478
Culture/recreation	600	443	650	406
Economic environment	67	214	41	-
Debt service				
Principal retirement	2,038	2,128	2,212	2,307
Interest	1,502	1,413	1,332	1,234
Total expenditures [including capital outlay]	<u>16,785</u>	<u>14,907</u>	<u>15,344</u>	<u>12,975</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,800)</u>	<u>(319)</u>	<u>(835)</u>	<u>787</u>
Other financing sources				
Sale of capital assets	21	31	7	13
Proceeds from insurance recovery	39	44	19	12
Proceeds from debt	-	-	-	-
Repayment of credit line	-	-	-	-
Transfers in (out)	-	-	-	-
Total other financing sources	<u>60</u>	<u>75</u>	<u>26</u>	<u>25</u>
Net change in fund balances	<u>\$ (2,740)</u>	<u>\$ (244)</u>	<u>\$ (809)</u>	<u>\$ 812</u>
Net capital outlay [incl. in total expenditures above] <i>(shown for calculation purposes only)</i>	4,999	2,682	3,335	947
Debt service as a percentage of non-capital outlay	30.0%	29.0%	29.6%	29.4%

* Beginning in 2009, investment earnings (loss) have been separately disclosed and includes interest income. 2008 balances have been reclassified to conform to the 2009 presentation.

Schedule 4

	2014	2015	2016	2017	2018	2019
\$	11,636	\$ 11,754	\$ 12,006	\$ 11,944	\$ 12,419	\$ 12,629
	333	292	359	441	414	413
	778	802	798	849	1,292	846
	1,791	1,818	1,897	1,953	2,118	2,249
	21	172	101	95	172	184
	121	100	136	86	166	209
	-	-	-	-	-	-
	22	21	37	27	33	23
	<u>14,702</u>	<u>14,959</u>	<u>15,334</u>	<u>15,395</u>	<u>16,614</u>	<u>16,553</u>
	1,670	1,668	1,980	4,434	6,575	1,940
	4,505	4,627	4,856	5,048	5,136	5,416
	2,546	2,698	2,597	2,747	2,714	2,881
	660	589	640	574	1,257	695
	-	-	-	-	-	-
	2,399	2,497	2,602	2,710	2,819	2,936
	1,143	1,045	942	834	727	638
	<u>12,923</u>	<u>13,124</u>	<u>13,617</u>	<u>16,347</u>	<u>19,228</u>	<u>14,506</u>
	1,779	1,835	1,717	(952)	(2,614)	2,047
	41	14	33	31	306	4
	8	13	11	19	5	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>49</u>	<u>27</u>	<u>44</u>	<u>50</u>	<u>311</u>	<u>4</u>
\$	<u>1,828</u>	<u>\$ 1,862</u>	<u>\$ 1,761</u>	<u>\$ (902)</u>	<u>\$ (2,303)</u>	<u>\$ 2,051</u>
	347	454	542	3,164	5,418	250
	28.2%	28.0%	27.1%	26.9%	25.7%	25.1%

City of Daytona Beach Shores, Florida
Assessed Value and Estimated Actual Value of Taxable Property
with Tax Levies and Collections (*in thousands*)
Last Ten Fiscal Years

Tax Year	Residential Property (1)	Commercial and Industrial Property (1)	Institutional, Governmental, and Other Property	Less: Tax- Exempt Property	Assessed Taxable Value (1)	Estimated Actual Market Value (1)	Assessed as a Percent of Estimated Actual
2009-10	1,305,349	161,429	47,991	114,081	1,400,688	1,565,644	89.3%
2010-11	1,051,997	109,045	34,022	113,734	1,081,330	1,361,236	79.4%
2011-12	1,067,145	109,307	34,563	105,386	1,105,629	1,211,015	91.3%
2012-13	1,096,107	102,884	30,792	102,629	1,127,154	1,288,793	87.5%
2013-14	1,214,867	106,595	31,045	103,787	1,248,720	1,355,214	92.1%
2014-15	1,218,529	120,414	34,297	107,457	1,265,783	1,490,222	84.9%
2015-16	1,295,178	131,196	37,260	111,951	1,351,683	1,601,974	84.4%
2016-17	1,366,074	153,354	39,971	119,309	1,440,090	1,708,901	84.3%
2017-18	1,415,659	170,819	40,413	124,733	1,502,158	1,766,486	85.0%
2018-19	1,513,258	195,602	56,756	139,835	1,625,781	1,783,471	91.2%

(1) Source: Volusia County Property Appraiser Office

(2) Beginning in 2006-07, includes levy from other governmental CRA agencies; excludes General Obligation debt levy.

(3) Includes paid delinquencies from prior years and payments from CRA agencies beginning in 2006-07; excludes General Obligation debt collections.

For additional information regarding property payment discounts, see Note 1 of the Notes to Financial Statements.

