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# City of South Daytona

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## Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2019



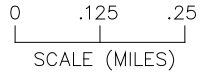
# CITY OF SOUTH DAYTONA

**LEGEND:**

- 1 RIVERFRONT PARK
- 2 REED CANAL PARK
- 3 JAMES STREET PARK
- 4 MAGNOLIA PARK
- 5 MELODIE PARK
- 6 NED WAGNER PARK
- 7 CITY HALL
- 8 PUBLIC WORKS
- 9 SUNSHINE PARK MALL – CITIZENS ALERT
- 10 SOUTH DAYTONA ELEMENTARY SCHOOL
- 11 PIGGOTTE COMMUNITY CENTER
- 12 BLAINE O'NEAL PARK
- 13 CENTRAL PARK
- 14 SOUTH DAYTONA PARK OF HONOR



NORTH



HALIFAX RIVER

**CITY OF SOUTH DAYTONA, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**

**SEPTEMBER 30, 2019**



**CITY COUNCIL**

**THE HONORABLE WILLIAM C. HALL, MAYOR**  
**LISA O'NEAL, VICE MAYOR**  
**DOUGLAS QUARTIER**  
**RALPH SCHOENHERR**  
**BRANDON YOUNG**

**CITY MANAGER**  
**JAMES L. GILLIS, JR.**

**CITY ATTORNEY**  
**SCOTT SIMPSON, ESQ.**

**FINANCE DIRECTOR**  
**KEVIN T. LEWIS, CPA**

Prepared by:  
City of South Daytona Finance Department



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City of South Daytona  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended September 30, 2019

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## INTRODUCTORY SECTION



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## LETTER OF TRANSMITTAL



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# City of South Daytona

Office of the City Manager / Department of Finance

Post Office Box 214960 · South Daytona, FL 32121 · 386/322-3060 · FAX  
386/322-3099



February 3, 2020

To the Honorable Mayor, Members of the City Council, and Citizens of the City of South Daytona, Florida.

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 submit the comprehensive annual financial report of the City of South Daytona for the fiscal year ended September 30, 2019.

This report consists of management's representations concerning the finances of the City of South Daytona. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide for a reasonable basis for making these representations, management of the City of South Daytona 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 South Daytona's financial statements in conformity with GAAP. Because the cost of internal control should not exceed anticipated benefits, the City of South Daytona's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by an independent firm of certified public accountants, James Moore & Co., P.L., Certified Public Accounts. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of South Daytona for the 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 South Daytona's 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.

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

## **Profile of Government**

The City of South Daytona, incorporated in 1951, is located in east central Florida. The City is bordered on the north by the City of Daytona Beach, Port Orange to the south, the Halifax River on the east, and by unincorporated Volusia County on the West. Topographically, South Daytona lies on a coastal plateau that slopes toward the Inter-coastal Waterway, resulting in an average elevation of 6.5 feet above sea level and a maximum elevation of 10 feet above sea level. The City of South Daytona currently encompasses a land area of 3.87 square miles and serves a total population of 12,819. The City is empowered to levy a tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

South Daytona has operated under a City Manager/Council form of government since 1980, with the Mayor and four Council Members serving four-year, staggered terms beginning in 1990. 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 and resolutions, adopting the budget, appointing

committees, and hiring both the City Manager and Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operation of the City, and for appointing the heads of various departments. The Council is elected on a non-partisan basis.

The City of South Daytona provides a full range of services including police, fire and rescue, street construction and maintenance, planning and zoning, parks and recreation, cultural events, and general administrative services. In addition, water and sewer services, solid waste collection, and stormwater are provided under an Enterprise Fund concept with user charges established by the City Council to ensure adequate coverage of expenses and payments on outstanding debt. The City of South Daytona contracts with private enterprise for solid waste collection and also contracts with the City of Daytona Beach for wholesale water purchases and wastewater treatment.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriations to the City Manager by early May. Requests for personnel and capital improvements must be submitted by early April. The City Manager uses these requests as the starting point for developing a proposed budget. A budget workshop is held in late July where the proposed millage rate is set. The City Manager then presents this proposed budget to Council for review by August 1st. The Council is required to hold two public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between funds, however, require approval of the City Council. Budget-to-actual comparisons are provided in this report. The general fund, redevelopment trust fund and transportation fund comparisons are presented as part of the basic financial statements. Other funds are presented in the other supplementary information section.

### **Local Economy**

The City of South Daytona currently enjoys a stable economic environment and local indicators point to continued stability. Recovering property values led to an increase of 8.61% in taxable value for the year ended September 30, 2019. The opportunity for growth still exists in the City with several riverfront parcels to be potentially developed. This development could lead to an increase to the City's taxable valuation in upcoming years and provide valuable recurring financial resources.

Unemployment rates in the City mirror that of Volusia County and have decreased during the past year. See MD&A for more discussion about unemployment rates in the City of South Daytona.

### **Long Term Financial Planning and Major Initiatives**

At the end of the fiscal year, General Fund unassigned fund balance remained at the policy guidelines set by the Council for budgetary and planning purposes (between ten and twenty percent) officially adopted by Resolution #12-09. Since the General Fund unassigned fund balance dropped below ten percent at fiscal year-end 2016, a plan was developed and adopted using increased revenues and a reduction in expenditures to return the unassigned fund balance to a ten percent or greater threshold within two years. Staff has continued this process to restore fund balance to the required level. Although unassigned balance remained within policy guidelines for the general fund, lack of operating cash in the utility service fund required the recording of an advance from the general fund which continues to limit unassigned fund balance in the general fund. Accordingly, the City completed and implemented a utility rate study during fiscal year ending 2019 in an effort to increase cash balances in the utility service fund. Staff will continue to monitor revenues and expenditures in an effort to further increase unassigned fund balance.

The City of South Daytona maintains a five-year Capital Improvement Program which serves as its planning document to ensure that its facilities, equipment, and infrastructure are well maintained and operating in peak condition. This process gives the City the ability to plan for its capital needs and allocate short and long-term resources appropriately. As part of this process, the City identifies and quantifies the operational costs associated with its capital projects and budgets resources accordingly. In addition, the City maintains a vehicle replacement policy which serves as its fleet replacement guide over a ten-year period. During the economic downturn, the City was forced to delay replacement of vehicles and other equipment. While the City looks to recover from the economic downturn by restoring fund balances, it is imperative that the City also addresses these delays to facility maintenance and equipment replacement.

**Relevant Financial Policies**

*Budgeting Controls* The objective of the City’s budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of all the governmental funds are included in the annual appropriated budget.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is exercised at the fund level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Any unencumbered balance of appropriations will revert to the General Fund and be subject to future appropriations except those relating to capital projects and contracted professional services. As demonstrated by the financial statements and schedules included in the Financial Section of this Comprehensive Annual Financial Report, the City continues to meet its responsibility with respect to sound financial management.

**Awards and Acknowledgements**

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Daytona for its comprehensive annual financial report for the fiscal year ended September 30, 2018. This was the thirty-fifth consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy not that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made by the dedicated service of the entire staff of the Finance Department. We would like to express our sincere appreciation to each member of the department for their contributions to the preparation of this report. We would also like to thank the City Manager and members of the City Council for their leadership and dedication.

Respectfully submitted,



James L. Gillis, Jr.  
City Manager



Kevin T. Lewis  
Finance Director, CPA



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**CITY OF SOUTH DAYTONA, FLORIDA**

**CERTIFICATE OF ACHIEVEMENT AWARDED**

For the Fiscal Year Ended September 30, 2018

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City of South Daytona, Florida for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2018.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.



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Government Finance Officers Association

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

Presented to

**City of South Daytona  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2018**

*Christopher P. Morrill*

Executive Director/CEO



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# ORGANIZATIONAL CHART



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**City of South Daytona**  
**List of Elected and Appointed Officials**  
**September 30, 2019**

**Elected Officials**

Mayor	William C. Hall
Vice Mayor	Lisa O’Neal
Councilmember	Douglas Quartier
Councilmember	Brandon Young
Councilmember	Ralph Schoenherr

**Appointed Officials**

City Manager	James L. Gillis Jr.
Finance Director	Kevin T. Lewis
Parks/Recreation Director	Gregory Bartholomew (a)
Community Development Director	Lauren Kornel
Deputy City Clerk	Debbie Fitz-Gerald
Fire Chief	James Giles
Public Works Director	Brian Peek
Chief of Police	Mark Cheatham
Human Resources Director	Trudy O’Dell
Redevelopment Director	Patty Rippey

(a) Replaced by Brian Peek on 11/19/2019



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## FINANCIAL SECTION



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## **INDEPENDENT AUDITOR'S REPORT**



## INDEPENDENT AUDITORS' REPORT

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of South Daytona, Florida, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and budgetary comparison statements for the General Fund, Redevelopment Trust Fund, and Transportation Fund 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 and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

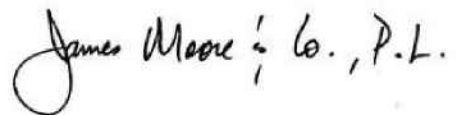
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, statistical section, and schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2020 on our consideration of City of South Daytona, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Daytona Beach, Florida  
February 3, 2020



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City of South Daytona, Florida (hereinafter referred to as the "City"), we offer the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2019. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 5-7 of this report, and the City's financial statements, which can be found on pages 41-53. The City presents prior year comparative financial information when applicable and meaningful.

### **Financial Highlights**

- ◆ The assets and deferred outflows of the City totaled \$50,580,688 at the close of the 2019 fiscal year, compared to \$50,887,845 at the close of 2018. Total Assets and deferred outflows exceeded liabilities and deferred inflows by \$20,413,692 (combined net position) compared with \$18,587,367 in the prior year. The unrestricted portion of Net Position is a deficit of \$10,185,633.
- ◆ Net position of the City's Governmental Activities totaled \$4,793,551, an increase of \$1,982,587 over last year's \$2,810,964. Net position of the City's Business-type Activities totaled \$15,620,141, a decrease of \$156,262 under last year's \$15,776,403.
- ◆ At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,345,684, an increase of \$447,094 over the prior year fund balance of \$2,898,590. The increase in governmental fund balances was due in part to budgeted transfers to reserves to increase unassigned fund balance in the general fund and budgeted transfers to reserves restricted for future debt service in the general fund and the redevelopment trust fund. Approximately 40.1% of the City's governmental fund balances, \$1,341,280, represents unassigned fund balance.
- ◆ The City's proprietary funds reported a decrease of \$156,262. This decrease in the proprietary fund is due to pension expenses related to recording changes in the OPEB and FRS pension liabilities. The net investment in capital assets, \$17,272,002, represented the majority of the proprietary funds net position at year end. The amount of net position restricted was \$180,469 and the unrestricted net position at year end had a deficit balance of \$1,832,330.
- ◆ The City's net long term debt outstanding decreased by \$3,123,391 during the current fiscal year.

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

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

### **Government-wide Financial Statements.**

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

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial assets of the City are improving or deteriorating.

The *statement of activities* presents information showing how the City's net position has 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported

by taxes and intergovernmental revenues (*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, streets, sanitation, and culture and recreation. The business-type activities of the City include water and sewer service operations and stormwater management.

The government-wide financial statements include not only the City of South Daytona itself (known as the primary government), but also a legally separate entity (South Daytona Community Redevelopment Agency) known as a blended component unit, for which the City is financially accountable. Financial information for this component unit is blended with the financial information presented for the government itself.

The government-wide financial statements can be found on pages 41-42 of this report.

### **Fund Financial Statements.**

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

#### ***Governmental Funds.***

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

Because the focus of governmental funds is more narrow than that of 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. Those reconciliations can be found on pages 44 and 46.

The City maintains five (5) individual governmental funds. Two of these governmental funds are classified as non-major and are summarized under this heading in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Community Redevelopment Trust Fund (blended component unit), and the Transportation Fund all of which are considered to be major funds. Data from the other two governmental funds is combined into a single aggregated column. Individual fund data for these nonmajor governmental funds is provided in the form of combining and individual fund statements and schedules section of this report.

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

The basic governmental fund financial statements can be found on pages 43 and 45 of this report.

#### ***Proprietary Funds.***

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented in the business-type activities of the government-wide financial statements. The Utility Service Fund is used to account for the fiscal activities of the City's water, sewer and flood control (stormwater management) activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various departments and cost functions. The City uses an internal service fund to account for its vehicle fleet maintenance facilities and operations. Because this service predominantly benefits government operations rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.



Proprietary fund financial statements provide the same type of information as the government-wide statements, only in more detail. The proprietary fund financial statements provide separate financial information for the Enterprise Fund, considered to be a major fund of the City, and the Internal Service Fund.

The basic proprietary fund statements can be found on pages 50 - 53 of this report.

#### **Notes to the Financial Statements.**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 57 - 86 of this report.

#### **Other Information.**

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide certain pension benefits and other post-employment benefits to its employees and information that further explains and supports information in the financial statements. Required supplementary information can be found on pages 89-91 of this report.

This report also presents *other supplementary information*. The combining balance sheet and the combining statement of revenues, expenditures, and changes in fund balances for the City's non-major governmental funds, the schedule of revenues, expenditures, and changes in fund balance budget and actual for funds with legal budgets other than the General Fund, Redevelopment Trust Fund, The Transportation Fund and the Internal Service Fund are presented immediately following the required supplementary information. These combining fund statements and budget and actual schedules can be found on pages 95-98 of this report.

#### **Government-Wide Financial Analysis of the City as a Whole**

**Net Position.** As noted previously, net position, may serve over time as a useful indicator of a government's financial position. This year, the City's combined net position increased \$1,826,325 to \$20,413,692 at the end of 2019 from \$18,587,367 at the end of 2018. Looking at the net position of the City's governmental and Business-type activities separately, we can see that the City experienced an increase in the net position of its governmental activities of \$1,982,587 and a decrease in its business-type activities of \$156,262.

Net position of the City's governmental activities totaled \$4,793,551 and \$2,810,964 at the end of the 2019 and 2018 fiscal years, respectively. At the end of 2019, these amounts represented net position that is either restricted as to the purposes they can be used for, \$969,716, or its net investment in capital assets \$12,177,138 (land, buildings, improvements and equipment which is reported net of related debt expended for such acquisitions). Consequently, the City reported a deficit of \$8,353,303 in unrestricted net position due to the recognition of net pension liabilities and deferrals beginning in fiscal year 2015 which caused an initial \$5,980,877 reduction of net position. These pension liabilities combined with other post-employment benefits now total \$9,847,302 at the end of 2019.

Net position of the City's business-type activities totaled \$15,620,141 and \$15,776,403 million at the end of the 2019 and 2018 fiscal years, respectively. At the end of 2019, \$17,452,471 of total net position reflects its net investment in capital assets and amounts restricted for the payment of long-term debt. The remaining portion of net position reported is a deficit of \$1,832,330. The City implemented rate changes for the Utility Service Fund in September 2019 that will increase water and sewer revenues that will be combined with continued efforts to defer capital expenses and maintenance in order to increase unrestricted fund balances.

Capital assets maintained in the business-type activities are used to provide water and sewer utility services, stormwater management services, and solid waste utility services to the City's utility customers; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that under normal circumstances the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Long-term debt obligations, including current maturities, associated with this capitalization totaled \$4,430,080 at the end of 2019 (\$5,385,315 at the end of 2018). At the end of the current and prior fiscal years, the City reports negative balances in unrestricted net position, both for the government as a whole, and for its separate governmental and business-type activities.

### The City of South Daytona's Net Position.

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets:</b>						
Current and other assets	\$ 4,123,154	\$ 3,759,746	\$ 381,579	\$ 229,167	\$ 4,504,733	\$ 3,988,913
Capital assets, net	20,593,716	20,119,317	21,652,726	22,596,506	42,246,442	42,715,823
Total Assets	24,716,870	23,879,063	22,034,305	22,825,673	46,751,175	46,704,736
Deferred outflows of resources	3,601,722	3,980,186	227,791	202,923	3,829,513	4,183,109
<b>Liabilities:</b>						
Long-term liabilities	10,772,461	13,105,791	4,686,621	5,643,527	15,459,082	18,749,318
Net Pension liabilities	10,962,012	9,742,021	513,831	320,525	11,475,843	10,062,546
Other liabilities	781,593	895,412	1,389,286	1,238,366	2,170,879	2,133,778
Total liabilities	22,516,066	23,743,224	6,589,738	7,202,418	29,105,804	30,945,642
Deferred inflows of resources	1,008,975	1,305,061	52,217	49,775	1,061,192	1,354,836
Net position:						
Net investment in capital assets	12,177,138	10,534,584	17,272,002	17,270,420	29,449,140	27,805,004
Restricted	969,716	1,620,443	180,469	104,712	1,150,185	1,725,155
Unrestricted (deficit)	(8,353,303)	(9,344,063)	(1,832,330)	(1,598,729)	(10,185,633)	(10,942,792)
Total net position	\$ 4,793,551	\$ 2,810,964	\$ 15,620,141	\$ 15,776,403	\$ 20,413,692	\$ 18,587,367

### Changes in Net Position.

While the statement of net position shows a snapshot of the City's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and sources of the changes. During 2019 the City's combined overall net position increased \$1,826,325 from the prior fiscal year. The principle reason net position increased by \$1.8 million over last year is due to a decrease in total liabilities. Total liabilities decreased from \$30,945,642 at the end of 2018 compared to \$29,105,804 for 2019. This decrease was comprised of a decrease in long term debt by \$3,123,391 which was offset by an increase to pension and OPEB liability of \$1,420,825.

The City's overall gross revenues increased by \$1,632,442. This change is primarily due to increases in capital contributions and in charges for service. Overall, approximately 22.8% of the City's total revenues (\$22,165,416) come from property taxes, while almost 11% of all other dollars raised come from other taxes collected by the City. Unrestricted intergovernmental revenues (those received from other governments) amounts to approximately 8.8% of the City's revenues. Another 43.2 % comes from fees charged for services and the remaining 14.2% is a combination of state and federal financial assistance, operating and capital grants and donations, interest and other earnings.

### Governmental Activities.

Overall the City's governmental revenues totaled \$14,845,547 which represents an increase of \$976,996 or 7%. Other than an increase in capital contributions and in property taxes, the revenues remained relatively stable. Property taxes revenue increased by \$348,626. A portion of this increase, \$230,184, was the result of an additional .4 mills added to the millage rate that is being restricted for additional debt service payments in an effort to reduce the City's overall outstanding debt.

Combined governmental activities expenses totaled \$14,363,856, which represents a small increase of \$7,444 over last year's expenses of \$14,356,412. Included in the changes from the prior year was a decrease of \$1,222,104 in the Transportation fund for public works and street projects and an increase in pension expenses of \$1,226,248.

## City of South Daytona Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,760,925	\$ 2,652,760	\$ 6,811,893	\$ 6,541,407	9,572,818	\$ 9,194,167
Operating grants and contributions	779,715	1,180,465	388,090	-	1,167,805	1,180,465
Capital grants and contributions	1,503,823	818,230	9,859	118,024	1,513,682	936,254
General revenues:						
Property taxes	3,514,933	3,325,668	-	-	3,514,933	3,325,668
Property tax increments - redevelopment	1,534,641	1,375,280	-	-	1,534,641	1,375,280
Other taxes	2,429,799	2,368,804	-	-	2,429,799	2,368,804
Intergovernmental revenues	1,950,637	1,849,036	-	-	1,950,637	1,849,036
Other revenues	371,074	298,308	110,027	4,992	481,101	303,300
Total revenues	14,845,547	13,868,551	7,319,869	6,664,423	22,165,416	20,532,974
Expenses:						
General government	2,311,135	2,122,681	-	-	2,311,135	2,122,681
Comprehensive planning	970,206	1,015,415	-	-	970,206	1,015,415
Public safety	5,524,599	5,047,259	-	-	5,524,599	5,047,259
Environmental services - public works	600,151	1,444,527	-	-	600,151	1,444,527
Environmental services - sanitation	1,495,970	1,470,249	-	-	1,495,970	1,470,249
Road and street facilities	1,107,544	851,093	-	-	1,107,544	851,093
Community redevelopment	284,926	241,484	-	-	284,926	241,484
Parks and recreation	1,547,442	1,652,424	-	-	1,547,442	1,652,424
Parks - summer /spring day camp	39,310	38,666	-	-	39,310	38,666
Parks - recreation programs	142,047	151,372	-	-	142,047	151,372
Water/Sewer operations	-	-	5,975,235	5,381,327	5,975,235	5,381,327
Interest on long-term debt	340,526	321,242	-	-	340,526	321,242
Total expenses	14,363,856	14,356,412	5,975,235	5,381,327	20,339,091	19,737,739
Increase (decrease) in net position before transfers	481,691	(487,861)	1,344,634	1,283,096	1,826,325	795,235
Transfers in (out)	1,500,896	1,543,253	(1,500,896)	(1,543,253)	-	-
Increase (decrease) in net position	1,982,587	1,055,392	(156,262)	(260,157)	1,826,325	795,235
Net position beginning	2,810,964	2,548,738	15,776,403	16,149,119	18,587,367	18,697,857
Adjustment for PPA	-	(793,166)	-	(112,559)	-	(905,725)
Net position beginning as restated	2,810,964	1,755,572	15,776,403	16,036,560	18,587,367	17,792,132
Net position ending	\$ 4,793,551	\$ 2,810,964	\$ 15,620,141	\$ 15,776,403	\$ 20,413,692	\$ 18,587,367

(\*) Balances for September 30, 2018 have been restated for adjustments to beginning net position due to the implementation of GASB Statement No. 75.

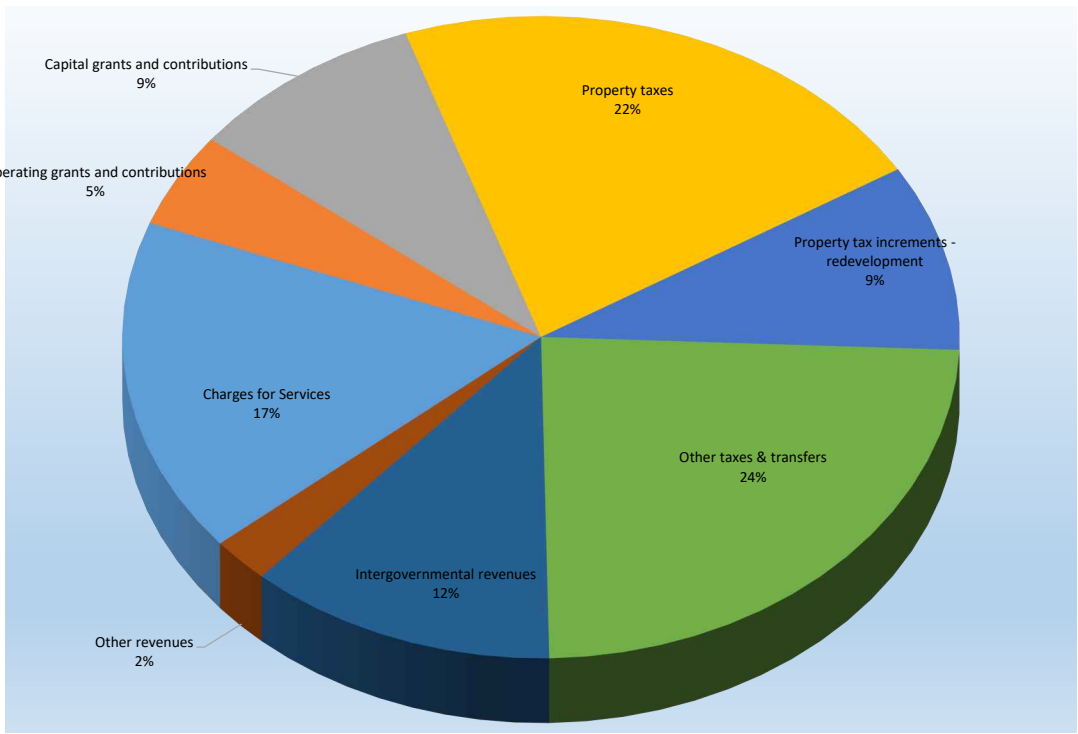
### Business-type Activities.

For the City's business-type activities, the results for the current fiscal year were a decrease in overall net position to reach an ending balance of \$15,620,141. The total decrease in net position for business-type activities was \$156,262.