Schedule 5

<u>Tax Rate</u>	<u>Tax Levy (2)</u>	<u>Property Tax Collections (3)</u>	<u>Percent of Levy Collected</u>
4.99720	7,108	6,925	96.5%
5.47200	6,828	6,610	96.8%
6.09000	6,756	6,455	95.5%
5.88190	6,748	6,569	97.3%
6.28000	7,563	7,333	97.0%
5.87330	7,560	7,330	97.0%
5.49940	7,575	7,344	97.0%
5.15900	7,576	7,317	96.6%
5.23000	7,997	7,722	96.6%
5.23000	8,333	8,022	96.3%

City of Daytona Beach Shores, Florida
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
Schedule 6

Tax Year Ended	Direct Rates			Overlapping Rates					
	Daytona Beach Shores	Debt Service	School District	Volusia County	Fla. Inland Nav. Dist.	Mosquito Control	Ponce DeLeon Inlet and Port Authority	Halifax Hospital	St. Johns Water Mgt. District
2010	4.99720	1.40000	7.80500	6.37434	0.03450	0.20966	0.09360	2.25000	0.41580
2011	5.47200	2.35000	8.23700	6.30250	0.03450	0.20800	0.09290	2.00000	0.41580
2012	6.09000	2.60000	8.06300	6.77910	0.03450	0.20800	0.09290	1.75000	0.33130
2013	5.88190	2.58000	7.88800	6.88090	0.03450	0.20800	0.09290	1.25000	0.33130
2014	6.28000	2.44000	7.35800	7.27090	0.03450	0.20800	0.09290	1.00000	0.32830
2015	5.87330	2.30000	7.33600	7.27090	0.03450	0.18800	0.09290	1.00000	0.31640
2016	5.49940	2.15360	7.19700	7.27090	0.03200	0.18800	0.09290	0.95500	0.30230
2017	5.15900	2.03000	6.84800	7.05200	0.03200	0.18800	0.09290	0.75610	0.28850
2018	5.23000	1.84000	6.28100	6.64640	0.03200	0.18800	0.09290	0.35460	0.25620
2019	5.23000	1.79770	6.08100	6.54200	0.03200	0.18800	0.09290	0.35460	0.24140

Source: County of Volusia Tax Assessor's Office

**City of Daytona Beach Shores, Florida
Principal Property Taxpayers
Current Year and Nine Years Ago
Schedule 7**

Taxpayer	October 2019			October 2010		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Uhon Daytona Shores	\$ 30,037,317	1	22.87%			
BG Daytona Seabreeze COA	21,645,658	2	16.48%	\$ 21,297,037	1	21.58%
Avista Properties II LLC	13,535,118	3	10.31%			
Pacifica Daytona LLC	11,200,594	4	8.53%			
Florida Power & Light Company	10,827,062	5	8.24%	5,992,431	7	6.07%
Daytona Shores Hotels & Resorts	10,865,069	6	8.27%			
Lady Godiva 2 LLC	9,013,408	7	6.86%			
ASA Lodging LLC	8,659,769	8	6.59%			
2505 South Atlantic LLC	8,254,317	9	6.28%			
Publix Super Markets INC	7,295,888	10	5.56%			
RB Daytona LLC				17,731,918	2	17.97%
Dimucci Development Corp				17,018,354	3	17.25%
M2S2 LLC				14,232,720	4	14.42%
Perry's Ocean Edge Resort LLC				6,134,299	6	6.22%
Tropic Shores Condo Association				5,531,896	8	5.61%
Century Nationwide Props LLC				5,441,318	9	5.51%
Acapulco Ocean Waters LLC				5,302,853	10	5.37%
Total	\$ 131,334,200		100.00%	\$ 98,682,826		100.00%

Source: Property Appraiser, County of Volusia, Florida

City of Daytona Beach Shores, Florida
Ratios of Outstanding Debt by Type (in thousands)
Last Ten Fiscal Years
Schedule 8

Tax Year Ending	Population (2)	Governmental Activities				Business-type Activities		Total Primary Government	Per Capita
		Bonded Debt	Percentage of Assessed Taxable Value of Property (1)	Per Capita	Term Loan	State Revolving Loan Payable	Term Loan		
2010	5,475	27,248	1.80%	4.977	9,219	2,831	1,020	40,318	7.364
2011	4,247	25,531	1.91%	6.012	8,808	2,657	875	37,871	8.917
2012	4,259	23,748	1.99%	5.576	8,379	2,478	720	35,325	8.294
2013	4,255	21,889	1.78%	5.144	7,931	2,294	555	32,669	7.678
2014	4,292	19,957	1.55%	4.650	7,464	2,104	380	29,905	6.968
2015	4,264	17,947	1.42%	4.209	6,977	1,909	195	27,028	6.339
2016	4,263	15,853	1.17%	3.719	6,469	1,708	-	24,030	5.637
2017	4,291	13,673	0.95%	3.186	5,939	1,501	-	21,113	4.920
2018	4,288	11,407	0.76%	2.660	5,386	1,288	-	18,081	4.217
2019	4,296	9,048	0.56%	2.106	4,809	1,069	-	14,926	3.474

(1) See Schedule 5 for property value data

(2) Source: Florida Dept. of Revenue Adjusted Population Estimates used in annual State Revenue Sharing Calculations

Note: Statistical information on personal income is not tracked by any source for this governmental unit. Accordingly, ratios of outstanding debt as a percent of personal income are not presented.