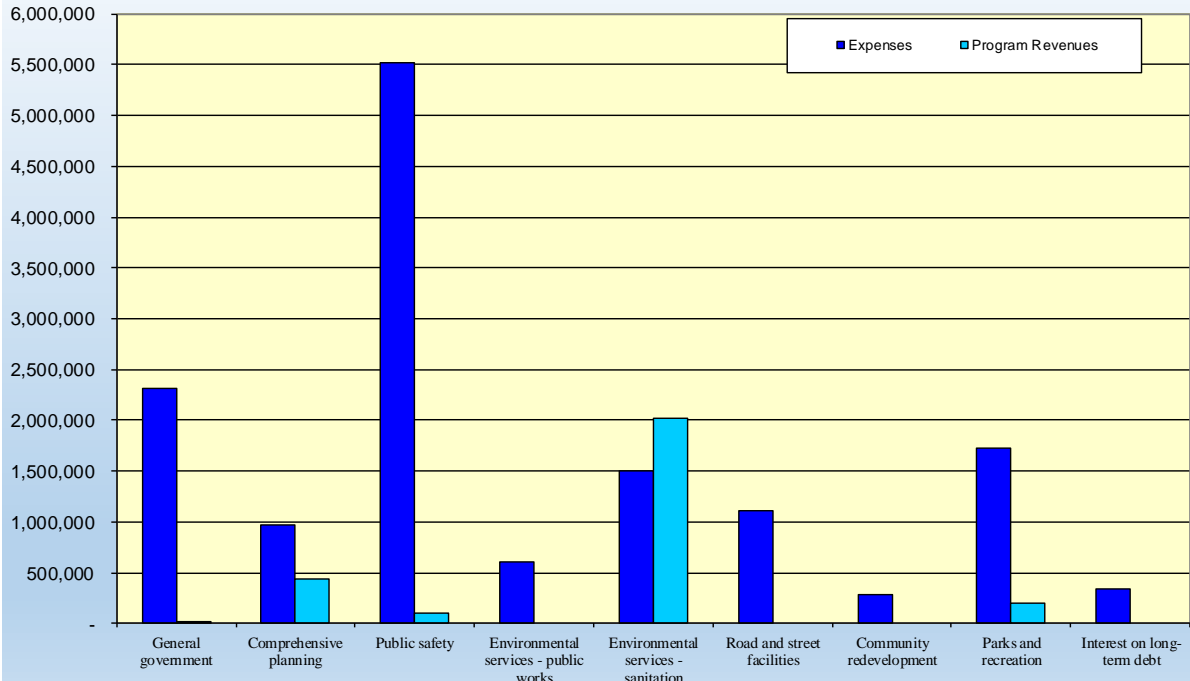
The major source of operating revenue for the City's business-type activities is charges for services. Charges for services is comprised of water sales (\$2,779,994), stormwater management fees (\$1,057,441), and sewer charges (\$2,974,458). Total charges for service increased by \$270,486 and totaled \$6,811,893 for 2019 in comparison with \$6,541,407 for the prior year. A portion of this increase in charges for services can be attributed to council approved increases in water and sewer rates based on the implementation of a water and sewer rate study in September of 2019.

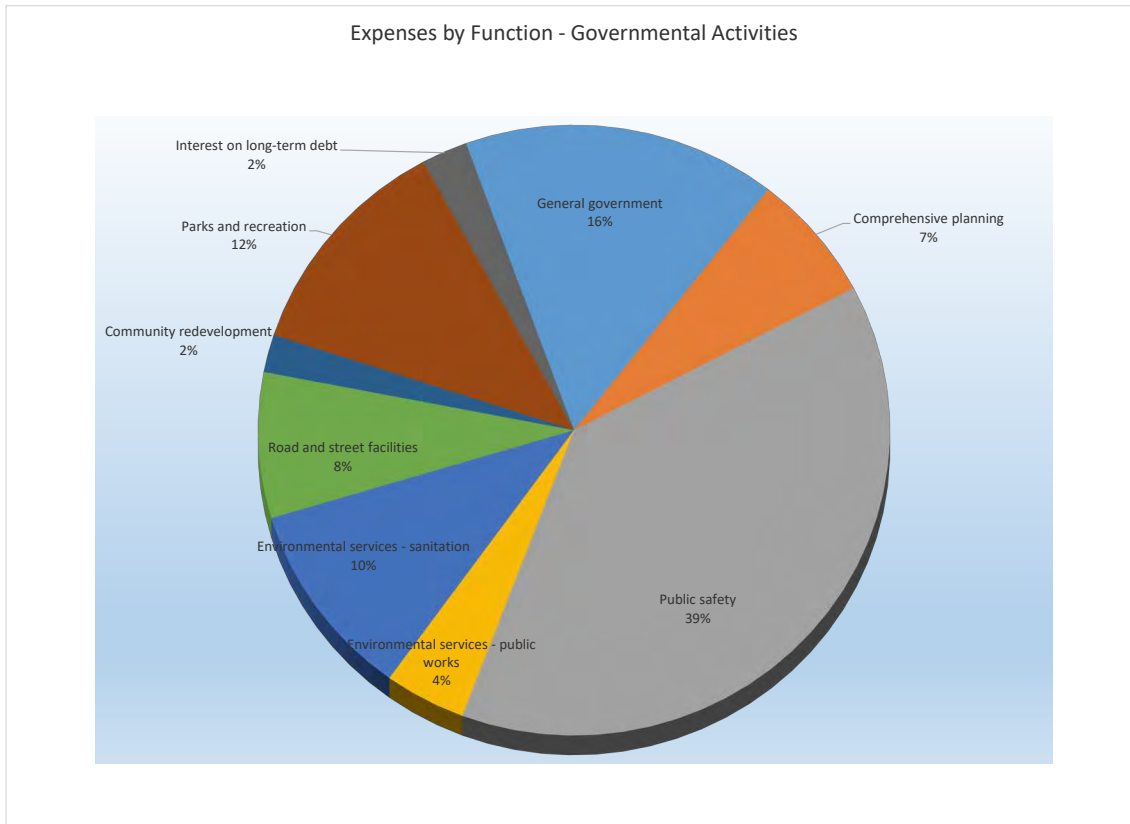
Total expenses of the City's business-type activities totaled \$5,975,235 in 2019, compared to \$5,381,327 in 2018. This increase was primarily attributable to increases in reimbursable operating expenditures for the ongoing septic to sewer grant program of \$438,750.

Revenues by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities





**Financial Analysis of Governmental Funds**

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

**Governmental Funds.**

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City’s Council.

At September 30, 2019, the City’s governmental funds reported combined fund balances of \$3,345,684, an increase of \$447,094 in comparison with the prior year balance. The increase in governmental funds was in part due to budgeted transfers to reserves to increase unassigned fund balance in the general fund and budgeted transfers to reserves restricted for future debt service in the general fund and the redevelopment trust fund. Approximately 40.1% of this amount (\$1,341,280) constitutes unassigned fund balance. The remainder of the fund balance is either non-spendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$873,787), 2) restricted or committed for particular purposes (\$1,050,117), or 3) assigned for particular purpose (\$80,500).

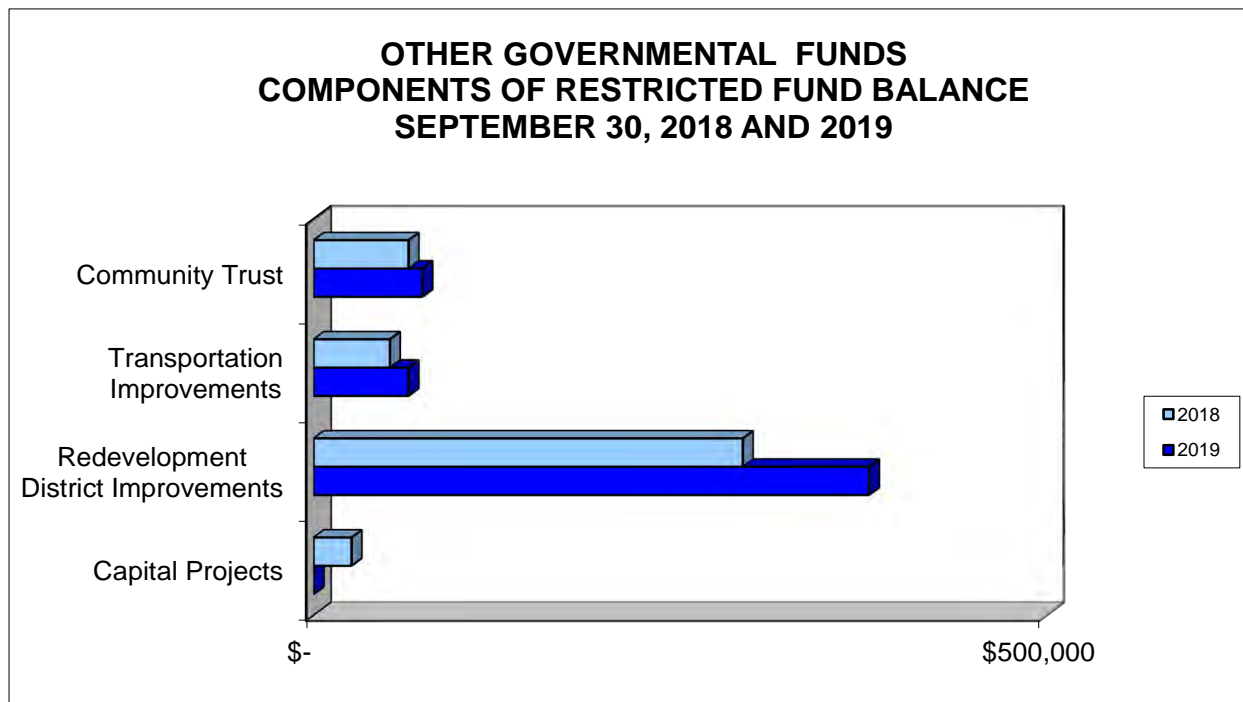
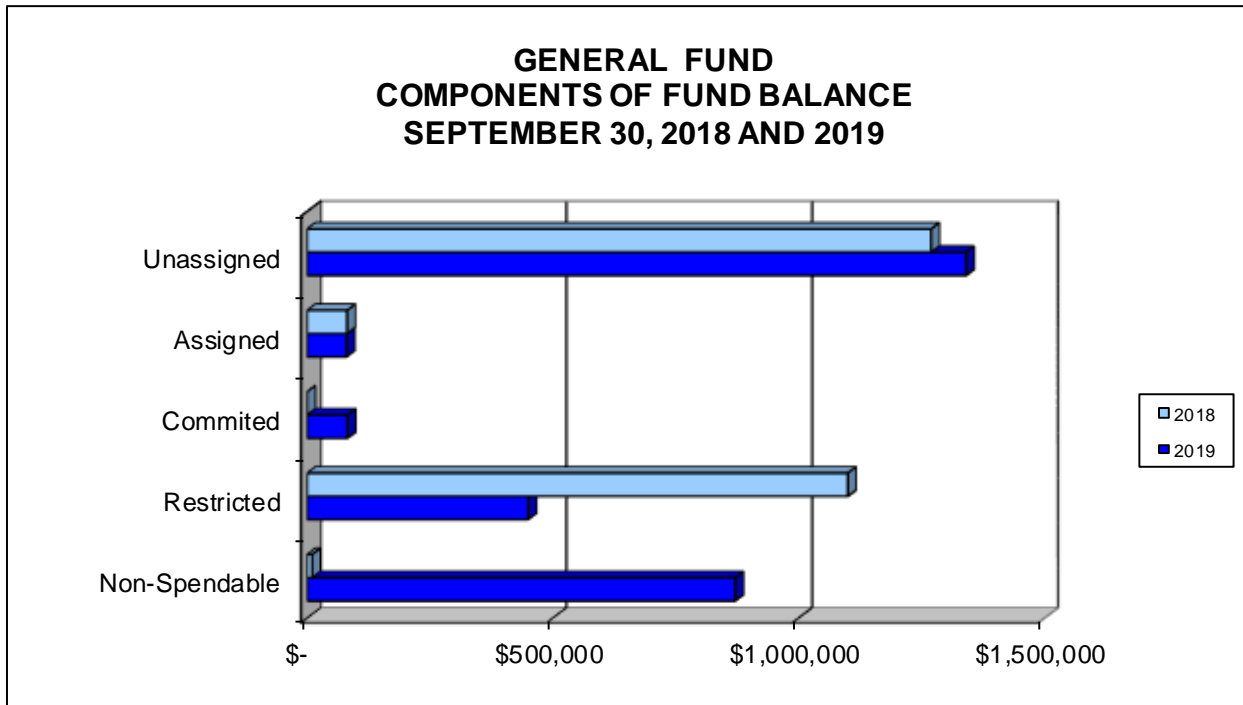
The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,341,280, while total fund balance increased to \$2,826,058.

The fund balance of the City’s General Fund increased by \$365,581 during the current fiscal year. The increase was, in part, due to the aforementioned budgeted transfers to reserves to restore unassigned fund balance and to restrict funds for future debt service payments. A portion of general fund unassigned balance reported in prior years related to an advance to the Utility Service Fund has now been classified as non-spendable fund balance.

The fund balance of the City’s Redevelopment Trust Fund increased by \$86,135 during the current fiscal year. This increase is a result of budgeted transfers to reserves that is restricted for debt service payments to be made in

following years.

The transportation fund balance increased by \$12,187 primarily due to increases in motor tax revenues over the prior year and expenditures less than budgeted. Fund balance that remains in the transportation fund will be used to fund transportation related capital projects and expenditures in future years.



**Proprietary Funds.** The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Utility Service Fund at the end of the year was a deficit of \$1,832,330. The total decrease in net position for the utility service fund was \$156,262. As noted earlier in the discussion of business-type activities, the decrease in the Utility Service Fund was due to increases in expenses related to the recognition of pension and OPEB related flows and liabilities..

### **General Fund Budgetary Highlights**

**Original budget compared to final budget.** During the year, a mid-year budget amendment was made to adjust the original estimated revenues or budget appropriations. The significant variances between the original budget and final amended budget are as follows:

- Debt service expenditures were increased by \$978,992 primarily due to the early repayment of the Hurricane Irma grant anticipation loan for \$1,000,000.
- The transfers from reserves were increased by \$897,894 as a result of an additional council approved debt service payment for the Hurricane Irma loan.
- Transfers to reserves were increased by approximately \$229,000 due to the receipt of unbudgeted one time revenues received for insurance reimbursements (\$101,565) and code enforcement fines (\$43,000) and reductions in other expenditures.

Generally, other movement of the appropriations between departments were not significant.

**Final budget compared to actual results.** Revenues reported an overall positive variance in the General Fund with actual revenues higher than the final FY 2019 Budget by \$126,360. The majority of this variance is primarily due to the following:

- State grants were \$51,691 under budget due to a Florida Recreation Development Assistance Program parks grant of \$50,000 not being received.
- Grants—other local units were \$132,602 under budget due to a parks grant of \$123,000 from Daytona Recreation and Racing not being received during the fiscal year.
- Intergovernmental revenue was \$88,159 over budget primarily due to accruing another month of sales tax of \$53,688 to match the revenue accrual to the month the revenue was earned and the receipt of a state revenue sharing adjustment in the amount of \$23,677.
- Charges for service was \$56,331 over budget due to revenues being higher than anticipated for commercial garbage, summer camp, and baseball fees.
- Fines and forfeitures were \$69,647 over budget from code enforcement violations received.

Expenditures reported an overall positive variance in the General Fund with actual expenditures lower than the final FY 2019 Budget by \$653,121. This variance is attributed to a continued focus on cost containment efforts, salary attrition due to vacancies across the community development, fire, police and parks departments, and postponing capital outlay until grant funds are received for the projects.

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

#### **Capital Assets.**

At September 30, 2019, the City’s investment in capital assets for its governmental and business type activities totaled \$42,246,442 (net of accumulated depreciation of \$54,257,501) a decrease from \$42,715,823 from the prior year. This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads and bridges. Decreases to capital assets occur when accumulated depreciation expense for the year is greater than capital acquisitions. The total decrease in capital assets for the current fiscal year was approximately 1.1%.

Major capital asset events during the current fiscal year included the following:

- Recognizing the Cell Phone tower fair market value of \$1,500,000.
- Addition of Police Vehicles through Capital Lease of \$197,020.

City of South Daytona's Capital Assets  
(net of depreciation)

Capital Assets as of September 30,	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
	Land	\$ 2,831,637	\$ 2,831,637	\$ 3,915,623	\$ 3,915,623	\$ 6,747,260
Construction in progress	2,701	4,830	-	2,100	2,701	6,930
Buildings and improvements	17,386,696	16,946,225	16,994,321	17,918,374	34,381,017	34,864,599
Machinery and equipment	372,682	336,625	742,782	760,409	1,115,464	1,097,034
	<u>\$ 20,593,716</u>	<u>\$ 20,119,317</u>	<u>\$ 21,652,726</u>	<u>\$ 22,596,506</u>	<u>\$ 42,246,442</u>	<u>\$ 42,715,823</u>

Additional information on the City's capital assets can be found in Note 9 to the financial statements, on pages 67 - 68.

City of South Daytona Outstanding Debt As of September 30,						
Credit Facility	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Long Term Debt</b>						
State Revolving Loan	-	-	2,346,889	2,774,561	2,346,889	2,774,561
Notes Payable	3,248,094	4,817,165	-	-	3,248,094	4,817,165
Capital Improvement Notes	4,943,916	5,688,932	1,895,772	2,364,637	6,839,688	8,053,569
Capital Leases	224,567	78,636	187,419	246,117	411,986	324,753
<b>Total Long Term Debt</b>	<u>8,416,577</u>	<u>10,584,733</u>	<u>4,430,080</u>	<u>5,385,315</u>	<u>12,846,657</u>	<u>15,970,048</u>

**Outstanding Debt.** During the current fiscal year, the City decreased outstanding debt by \$3,123,391. At year-end, the City had \$12,846,657 in long-term notes and capital lease obligations outstanding. More detailed information about the City's long-term debt is presented in Notes 10 & 11 of the financial statements on pages 69 - 75.

**State Revolving Loans.** The City has three revenue note obligations payable to the State of Florida, Department of Environmental Protection State Revolving Fund Loan Program totaling \$2,346,889 at year-end. The proceeds of these loans were used to finance the construction of needed stormwater drainage and sanitary sewer improvements in Palm Grove and a sanitary sewer installation in Country Club Garden subdivision. These notes are collateralized by the City's utility revenues and are payable in varying amounts through 2026.

**Notes Payable.** During fiscal year 2014, the City secured a \$4,109,102 note to refund a line of credit from Wells Fargo Bank. The terms of the loan include a fixed rate of 2.65% and a maturity date of June 30, 2023. On November 30, 2016 the City received a note of \$401,000 funding capital acquisitions made during the fiscal year ended September 30, 2016. The interest rate is a fixed rate of 2.67% with a maturity date of November 1, 2023. The principal balance of these notes are \$3,248,094 as of September 30, 2019.

**Capital Improvement Notes.** During fiscal year 2004-2005, the City secured a \$15,000,000 working capital line of credit from Wells Fargo (formerly Wachovia) Bank to cover the timing differences between Utility System Fund capital outlay and receipt of reimbursement grant funds. In fiscal year 2011, the revolving line was converted to a term loan. The collective balance owed to Wells Fargo Bank at September 30, 2019 is \$1,186,842. Of this amount owed, \$1,026,448 is recognized as debt of governmental activities while the remaining balance of \$160,394 is recorded in the Utility Service Fund.



The City had an additional note payable to Wells Fargo Bank at year end in the amount of \$933,815. This represents the principal balance remaining of the \$6,500,000 loan taken in January 2004 by the Redevelopment Trust Fund for U.S. 1 corridor improvements.

During fiscal year 2014 the City secured a \$4,200,000 Capital Improvement Note #109 with a maturity of November 1, 2028 and an interest rate of 3.29%. The purpose of this note was to pay off part of a Wells Fargo revolving line of credit # 91, fund capital improvement projects and included \$2,500,000 for efforts to acquire the electric utility system. The outstanding amount at fiscal year end was \$2,983,653.

The City's Utility Fund converted a \$7,000,000 line of credit into a term loan during the fiscal year ended September 30, 2011. The interest rate is 5.17% fixed with a maturity date of December 14, 2021. The balance at September 30, 2019 was \$1,189,378.

The City's Utility System Fund secured an additional \$891,000 credit facility in March, 2013 to refund the then existing Note Payable to City of Daytona Beach. The interest rate is 2.49% fixed with annual debt service payments beginning July 2014 and concluding in 2027. The balance at September 30, 2019 was \$546,000.

**Capital Leases.** The City has outstanding capital lease obligations payable to various financial institutions in the amount of \$411,986. These obligations are used to fund capital equipment purchases on an annual basis and have staggered and varying maturity dates.

The City Charter does not limit the amount of debt the City may incur.

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

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

- The most recent figures available for unemployment data in Volusia County, Florida are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Information Database Application (FREIDA). This agency reports county-wide unemployment rate of 3.2% a decrease from the rate of 3.5% experienced one year earlier. These estimates are consistent with the state's 3.2% unemployment rate.
- Water and sewer rates remained constant in the first 11 months of FY 2019. City council updated water and sewer rates in September 2019 based on a water sewer rate study completed in FY 2019. The new rates for water and sewer include a 3.5% annual consumer price index increase for fiscal years 2021-2024. The City also instituted a minimum bill for all customer accounts. These new rates are expected to restore cash and reserve balances in the Utility Service Fund. Refuse rates are updated October 1st each year and are set to change pursuant to fuel price and CPI changes.
- The budget process of recovering from one of the deepest recessions in national history has left the City with many challenges including deferred maintenance, deferred capital improvements and reduced staff.
- For fiscal year 2020, the City has adopted a millage rate equivalent to 7.7500 mills per \$1,000 of taxable valuation which represents a 0.4006 mill or 5.45% increase above the rolled-back millage rate of 7.3494 mills as established by the Volusia County Property Appraiser. The millage rate consists of .40000 mills that will be reserved for debt service to provide a funding mechanism to meet scheduled debt service increases and a scheduled balloon payment in future years.

#### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Finance Director, City of South Daytona, Florida, 1672 South Ridgewood Avenue, South Daytona, Florida 32119.





## **BASIC FINANCIAL STATEMENTS**



**City of South Daytona, Florida**  
**Statement of Net Position**  
**September 30, 2019**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,190,861	\$ -	\$ 2,190,861
Receivables, net	553,872	1,008,703	1,562,575
Due from other governments	503,458	25,749	529,207
Inventory and prepaids	22,566	3,046	25,612
Internal balances	852,397	(852,397)	-
Restricted assets:			
Cash and cash equivalents:	-	196,478	196,478
Capital assets:			
Nondepreciable assets	2,834,338	3,915,623	6,749,961
Depreciable assets, net	17,759,378	17,737,103	35,496,481
Total assets	<u>24,716,870</u>	<u>22,034,305</u>	<u>46,751,175</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred charges on debt refundings	-	49,355	49,355
Deferred outflows on pension and OPEB	3,601,722	178,436	3,780,158
<b>Total deferred outflows of resources</b>	<u>3,601,722</u>	<u>227,791</u>	<u>3,829,513</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	544,337	421,656	965,993
Unearned revenue	123,140	-	123,140
Payable from restricted assets:			
Current maturities of state revolving loan payable	-	438,170	438,170
Accrued interest payable	105,496	80,083	185,579
Customer deposits payable	8,620	887,547	896,167
Noncurrent liabilities:			
Due within one year	1,565,042	562,485	2,127,527
Due in more than one year	20,169,431	4,199,797	24,369,228
Total liabilities	<u>22,516,066</u>	<u>6,589,738</u>	<u>29,105,804</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflows on pension and OPEB	1,008,975	52,217	1,061,192
<b>Total deferred inflows of resources</b>	<u>1,008,975</u>	<u>52,217</u>	<u>1,061,192</u>
<b>NET POSITION</b>			
Net investment in capital assets	12,177,138	17,272,002	29,449,140
Restricted for:			
Capital projects	5,144	50,361	55,505
Debt service	426,611	130,108	556,719
Redevelopment	296,877	-	296,877
Police confiscation	43,014	-	43,014
Transportation	64,257	-	64,257
Other purposes	133,813	-	133,813
Unrestricted	(8,353,303)	(1,832,330)	(10,185,633)
Total Net Position	<u>\$ 4,793,551</u>	<u>\$ 15,620,141</u>	<u>\$ 20,413,692</u>