City of Daytona Beach Shores, Florida
Direct and Overlapping Governmental Activities Debt (*in thousands*)
September 30, 2019
Schedule 9

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the Governmental Unit</u>	<u>City of Daytona Beach Shores - Share of Debt</u>
Direct:			
City of Daytona Beach Shores	\$ 13,857 a	100%	\$ 13,857
Overlapping:			
Volusia County	6,380 b	4.70% c	289
Total direct and overlapping debt			<u><u>\$ 14,146</u></u>

a See Schedule 8

b Volusia County Outstanding Debt at September 30, 2019

c Overlapping Debt per Volusia County

Source: City of Daytona Beach Shores, Finance Department

**City of Daytona Beach Shores, Florida
Legal Debt Margin Information
Last Ten Fiscal Years
Schedule 10**

The City Charter, the Constitution of the State of Florida and Florida State Statute 200.181 do not provide for a legal debt limit.

Source: City of Daytona Beach Finance Department

City of Daytona Beach Shores, Florida
Demographic and Economic Statistics – Metropolitan Area
Last Ten Fiscal Years
Schedule 11

Calendar Year*	Population (1)	Personal Income (in thousands)	Per Capita Personal Income (1)	Unemployment Rate (1)
2010	494,638	14,571,728	33,384	12.3%
2011	494,523	14,556,861	34,473	11.1%
2012	497,279	17,445,045	35,081	9.2%
2013	501,282	17,696,257	35,302	8.0%
2014	507,913	18,610,440	36,641	6.7%
2015	518,190	19,782,421	38,176	5.6%
2016	529,364	20,543,029	38,807	5.3%
2017	538,692	21,041,310	39,060	4.1%
2018	546,772	21,918,449	40,087	3.4%
2019	547,538	22,388,139	40,889	3.2%

* Latest Annual Data Available

Sources (unless specified):

(1) Federal Reserve Economic Data, FRED Rates for Deltona-Daytona Beach-Ormond Beach, FL. Per Capita Personal Income only available to 2018. 2% assumption increased used. Population available to 2018. 1.7% assumption increase used.

City of Daytona Beach Shores, Florida
Principal Employers by Industry (Latest Available Data)
Current Year and Nine Years Ago
Schedule 12

Deltona - Daytona Beach - Ormond Beach Metropolitan Statistical Area						
Industry	2019			2010		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Office and Administrative Support	30,710	1	15.7%	29,600	1	22.4%
Sales	27,610	2	14.1%	17,930	2	13.6%
Food Preparation & Service Related	26,250	3	13.4%	16,930	3	12.9%
Healthcare	20,470	4	10.4%	14,160	4	10.8%
Building/Repair/Installation/Maintenance	16,940	5	8.6%	12,560	5	9.6%
Education, Training, and Library	11,870	6	6.0%	2,870	12	2.2%
Construction	9,980	7	5.1%	5,080	8	3.9%
Production	9,280	8	4.7%	6,810	6	5.2%
Transportation	8,460	9	4.3%	5,420	7	4.1%
Management	8,150	10	4.1%	3,920	10	3.0%
Business and Financial	7,010	11	3.6%	5,040	9	3.8%
Personal Care	4,570	12	2.3%	3,620	11	2.8%
Protective	4,090	13	2.1%	1,140	15	0.9%
Community and Social Services	3,020	14	1.5%	1,590	13	1.2%
Computer and Mathematical	2,240	15	1.1%	1,330	14	1.0%
Architecture and Engineering	1,800	16	0.9%	980	17	0.7%
Arts, Design, Entertainment, Sports	1,790	17	0.9%	980	18	0.7%
Legal	1,360	18	0.7%	1,120	16	0.9%
Life, Physical, and Social Science	860	19	0.4%	420	19	0.3%
Total	196,460		100%	131,500		100%

Note: No statistics are kept on primary employers within the City of Daytona Beach Shores.

Source: Florida Department of Economic Opportunity, Bureau of Labor Market Statistics, based on 2018 and 2009 for Deltona-Daytona Beach-Ormond Beach MSA (Volusia County).