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

City of South Daytona, Florida  
Statement of Activities  
For the Year Ended September 30, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,311,135	\$ 1,854	\$ -	\$ 1,500,000	\$ (809,281)	\$ -	\$ (809,281)
Comprehensive planning	970,206	438,263	-	-	(531,943)	-	(531,943)
Public safety	5,524,599	97,844	154,928	3,823	(5,268,004)	-	(5,268,004)
Environmental services- public works	600,151	-	198,488	-	(401,663)	-	(401,663)
Environmental services- sanitation	1,495,970	2,024,438	-	-	528,468	-	528,468
Road and street facilities	1,107,544	-	426,299	-	(681,245)	-	(681,245)
Community redevelopment	284,926	-	-	-	(284,926)	-	(284,926)
Parks and recreation	1,728,799	198,526	-	-	(1,530,273)	-	(1,530,273)
Interest on long-term debt	340,526	-	-	-	(340,526)	-	(340,526)
Total governmental activities	14,363,856	2,760,925	779,715	1,503,823	(9,319,393)	-	(9,319,393)
<b>Business-type activities:</b>							
Utility service	5,975,235	6,811,893	388,090	9,859	-	1,234,607	1,234,607
Total business-type activities	5,975,235	6,811,893	388,090	9,859	-	1,234,607	1,234,607
Total primary government	\$ 20,339,091	\$ 9,572,818	\$ 1,167,805	\$ 1,513,682	(9,319,393)	1,234,607	(8,084,786)
<b>General revenues:</b>							
Property taxes					3,514,933	-	3,514,933
Property tax increments - redevelopment					1,534,641	-	1,534,641
Franchise taxes					776,487	-	776,487
Utility taxes					1,258,971	-	1,258,971
Communication service tax					394,341	-	394,341
Intergovernmental revenue - unrestricted					1,950,637	-	1,950,637
Investment revenue					7,460	5,691	13,151
Miscellaneous					358,375	104,336	462,711
Gain (loss) on sale of capital assets					5,239	-	5,239
Transfers					1,500,896	(1,500,896)	-
Total general revenues and transfers					11,301,980	(1,390,869)	9,911,111
Change in net position					1,982,587	(156,262)	1,826,325
Net position - beginning					2,810,964	15,776,403	18,587,367
Net position - ending					\$ 4,793,551	\$ 15,620,141	\$ 20,413,692

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

**City of South Daytona, Florida**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2019**

	<b>General Fund</b>	<b>Redevelopment Trust Fund</b>	<b>Transportation Fund</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,578,454	\$ 392,364	\$ 52,876	\$ 75,127	\$ 2,098,821
Receivables-net of allowance	535,932	-	-	17,940	553,872
Due from other governments	448,904	-	54,554	-	503,458
Prepays and deposits	5,521	-	-	2,259	7,780
Advances to other funds	866,007	-	-	-	866,007
Total assets	<u>\$ 3,434,818</u>	<u>\$ 392,364</u>	<u>\$ 107,430</u>	<u>\$ 95,326</u>	<u>\$ 4,029,938</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and other current liabilities	\$ 480,620	\$ 13,448	\$ 43,173	\$ 827	\$ 538,068
Unearned revenue	119,520	-	-	3,620	123,140
Due to other funds	-	-	-	14,426	14,426
Customer deposits payable	8,620	-	-	-	8,620
Total liabilities	<u>608,760</u>	<u>13,448</u>	<u>43,173</u>	<u>18,873</u>	<u>684,254</u>
Fund balances:					
Non-spendable for:					
Prepaid assets	5,521	-	-	2,259	7,780
Long-term interfund advances	866,007	-	-	-	866,007
Restricted for:					
Debt Service	344,572	82,039	-	-	426,611
Redevelopment trust fund	-	296,877	-	-	296,877
Police confiscation fund	43,014	-	-	-	43,014
Public safety	5,144	-	-	-	5,144
Transportation	-	-	64,257	-	64,257
Community Trust	-	-	-	74,194	74,194
Parks and recreation	57,360	-	-	-	57,360
Committed:					
Tree replacement	82,660	-	-	-	82,660
Assigned:					
Cell tower maintenance	50,000	-	-	-	50,000
Donations	30,500	-	-	-	30,500
Unassigned	1,341,280	-	-	-	1,341,280
Total fund balance	<u>2,826,058</u>	<u>378,916</u>	<u>64,257</u>	<u>76,453</u>	<u>3,345,684</u>
Total liabilities and fund balance	<u>\$ 3,434,818</u>	<u>\$ 392,364</u>	<u>\$ 107,430</u>	<u>\$ 95,326</u>	<u>\$ 4,029,938</u>

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

**City of South Daytona, Florida**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**September 30, 2019**

Amounts reported for governmental activities in the statement of net position (page 41) are different because:

Total fund balances-governmental funds (page 43)		\$	3,345,684
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.</p>			
Governmental capital assets			53,198,654
Accumulated depreciation			(32,747,351)
			20,451,303
<p>Internal service funds are used by management to charge the costs of fleet lease maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.</p>			
			142,413
<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>			
Deferred Outflows on Pension and OPEB			3,576,591
Deferred Inflows on Pension and OPEB			(1,001,468)
			2,575,123
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>			
Capital lease payable			(224,567)
Notes payable			(8,192,008)
Compensated absences			(862,433)
Accrued interest payable			(105,497)
Total Other Post Employment Benefits Liability			(1,444,824)
Net Pension Liability			(10,891,643)
			(21,720,972)
Net position of governmental activities		\$	4,793,551

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



**City of South Daytona, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Period Ended September 30, 2019**

	<u>General Fund</u>	<u>Redevelopment Trust Fund</u>	<u>Transportation Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Property taxes	\$ 3,514,933	\$ 1,534,641	\$ -	\$ -	\$ 5,049,574
Franchise taxes	776,487	-	-	-	776,487
Utility taxes	1,258,971	-	-	-	1,258,971
Communication service tax	394,341	-	-	-	394,341
Business tax receipts and permits	341,729	-	-	-	341,729
Motor fuel taxes	-	-	384,669	-	384,669
Federal grants	239,548	-	9,318	-	248,866
State grants	23,837	-	32,312	-	56,149
Grants - other local units	93,855	-	-	-	93,855
Intergovernmental revenue	1,943,253	-	7,384	-	1,950,637
Charges for services	2,263,349	-	-	-	2,263,349
Fines and forfeitures	155,847	-	-	-	155,847
Miscellaneous	279,252	-	8,817	77,766	365,835
Total revenues	<u>11,285,402</u>	<u>1,534,641</u>	<u>442,500</u>	<u>77,766</u>	<u>13,340,309</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,008,212	-	-	-	2,008,212
Comprehensive planning	919,078	-	-	2,879	921,957
Public safety	4,568,679	-	-	-	4,568,679
Environmental services - public works	356,331	-	-	-	356,331
Environmental services - sanitation	1,495,970	-	-	-	1,495,970
Road and street facilities	-	-	551,802	-	551,802
Community redevelopment	-	256,448	-	-	256,448
Parks and recreation	1,429,226	-	-	8,129	1,437,355
Capital outlays	249,473	2,700	14,504	-	266,677
Debt service:					
Principal	2,186,695	178,481	-	-	2,365,176
Interest	309,336	58,427	-	-	367,763
Total expenditures	<u>13,523,000</u>	<u>496,056</u>	<u>566,306</u>	<u>11,008</u>	<u>14,596,370</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(2,237,598)</u>	<u>1,038,585</u>	<u>(123,806)</u>	<u>66,758</u>	<u>(1,256,061)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Transfers in	2,783,135	-	431,415	-	3,214,550
Transfers out	(382,215)	(952,450)	(295,422)	(83,567)	(1,713,654)
Sale of capital assets	5,239	-	-	-	5,239
Issuance of debt	197,020	-	-	-	197,020
Total other financing sources (uses)	<u>2,603,179</u>	<u>(952,450)</u>	<u>135,993</u>	<u>(83,567)</u>	<u>1,703,155</u>
Net change in fund balances	365,581	86,135	12,187	(16,809)	447,094
Fund balances-beginning	<u>2,460,477</u>	<u>292,781</u>	<u>52,070</u>	<u>93,262</u>	<u>2,898,590</u>
Fund balances-ending	<u>\$ 2,826,058</u>	<u>\$ 378,916</u>	<u>\$ 64,257</u>	<u>\$ 76,453</u>	<u>\$ 3,345,684</u>

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

**City of South Daytona, 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**

Amounts reported for governmental activities in the statement of activities (page 42) are different because:

Net change in fund balances-total governmental funds (page 45) \$ 447,094

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

Expenditures for capital assets	266,677	
Expense capital asset disposal	(4,830)	
Less current year depreciation	(1,284,567)	(1,022,720)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations and contributions) is to increase net position. 1,500,000

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 current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 2,168,156

The (increase) decrease in net pension liabilities, deferred outflows and inflows and postemployment benefits costs are reported in the statement of activities, but not in the individual government fund statements. (1,295,548)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in compensated absences liabilities	171,710	
Change in accrued interest on notes	27,239	
Change in total Other Post Employment Benefits liability	(10,463)	188,486

The internal service funds are used by management to charge the costs of fleet management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. (2,881)

Change in net position of governmental activities. \$ 1,982,587

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

**City of South Daytona, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Period Ended September 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-</u>
				<u>Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 3,485,216	\$ 3,485,216	\$ 3,514,933	\$ 29,717
Franchise taxes	827,800	773,800	776,487	2,687
Utility taxes	1,333,750	1,243,750	1,258,971	15,221
Communication service tax	380,000	380,000	394,341	14,341
Business tax receipts and permits	350,800	350,800	341,729	(9,071)
Federal grants	145,945	222,523	239,548	17,025
State grants	50,000	75,528	23,837	(51,691)
Grants - other local units	226,457	226,457	93,855	(132,602)
Intergovernmental revenue	1,907,671	1,855,094	1,943,253	88,159
Charges for services	2,169,691	2,207,018	2,263,349	56,331
Fines and forfeitures	43,200	86,200	155,847	69,647
Miscellaneous	151,091	252,656	279,252	26,596
Total revenues	<u>11,071,621</u>	<u>11,159,042</u>	<u>11,285,402</u>	<u>126,360</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,064,524	2,074,681	2,008,212	66,469
Comprehensive planning	970,590	1,010,995	919,078	91,917
Public safety	4,670,181	4,763,576	4,568,679	194,897
Environmental services - public works	441,242	359,370	356,331	3,039
Environmental services - sanitation	1,459,381	1,497,897	1,495,970	1,927
Parks and recreation	1,498,721	1,574,982	1,429,226	145,756
Contingency	314,727	-	-	-
Capital outlays	398,500	398,500	249,473	149,027
Debt service:				
Principal	1,207,705	2,186,697	2,186,695	2
Interest	313,531	309,423	309,336	87
Total expenditures	<u>13,339,102</u>	<u>14,176,121</u>	<u>13,523,000</u>	<u>653,121</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(2,267,481)</u>	<u>(3,017,079)</u>	<u>(2,237,598)</u>	<u>779,481</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers in	2,879,132	2,879,132	2,783,135	(95,997)
Transfer from reserve	113,331	1,011,225	-	(1,011,225)
Transfers out	(556,390)	(475,657)	(382,215)	93,442
Transfer to reserves	(368,592)	(597,621)	-	597,621
Sale of capital assets	-	-	5,239	5,239
Debt proceeds	200,000	200,000	197,020	(2,980)
Total other financing sources (uses)	<u>2,267,481</u>	<u>3,017,079</u>	<u>2,603,179</u>	<u>(413,900)</u>
Net change in fund balances	-	-	365,581	365,581
Fund balances-beginning	<u>2,460,477</u>	<u>2,460,477</u>	<u>2,460,477</u>	<u>-</u>
Fund balances-ending	<u>\$ 2,460,477</u>	<u>\$ 2,460,477</u>	<u>\$ 2,826,058</u>	<u>\$ 365,581</u>

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

**City of South Daytona, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Redevelopment Trust Fund**  
**For the Period Ended September 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 1,474,028	\$ 1,534,641	\$ 1,534,641	\$ -
Total revenues	<u>1,474,028</u>	<u>1,534,641</u>	<u>1,534,641</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Community redevelopment	257,570	266,114	256,448	9,666
Contingency:	6,332	-	-	-
Capital outlays	-	4,500	2,700	1,800
Debt service:				
Principal	178,481	178,481	178,481	-
Interest	58,427	58,427	58,427	-
Total expenditures	<u>500,810</u>	<u>507,522</u>	<u>496,056</u>	<u>11,466</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>973,218</u>	<u>1,027,119</u>	<u>1,038,585</u>	<u>11,466</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers out	<u>(963,487)</u>	<u>(963,487)</u>	<u>(952,450)</u>	<u>11,037</u>
Total other financing sources (uses)	<u>(963,487)</u>	<u>(963,487)</u>	<u>(952,450)</u>	<u>11,037</u>
Net change in fund balances	9,731	63,632	86,135	22,503
Fund balances-beginning	<u>292,781</u>	<u>292,781</u>	<u>292,781</u>	<u>-</u>
Fund balances-ending	<u>\$ 302,512</u>	<u>\$ 356,413</u>	<u>\$ 378,916</u>	<u>\$ 22,503</u>

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

**City of South Daytona, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Transportation Fund**  
**For the Period Ended September 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Motor fuel taxes	\$ 344,298	\$ 344,298	\$ 384,669	\$ 40,371
Federal grants	-	-	9,318	9,318
State grants	204,173	47,998	32,312	(15,686)
Intergovernmental revenue	6,800	6,800	7,384	584
Grants - other local units	675,000	-	-	-
Miscellaneous	-	659	8,817	8,158
Total revenues	<u>1,230,271</u>	<u>399,755</u>	<u>442,500</u>	<u>42,745</u>
<b>EXPENDITURES</b>				
Current:				
Road and street facilities	611,818	579,738	551,802	27,936
Capital outlays	976,175	46,076	14,504	31,572
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,587,993</u>	<u>625,814</u>	<u>566,306</u>	<u>59,508</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(357,722)</u>	<u>(226,059)</u>	<u>(123,806)</u>	<u>102,253</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers in	621,892	530,148	431,415	(98,733)
Transfers out	<u>(316,345)</u>	<u>(316,345)</u>	<u>(295,422)</u>	<u>20,923</u>
Total other financing sources (uses)	<u>305,547</u>	<u>213,803</u>	<u>135,993</u>	<u>(77,810)</u>
Net change in fund balances	(52,175)	(12,256)	12,187	24,443
Fund balances-beginning	52,070	52,070	52,070	-
Fund balances-ending	<u>\$ (105)</u>	<u>\$ 39,814</u>	<u>\$ 64,257</u>	<u>\$ 24,443</u>

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

City of South Daytona, Florida  
Statement of Net Position  
Utility Service Fund  
September 30, 2019

ASSETS	Utility Service	Internal Service Fund
Current assets:		
Cash and cash equivalents - unrestricted	\$ -	\$ 92,040
Receivables, net	1,008,703	-
Due from other governments	25,749	-
Inventory	-	14,786
Prepays	2,046	-
Deposits	1,000	-
Due from other funds	14,426	816
Restricted cash and cash equivalents:		
State revolving loan reserve	146,117	-
Water/sewer impact fees	50,361	-
<b>Total current assets</b>	<u>1,248,402</u>	<u>107,642</u>
Noncurrent Assets:		
Capital assets:		
Land	3,915,623	-
Buildings and improvements other than buildings	36,869,194	-
Equipment	2,314,924	205,548
Accumulated depreciation	(21,447,015)	(63,135)
<b>Total noncurrent assets</b>	<u>21,652,726</u>	<u>142,413</u>
<b>Total assets</b>	<u>22,901,128</u>	<u>250,055</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred charges on debt refundings	49,355	-
Deferred outflows on pension and OPEB	178,436	25,131
<b>Total deferred outflow of resources</b>	<u>227,791</u>	<u>25,131</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and other current liabilities	421,656	6,268
Advances from other funds	866,823	-
Customer deposits payable	887,547	-
Current maturities of note payable	490,880	-
Accrued interest payable	80,083	-
Current maturities of lease obligations	60,546	-
Compensated absences	11,059	2,129
Payable from restricted assets:		
Current maturities of state revolving loan payable	438,170	-
<b>Total current liabilities</b>	<u>3,256,764</u>	<u>8,397</u>
Noncurrent liabilities:		
Note payable	1,404,892	-
State revolving loan payable	1,908,719	-
Obligations under capital lease	126,873	-
Compensated absences	62,803	13,286
Total Other Post Employment Benefit liability	182,679	33,214
Net Pension Liability	513,831	70,369
<b>Total noncurrent liabilities</b>	<u>4,199,797</u>	<u>116,869</u>
<b>Total liabilities</b>	<u>7,456,561</u>	<u>125,266</u>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred inflows on pension and OPEB	52,217	7,507
<b>Total deferred outflow of resources</b>	<u>52,217</u>	<u>7,507</u>
<b>NET POSITION</b>		
Net investment in capital assets	17,272,002	142,413
Restricted for:		
Capital projects	50,361	-
Debt Service	130,108	-
Unrestricted (deficit)	(1,832,330)	-
<b>Total net position</b>	<u>\$ 15,620,141</u>	<u>\$ 142,413</u>

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

**City of South Daytona, Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2019**

	<u>Business-type Activities</u> <u>Enterprise Funds</u>	<u>Governmental</u> <u>Activities</u>
	<u>Utility Service</u>	<u>Internal Service</u> <u>Fund</u>
<b>Operating Revenues:</b>		
Charges for services:		
Water sales	\$ 2,779,994	\$ -
Stormwater management fees	1,057,441	-
Sewer charges	2,974,458	-
Inter fund services provided	-	171,542
<b>Total Operating Revenues</b>	6,811,893	171,542
 <b>Operating expenses:</b>		
Water/sewer personal services	466,967	-
Water/sewer operating expenses	3,458,404	-
Stormwater control operating expenses	171,861	-
Fleet maintenance personal services	-	140,592
Fleet maintenance operating expenses	-	30,950
Utility billing personal services	409,713	-
Utility billing operating expenses	247,843	-
Depreciation and amortization	1,057,381	2,881
<b>Total Operating Expenses</b>	5,812,169	174,423
 <b>Operating Income (Loss)</b>	999,724	(2,881)
 <b>Nonoperating Revenues (Expenses):</b>		
Investment revenue	5,691	-
Intergovernmental	388,090	-
Other non-operating revenue	104,336	-
Interest expense	(163,066)	-
<b>Total Nonoperating Revenues (Expenses)</b>	335,051	-
 <b>Income (Loss) Before Capital Contributions and Transfers</b>	1,334,775	(2,881)
Capital contributions and grants	9,859	-
Transfers in	57,703	-
Transfers out	(1,558,599)	-
<b>Change in Net Position</b>	(156,262)	(2,881)
 <b>Total Net Position - Beginning</b>	15,776,403	145,294
 <b>Total Net Position - Ending</b>	\$ 15,620,141	\$ 142,413

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

**City of South Daytona, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2019**

(page 1 of 2)

	<b>Business-type Activities</b>	<b>Governmental</b>
	<b>Enterprise Funds</b>	<b>Activities</b>
	<b>Utility Service</b>	<b>Internal Service</b>
	<b>Funds</b>	<b>Funds</b>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers and users	\$ 6,724,925	\$ -
Cash received (paid) from interfund services provided	(145,900)	171,542
Cash paid for interfund services used	(42,885)	-
Cash paid to suppliers	(3,720,286)	(36,934)
Cash paid for employees	(718,174)	(137,849)
<b>Net Cash Provided by Operating Activities</b>	<b>2,097,680</b>	<b>(3,241)</b>
<b>Cash Flow from Noncapital Financing Activities</b>		
Transfers in from other funds	57,703	-
Transfers out to other funds	(1,558,599)	-
Decrease (increase) in loans to other funds	(14,426)	3,634
<b>Net Cash Used by</b>		
<b>Noncapital Financing Activities</b>	<b>(1,515,322)</b>	<b>3,634</b>
<b>Cash Flows from Capital and Related</b>		
<b>Financing Activities</b>		
Principal payments on loans	(955,235)	-
Interest paid	(174,994)	-
Acquisition of capital assets	(103,729)	-
Intergovernmental	388,090	-
Other non-operating revenue	104,336	-
Capital grants and contributions	9,859	-
<b>Net Cash Used by Capital and Related</b>		
<b>Financing Activities</b>	<b>(731,673)</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>		
Decrease in note receivable	4,334	-
Interest on investments	5,691	-
<b>Net Cash Provided by Investing</b>		
<b>Activities</b>	<b>10,025</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and</b>		
<b>Cash Equivalents</b>	<b>(139,290)</b>	<b>393</b>
Beginning cash and cash equivalents	335,768	91,647
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 196,478</b>	<b>\$ 92,040</b>

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



**City of South Daytona, Florida**  
**Statement of Cash Flows (continued)**  
**Proprietary Funds**  
**For the Year Ended September 30, 2019**

(page 2 of 2)

	<b>Business-type Activities</b>	<b>Governmental</b>
	<b>Enterprise Funds</b>	<b>Activities</b>
	<b>Utility Service</b>	<b>Internal Service</b>
		<b>Funds</b>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>		
Operating income (loss)	\$ 999,724	\$ (2,881)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities :		
Depreciation and amortization	1,057,381	2,881
Change in assets and liabilities:		
Accounts receivable	(198,643)	-
Due from other governments	53,240	-
Inventory	-	(6,646)
Prepaid expenses	9,693	-
Deposits	-	-
Accounts payable and accrued liabilities	104,415	512
Compensated absences	(2,500)	(164)
Other Post Employment Benefits	829	150
Net pension liability	161,006	2,907
Due to other funds	(145,900)	-
Customer deposits	58,435	-
<b>Total Adjustments</b>	<b>1,097,956</b>	<b>(360)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 2,097,680</b>	<b>\$ (3,241)</b>
 <b>Reconciliation of cash and cash equivalents to Balance Sheet</b>		
Cash and cash equivalents - unrestricted		
Unrestricted cash	\$ -	\$ 92,040
State revolving loan reserve	146,117	-
Water/sewer impact fees	50,361	-
<b>Total cash and cash equivalents</b>	<b>\$ 196,478</b>	<b>\$ 92,040</b>

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





## **NOTES TO THE FINANCIAL STATEMENTS**



**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Description of government-wide 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 and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**B. Reporting entity**

The City of South Daytona, Florida was incorporated in 1951 by adoption of its charter, under Chapter 27898, Special Acts of Florida. The legislative branch of the City is composed of an elected five-member City Council consisting of the Mayor and four council members. The City Council is governed by the City Charter and by state and local laws and regulations. The City Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council-appointed City Manager.

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

**Blended component units.** The Redevelopment Trust Fund is a special revenue fund used to account for the receipt and expenditure of property tax revenues from the tax increment financing district created to support City redevelopment. Although legally separate, the same elected City Council members serve as the governing board of the Redevelopment Trust Fund. Since the City is financially accountable for the operational activities of the Fund, its governing board is the same, and its relationship to the City is significant, its financial activities are reported on a blended basis as if it were part of the primary government as a special revenue fund. Separate financial statements for the Redevelopment Trust Fund are not published.

The Community Trust Fund was founded in 2008 as a legally separate tax-exempt entity as defined pursuant to section 501 (c)3 of the Internal Revenue Code. The City created this organization to help serve the needs of the community. This includes accepting donations to be used to help the needy or elderly maintain their homes, provide for public park improvements and to perform other services to the community that are within the purpose outlined by the Articles of Organization. It is governed by the same members of the City Council, and its chief executive officer is the City Manager. The balances and activities of the Community Trust Fund are included in the basic financial statements. The Community Trust Fund does not report separately issued financial statements.

**C. Basis of presentation—government-wide and fund financial statements**

The government-wide financial statements comprised of the Statement of Net position and the Statement of Activities report aggregated information for the overall government for all the activities of the primary government and the blended presented component unit. The primary government is reported in two columns to separately report governmental activities from business-type activities.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange revenues, are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds. The Statement of Net position presents the overall government's financial assets at year-end. The Statement of Activities presents direct expenses of a given function or segment offset by program revenues for the fiscal reporting period. The resulting net expense or revenue is then totaled and offset by general revenues producing the aggregate change in net position for the period. 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 of the government, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other non-exchange revenues not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual government funds and major individual business-type funds are reported in separate columns in the fund financial statements.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or as 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 sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Non-exchange transactions are grouped into four classes, based on their principal characteristics. The accounting treatment for each type of transaction is as follows:

*Derived Tax Revenue*, defined as assessments imposed on exchange transactions. Examples include: sales tax, franchise tax, public service taxes, etc. Assets from derived tax revenue are recognized in the period when the exchange transaction on which the tax is imposed or when resources are received, whichever occurs first. Revenues are recognized, net of estimated uncollectible amounts, in the same period that the assets are recognized. Resources received in advance are recorded as deferred revenue until the period of the exchange.