City of Daytona Beach Shores, Florida
Full-Time Equivalent (FTE) City Government Employees by Function/Program
Last Ten Fiscal Years
Schedule 13

<i>As of September 30,</i>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>Function/Program</u>										
General Government										
Legislative	5	5	5	5	5	5	5	5	5	5
Executive / IT / Grants	6	4	4	5	5	5.5	6.7	5	5	5.88
Finance	5	5	5	5	5	5	5	4.7	4.3	4.8
Planning	1	1	1	1	1	1	1	1	1	1
Senior Services	1	1	1	1.5	1.5	2.8	2.8	2.8	1.8	1.3
Public Safety										
Sworn Officers	34	34	34	33	33	33	36	36	33	38.44
Civilians	7	7	7	6	6	5	9	9	9	8
Community Services/ Public Works										
Sewer Utility	3	3	3	3	3	3	3	4	4	4
Building/Codes	5	5	5	5	5	5	5	5	5	5
Public Works	10	11	11	11	13	12	12	13	10.17	10.37
Parks and Recreation	6	6	6	6	6	6	6	8	5.33	5.94
Economic Development	1	-	-	-	-	-	-	-	-	-
Total	84	82	82	81.5	83.5	83.3	91.5	93.5	83.6	89.9

Source: City Finance Department

City of Daytona Beach Shores, Florida
Operating Indicators by Function/Program
Last Ten Fiscal Years
Schedule 14

<i>Fiscal year ended September 30,</i>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>Function/Program</u>										
Public safety										
Physical arrests	903	1,019	1,152	1,111	1,111	945	781	903	627	703
Traffic & parking violations	4,126	4,228	5,963	3,482	2,906	2,921	3,954	3,945	3,809	4,629
Fire emergency responses	405	229	508	643	591	608	465	273	426	499
Rescue emergency responses	911	961	1,012	837	901	1,010	1,247	1,057	977	1,106
Fire inspections	449	338	307	314	475	1,002	397	507	472	764
Wastewater										
Number of service connections	878	892	883	885	891	895	898	902	913	919
Daily average gallonage flow <i>(in thousands)</i>	864	852	905	886	932	1,091	1,059	974	935	862
General government										
Building permits issued	304	297	327	327	494	399	430	602	710	601
Mech., elec., plumb permits issued	635	574	762	687	903	907	922	1,074	1,001	1,050
Other permits issued	200	207	209	177	208	178	172	306	214	137

* The increase in connections was a result of the addition of a major condo project late in the fiscal year, which produced little usage during the year.

Sources: Various City Departments

City of Daytona Beach Shores, Florida
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years
Schedule 15

<i>As of September 30,</i>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>Function/Program</u>										
Public safety										
Number of patrol units	22	22	23	23	25	25	25	25	26	26
Number of stations	1	1	1	1	1	1	1	1	1	1
Wastewater										
Miles of sanitary sewers	20	20	20	20	20	20	20	20	20	20
Culture and recreation										
Parks	7	7	7	7	6	6	6	6	6	6
Park acreage	8	8	8	8	7	7	7	7	7	7.03
<i>Tennis courts</i>	11	11	11	11	10	10	10	0	5	5
Pickleball courts	0	0	4	4	8	8	8	10	10	10
Bocce courts	2	2	2	2	2	2	2	2	2	2
Shuffleboard courts	2	2	2	2	2	2	2	2	2	2
Horseshoe pits	2	2	2	2	2	2	2	2	0	0
Community centers	1	1	1	1	1	1	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	0
Recreation clubs	1	1	1	1	1	1	1	0	0	0

Sources: Various City Departments



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Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940
(321) 255-0088
(321) 259-8648 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members of the City Council
City of Daytona Beach Shores, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Daytona Beach Shores, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Daytona Beach Shores, Florida's basic financial statements, and have issued our report thereon dated April 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Daytona Beach Shores, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Daytona Beach Shores, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Daytona Beach Shores, Florida's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 Daytona Beach Shores, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida
April 20, 2020



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Melbourne, Florida 32940
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(321) 259-8648 (fax)
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INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Mayor and Members of City Council
City of Daytona Beach Shores, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Daytona Beach Shores, Florida as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated April 20, 2020.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 20, 2020 should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings in the preceding 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. The legal authority of the City of Daytona Beach Shores, Florida is disclosed in the footnotes.

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 Daytona Beach Shores, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City of Daytona Beach Shores, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Daytona Beach Shores, Florida. It is management's responsibility to monitor the City of Daytona Beach Shores, 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 of the City, we did not have any such findings or 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida
April 20, 2020



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Melbourne, Florida 32940
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www.cricpa.com

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

Honorable Mayor and Members of City Council
City of Daytona Beach Shores, Florida

We have examined the City of Daytona Beach Shores, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2019. Management of the City of Daytona Beach Shores, Florida is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2019.

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

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
April 20, 2020