*Imposed Non-exchange Revenue*, result from assessments on non-governmental entities, other than assessments on exchange transactions. Examples include: ad valorem (property) taxes, fines and penalties, and property forfeitures. Assets from imposed non-exchange revenues are recognized in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Property taxes are recognized in the period for which the taxes are levied. All other imposed non-exchange revenues are recognized in the same period that the assets are recognized.

*Government-mandated Non-exchange Transactions*, frequently have established eligibility requirements before a transaction can occur. Examples include federal awards and state financial assistance. Until the requirements are met, the recipient does not have a receivable and the recognition of revenue received in advance is deferred. The providers (usually federal, state, and county governments) often offer resources on a reimbursement ("expenditure-driven") basis at the time the recipient has incurred allowable costs under the applicable program.

*Voluntary Non-exchange Transactions*, result from legislative or contractual agreements other than exchanges, entered into willingly by two or more parties. Examples include certain grants, entitlements, and donations by non-governmental entities. Principal characteristics of these types of transactions are (1) they are not imposed on the provider or recipient, and (2) fulfillment of eligibility requirements is essential for a transaction to occur. Assets and revenues are recognized when all applicable eligibility requirements, including time requirements, are met. Resources received in advance are reported as deferred revenue.

Proprietary fund financial statements are reported using the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred. The City's accounts are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The City reports the following major governmental funds:

*General Fund* - The General Fund is the principal fund of the City, which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the General Fund.

*Redevelopment Trust Fund* - The Redevelopment Trust Fund accounts for the financial activities of the Community Redevelopment Agency, whose endeavors include the revitalization of the City's blight areas. The expenditures of the redevelopment trust are from ad valorem taxes and tax incremental financing.

*Special Revenue Funds* - These funds are used to account for the proceeds of specific revenue sources (other than special assessments, or capital projects), which are legally restricted to finance particular functions or activities of the City. These funds include the Transportation Fund, established to account for expenditures for maintenance and repairs of roads and streets in the City. Financing for Transportation Fund expenditures include local option gas tax, county and state grants, and transfers from the General Fund.

The City reports the following major proprietary fund:

*Utility Service Fund* - The Utility Service Fund was established to account for the revenues and expenses associated with the provision of water, sewer, and stormwater services to the businesses and residents of the City.

Additionally, the City reports the following fund types:

*Capital Projects Funds* - Capital projects funds are used to account for the financial resources to be used for the acquisition or certain construction of major capital facilities (other than those financed by proprietary and trust funds), with a value of \$10,000 or greater.

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

*Community Trust Fund* - The Community Trust Fund is used to account for the financial resources and activities for the City's 501(c)(3) not for profit agency whose purpose is to help the needy maintain their homes, provide for public park improvements and perform other services for the community outside the normal scope of governmental activities.

Amounts reported in the funds as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances due to and due from these different types of activities within the primary government. Amounts payable and receivable between the primary government and its discretely presented component unit are reported on a separate line in both columns. The effect of internal service fund activity and similar internal allocations of overhead expenses are reported only by the function to which they are related.

The City reports as program revenues: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing activities. For the City, operating revenues come from water, sewer and a stormwater management fee, which are the principal ongoing operations of the Utility System Fund. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## **E. Assets, Liabilities, deferred outflows/inflows of resources, and net position/fund balance**

**1. Cash and cash equivalents.** The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**2. Concentration on Credit Risk.** State Statutes and City Resolution #95-12 govern the City's investment policies. These policies authorize the City to invest in bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America, interest bearing savings accounts, interest bearing certificates of deposit and interest bearing time deposits. The City's accounting policy is to report investments at fair value.

**3. 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 interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the government activities and business-type activities are reported in the government-wide financial statements accordingly.

All property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered quarterly. Unbilled accounts receivable are accrued by the City at September 30th, to recognize the sales revenues earned between the last meter reading date made in mid-September through the end of the fiscal year.

**4. Inventories and Prepaid Items.** The cost of inventory is accounted for on the consumption basis where inventories are charged as expenditures when used, rather than when purchased. All inventories are valued at cost, which approximated market, by using the first-in, first-out valuation method. The effect of this method is to flow the costs of the materials and supplies in the order in which they are purchased and to assign a balance sheet inventory valuation closer to current replacement value.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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

**6. Capital Assets.** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable government or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$750 or more and an estimated useful life of more than one-year. The capitalization policy for building and improvements other than buildings require assets with an initial cost to be \$5,000 or greater before it is capitalized. For all infrastructure assets, costs must exceed \$5,000 or more before the assets are capitalized. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Contributed assets are recorded at acquisition value as of the date received. Donated capital assets, donated work of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization.

Proprietary fund capital assets that are constructed include construction period interest that is capitalized net of interest earned on unexpended construction funds in accordance with the applicable provisions of the GASB Statement of Financial Accounting Standards Number 62, and therefore, depreciated over the remaining useful life of the related asset.

Maintenance and repairs of property, and replacements and renewals of items determined to be less than units of



property, are charged to operating expenses.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the assets over their estimated economic useful lives, which are as follows:

<u>Assets</u>	<u>Years</u>
Buildings.....	20-40 years
Improvement other than buildings.....	10-30 years
Equipment.....	3-30 years
Infrastructure.....	20-40 years

**7. Compensated Absences.** The portion of employees’ payroll costs paid subsequent to year-end attributable to services performed prior to year-end, including unpaid vacation and sick leave, is recorded and recognized as a current liability. The remainder of the liability for compensated absences payable beyond the current period is recorded as a long-term liability. City employees receive personal leave days to provide for all forms of leave as follows:

	<u>Annual Accrual</u>
30 days, but less than 4 years .....	22 Days
4 years, but less than 9 years .....	25 Days
9 years, but less than 14 years .....	30 Days
14 years, but less than 20 years .....	31 Days
20 years, but less than 25 years .....	32 Days
25 years, but less than 30 years .....	35 Days
More than 30 years .....	36 Days

**8. Deferred outflows/inflows of resources.** In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City only has three types deferred outflows of resources: 1) the deferred charge on refunding reported in the business-type activities. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt, 2) the City reports and amount related to pension liabilities associated with the Florida Retirement System (FRS) and Florida Retirement System Health Insurance Subsidy (HIS). Deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. A deferred amount in pension results from the recognition of the City’s proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to the pension plan. The deferred outflow will be recognized as either pension expense or a reduction in the net pension liabilities in future reporting years. 3) The City reports an amount related to other postemployment benefits on the government-wide financial statements.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two types of deferred inflows of resources: 1) amounts related to FRS and HIS pensions and 2) an amount related to other postemployment benefits. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**9. Pensions / Net Pension Liabilities.** In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting. In general, the City recognizes a net pension liability, which represents the City’s proportionate share of the excess of the total pension liability of the fiduciary net position of the plan reflected in the actuarial report provided by the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the FRS defined benefit plan and the HIS defined benefit plan, and additions to/deductions from FRS and the HIS fiduciary net

position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

**10. Postemployment Benefits Other Than Pensions (OPEB).** For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of South Daytona Postretirement Health Plan (CSDPHP) and additions to/deductions from CSDPHP's fiduciary net position have been determined on the same basis as they are reported by CSDPHP. For this purpose, CSDPHP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**11. Long-term Obligations.** In the government-wide financial statements and proprietary fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the fund financial statements, governmental fund types recognize premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**12. Net position flow assumption.** Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**13. Fund balance flow assumptions.** Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**14. Fund Balance policies.** Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Committed (restricted) fund balance consists of the following: *Capital Projects Fund*: Resources set aside for the purpose of capital expenditures such as park improvements and building additions within governmental funds. *Police Confiscation Fund*: Resources confiscated as a result of felony arrests. *Public Safety*: Impact fees for police and fire service set aside and used for enhancement of public safety infrastructure and equipment relative to incremental population increases. *Transportation*: Impact fees for road improvements set aside and used for enhancement of street and traffic infrastructure and equipment relative to incremental population increases. *Community Trust*: Fund balance for the Community Trust Fund, the 501c(3) entity described previously in paragraph D. *Parks and Recreation*: Impact fees for park improvements set aside and used for enhancement of parks and leisure services infrastructure and equipment relative to incremental population increases. Also included in this segregation of fund balance are any restricted donations made for the benefit of parks improvements.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City council has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. Assigned fund balance consists of the following: *Trees Replacement*: Revenues from tree permits set aside for the funding of the City's tree replacement initiatives.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. Policy guidelines set by the Council for budgetary and planning purposes require that unassigned fund balance in the general fund to be between ten and twenty percent of the following years budgeted expenditures as officially adopted by Resolution #12-09. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

**16. Reclassifications.** Certain amounts presented in prior year data may have been reclassified in order to be consistent with the current year's presentation.

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

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

Following the governmental fund balance sheet is a reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation. This report with the detailed explanations can be found on page 44.

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

Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances— total government funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation which can be found on page 46.

## **NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **Budget and Budgetary Accounting**

The City Council approves a total expenditure budget based on projected revenues. Annual budgets for all governmental and proprietary funds are adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The proprietary fund's budget is prepared on the full accrual basis of accounting. The City uses the following procedures in establishing budgetary data reflected in the accompanying financial statements:

1. Prior to September 30 of each year the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution.
4. The City Council, by ordinance, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Fund, Utility Service Fund and Internal Service Fund.
6. Budgets for the General, Special Revenue, and Capital Projects Funds are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). The budgets for the Enterprise Funds and Internal Service Fund are prepared on a non-GAAP basis since certain capital expenditures and debt repayments are included in the adopted budget.
7. The City Manager or Finance Director is authorized to transfer part or all of an unencumbered appropriation balance between departments within a fund; however, any revisions that alter the total appropriations of any fund must be approved by the City Council. The classification detail at which expenditures may not legally exceed appropriations is at the total fund level.
8. Appropriations shall lapse at the close of the fiscal year.

**NOTE 4 - PROPERTY TAX CALENDAR**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the offices of the County Property Appraiser and County Finance Director. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City was \$7.7500 mills for the year ended September 30, 2019.

The property tax calendar is as follows:

Valuation Date	January 1, 2018
Property Appraiser prepares the assessment roll with values as of January 1, 2018, submits preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.	July 1, 2018
City Council holds two required public hearings and adopts a budget and ad valorem tax Millage rate for the coming fiscal year.	September, 2018
Property Appraiser certified the assessment roll and all real and tangible personal property taxes are due and payable (Levy date).	November 1, 2018
A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2018 through March 2019, with the following applicable discounts:	
<u>Month Paid</u>	<u>Discount Percent</u>
November	4
December	3
January	2
February	1
March	0
All unpaid taxes on real and tangible personal property become delinquent.	April 1, 2019
A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.	April/May 2019
Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date).	June 1, 2019
A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent taxes.	August 28, 2019

**NOTE 5 - CASH DEPOSITS AND INVESTMENTS**

**A. Deposits.** Pursuant to the applicable provisions of Chapter 280, Florida Statutes, (The Florida Security for Public Deposits Act), the State of Florida, Department of Insurance, Bureau of Collateral Securities, and the Department of Treasury have established specific requirements relative to security and collateralization for public deposits. Accordingly, banks qualifying as public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State Treasurer as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State Treasurer to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Treasurer’s office. Compliance with the provisions of Chapter 280, F.S., is monitored by the Department of Insurance.

As of September 30, 2019, the pooled cash carrying amount of the City's aggregated deposits (primary government) was \$2,385,464 and the bank balances were \$2,390,074. The bank balances are insured by federal depository insurance and secured in accordance with the statutory provisions of the Florida Security for Deposits Act.

**B. Investments.** State statutes and local resolution govern the City's investment policies. Allowable investment instruments include: bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America, interest bearing savings accounts, interest bearing certificates of deposit and interest bearing time deposits.

**C. Cash and Cash Equivalents**

Cash and cash equivalents at September 30, 2019 are comprised of the following:

Governmental Activities:

Pooled Cash	\$ 2,189,486
Petty Cash	1,375
	<u>\$ 2,190,861</u>

Business-Type Activities:

Pooled Cash	\$ 195,978
Petty Cash	500
	<u>\$ 196,478</u>

**NOTE 6- RECEIVABLES / DUE FROM OTHER GOVERNMENTS**

The City's accounts receivable/due from other governments at September 30, 2019, consist of the following:

Governmental Activities

Taxes receivable	\$ 15,993
Accounts receivable	607,843
Notes receivable	2,797
Less allowances for doubtful accounts	<u>(72,761)</u>
Receivables-net of allowances	553,872
Due from Federal Government	225,527
Due from State of Florida	277,931
Due from Volusia County	<u>-</u>
Total Due from other governments	<u>503,458</u>
Total Governmental Activities accounts receivable/due from other governments net	<u>\$ 1,057,330</u>

Business-Type Activities

Utility Service Fund:	
Accounts Receivable	\$ 1,080,641
Less allowances for doubtful accounts	<u>(71,938)</u>
Receivables-net of allowances	1,008,703
Due from Federal Government	2,349
Due from State of Florida	-
Due from Volusia County	<u>23,400</u>
Total Due from other governments	<u>25,749</u>
Total Business-Type Activities accounts receivable/due from other governments net	<u>\$ 1,034,452</u>

**NOTE 7- INTERFUND RECEIVABLES AND PAYABLES**

Individual fund interfund receivables and payables at September 30, 2019, are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Utility Service	Capital Projects	\$ 14,426
Internal Service	Utility Service	816
	Total	<u>\$ 15,242</u>

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Utility Service	<u>\$ 866,007</u>
	Total	<u>\$ 866,007</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include advances of working capital loans made to the utility fund which the general fund expects to collect in the next three fiscal years. The general fund has classified the working capital loans as advances and a non-spendable component of fund balance.

Transfers to the General Fund from the Redevelopment Trust Fund and the Utility Service Fund are for personal services allocations and debt service, the transfer from the Transportation Fund is for personal services allocation only. The General Fund transferred money to the Transportation Fund to subsidize current year street and road operating and capital outlays in excess of its revenue.

Interfund transfers for the year ended September 30, 2019, are as follows:

Transfers From:	Transfers To:				
	General Fund	Transportation Fund	Internal Service Fund	Utility Service Fund	Total
General Fund	\$ -	\$ 382,215	\$ 102,926	\$ -	\$ 485,141
Redevelopment Trust Fund	952,450	-	-	-	952,450
Transportation Fund	295,422	-	25,731	-	321,153
Capital Project Fund	25,864	-	-	57,703	83,567
Utility Service Fund	<u>1,509,399</u>	<u>49,200</u>	<u>42,885</u>	<u>-</u>	<u>1,601,484</u>
Total	<u>\$ 2,783,135</u>	<u>\$ 431,415</u>	<u>\$ 171,542</u>	<u>\$ 57,703</u>	<u>\$ 3,443,795</u>

**NOTE 8-NOTES / LEASES RECEIVABLE**

Note receivable in the Community Trust is for financing of driveway improvements thru the good neighbor program. The balance of the note at September 30, 2019 is \$2,797.

The Utility Service Fund notes receivable of \$3,315 is comprised of the City's financing of water/sewer impact fees assessed to the residents of Palm Grove and Country Club Gardens subdivisions. The residents have the option of financing the \$838 impact fee over ten years at a rate consistent with the rate which the City has secured from the Florida Department of Environmental Protection State Revolving Loan Program for the construction of the water and sewer infrastructure relative to these areas of the City. Citizens who choose this financing option have monthly payments added to their utility bill. A lien is filed on the subject property to secure the City's interest and removed upon amortization of or payback of the loan.

**NOTE 9-CAPITAL ASSETS**

A summary of the capital assets for the year ended September 30, 2019, is as follows:

	Balances 9/30/2018	Transfers	Additions	Deletions	Balances 9/30/2019
Government Activities:					
Capital Assets, not being depreciated					
Land	\$ 2,831,637	\$ -	\$ -	\$ -	\$ 2,831,637
Construction in progress	4,830	-	2,701	(4,830)	2,701
Total capital assets, not being depreciated	2,836,467	-	2,701	(4,830)	2,834,338
Capital assets, being depreciated:					
Buildings	5,021,710	-	-	-	5,021,710
Improvements other than buildings	38,896,610	-	1,534,038	-	40,430,648
Machinery & equipment	4,489,084	230,464	33,581	(10,803)	4,742,326
Assets under capital lease	409,286	(230,464)	196,358	-	375,180
Total capital assets being depreciated	48,816,690	-	1,763,977	(10,803)	50,569,864
Less accumulated depreciation for:					
Buildings and system	(3,036,002)	-	(113,029)	-	(3,149,031)
Improvements other than Bldgs	(23,936,093)	-	(980,538)	-	(24,916,631)
Machinery & equipment	(4,561,745)	-	(193,882)	10,803	(4,744,824)
Total accumulated depreciation	(31,533,840)	-	(1,287,449)	10,803	(32,810,486)
Total capital assets, being depreciated, net	17,282,850	-	476,528	-	17,759,378
Governmental activities capital assets, net	\$ 20,119,317	\$ -	\$ 479,229	\$ (4,830)	\$ 20,593,716

**NOTE 9-CAPITAL ASSETS CONTINUED**

	Balance 9/30/2018	Transfers	Additions	Deletions	Balances 9/30/2019
<b>Business-type Activities:</b>					
<b>Capital Assets, not being depreciated</b>					
Land	\$ 3,915,623	\$ -	\$ -	\$ -	\$ 3,915,623
Construction in progress	2,100	(2,100)	-	-	-
<b>Total capital assets, not being depreciated</b>	<u>3,917,723</u>	<u>(2,100)</u>	<u>-</u>	<u>-</u>	<u>3,915,623</u>
<b>Capital assets, being depreciated:</b>					
Buildings	73,730	-	-	-	73,730
Improvements other than buildings	36,781,264	2,100	12,100	-	36,795,464
Machinery & equipment	1,918,827	-	91,628	-	2,010,455
Assets under capital lease	304,469	-	-	-	304,469
<b>Total capital assets being depreciated</b>	<u>39,078,290</u>	<u>2,100</u>	<u>103,728</u>	<u>-</u>	<u>39,184,118</u>
<b>Less accumulated depreciation for:</b>					
Buildings and system	(14,451)	-	(106)	-	(14,557)
Improvements other than Bldgs	(18,922,169)	-	(938,147)	-	(19,860,316)
Machinery & equipment	(1,462,887)	-	(109,255)	-	(1,572,142)
<b>Total accumulated depreciation</b>	<u>(20,399,507)</u>	<u>-</u>	<u>(1,047,508)</u>	<u>-</u>	<u>(21,447,015)</u>
<b>Total capital assets, being depreciated, net</b>	<u>18,678,783</u>	<u>2,100</u>	<u>(943,780)</u>	<u>-</u>	<u>17,737,103</u>
<b>Business-Type Activities capital assets, net</b>	<u>\$ 22,596,506</u>	<u>\$ -</u>	<u>\$ (943,780)</u>	<u>\$ -</u>	<u>\$ 21,652,726</u>

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

**Governmental Activities:**

General Government	\$ 89,784
Public Safety	158,865
Comprehensive Planning	6,410
Public Works	579,987
Transportation	218,180
Parks/Recreation	231,342
Inter-governmental services	2,881
<b>Total Governmental Activities</b>	<u>\$ 1,287,449</u>

**Business-type activities:**

Water & Sewer Operations	\$ 524,709
Water & Sewer Office	6,926
Flood Control	515,873
<b>Total Business -type Activities</b>	<u>1,047,508</u>
<b>Total depreciation</b>	<u>\$ 2,334,957</u>

1) All assets under capital lease are machinery and equipment.



**NOTE 10-LONG TERM DEBT**

The City has entered into long-term debt obligations where it pledges specific income streams in order to pay debt service. Other liabilities include capital lease financing for acquisition of operating equipment, the recognition of compensated absences liability for employees' earned but unused personal leave balances, other post employment benefits, and net pension liabilities.

A summary of changes in long-term liabilities in the City is as follows:

	Balance Sept. 30 <u>2018</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Payments</u>	Balance Sept. 30 <u>2019</u>	<u>Due In One Year</u>
<b>Governmental Activities :</b>						
<u><i>General Fund</i></u>						
Wells Fargo Capital Improvement Note #75	\$ 1,336,444	\$ -	\$ -	\$ (309,996)	\$ 1,026,448	\$ 325,558
Wells Fargo Capital Improvement Note #109	3,240,192	-	-	(256,539)	2,983,653	263,539
Wells Fargo Capital Improvement Revenue Note #117	3,512,147	-	-	(469,696)	3,042,451	479,991
Compass Bank Note 2016	305,018	-	-	(99,375)	205,643	102,888
Compass Bank Grant Proceeds 2017	1,000,000	-	-	(1,000,000)	-	-
Capital Leases	78,636	-	197,020	(51,089)	224,567	65,675
Compensated Absences	1,034,142	(106,044)	46,042	(111,708)	862,432	136,886
Other Post Employment Benefits	1,438,273	-	6,550	-	1,444,823	-
Net Pension Liabilities	9,671,944	-	1,219,699	-	10,891,643	-
<u><i>Redevelopment Trust Fund</i></u>						
Wells Fargo U.S. 1 Median Improvements 2006 #34	1,112,296	-	-	(178,481)	933,815	188,376
<u><i>Internal Service Fund</i></u>						
Compensated Absences	15,579	(1,597)	3,866	(2,433)	15,415	2,129
Other Post Employment Benefits	33,064	-	150	-	33,214	-
Net Pension Liabilities	70,077	-	292	-	70,369	-
Total-Governmental Activities	<u>\$ 22,847,812</u>	<u>\$ (107,641)</u>	<u>\$ 1,473,619</u>	<u>\$ (2,479,317)</u>	<u>\$ 21,734,473</u>	<u>\$ 1,565,042</u>
<b>Business-Type Activities :</b>						
<u><i>Utility Service Fund</i></u>						
State Revolving Loan - Country Club Gardens	\$ 167,766	\$ -	\$ -	\$ (82,788)	\$ 84,978	\$ 84,978
State Revolving Loan - Palm Grove Phase I	1,983,587	-	-	(285,241)	1,698,346	292,223
State Revolving Loan - Palm Grove Phase II	623,208	-	-	(59,643)	563,565	60,969
Wells Fargo Capital Improvement Note #59	1,548,144	-	-	(358,766)	1,189,378	376,668
Wells Fargo Capital Improvement Note #75	209,493	-	-	(49,099)	160,394	51,212
Compass Bank Revenue Note Series 2013B	607,000	-	-	(61,000)	546,000	63,000
Capital Leases	246,117	-	-	(58,698)	187,419	60,546
Compensated Absences	76,362	(7,830)	12,037	(6,707)	73,862	11,059
Other Post Employment Benefits	181,850	-	829	-	182,679	-
Net Pension Liabilities	320,526	-	193,305	-	513,831	-
Total-Business Type Activities	<u>\$ 5,964,053</u>	<u>\$ (7,830)</u>	<u>\$ 206,171</u>	<u>\$ (961,942)</u>	<u>\$ 5,200,452</u>	<u>\$ 1,000,655</u>
Total - Entity -Wide	<u>\$ 28,811,865</u>	<u>\$ (115,471)</u>	<u>\$ 1,679,790</u>	<u>\$ (3,441,259)</u>	<u>\$ 26,934,925</u>	<u>\$ 2,565,697</u>

The liability for compensated absences, net other post employment benefits, and net pension liabilities are normally liquidated in the funds that have incurred the liability which are the general fund, the internal service fund and the utility service fund.

**Wells Fargo Capital Improvement Note # 75**

The City’s General Fund secured an \$8,000,000 dollar line of credit in January 2007 to cover the timing differences between expenditures and revenue streams for capital projects and to finance the City’s match. In fiscal year ended September 30, 2011, the revolving line was converted to a term loan in the amount of \$3,513,059 to finance the City’s match of grant expenditures and other capital expenditures primarily consisting of land acquisition and pre-construction costs associated with the pending replacement of the public works facility, Reed Canal Park improvements Phase I and II, Big Tree Road / Magnolia mast arms, US1 / Ridge Blvd mast arms, James Street Splash park, Sensory Park development, and Riverfront Park parking lot expansion. The interest rate is a fixed rate of 4.92%. The maturity date is January 10, 2022. The amount due at September 30, 2019 is \$1,026,448. Maturities on this debt are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 325,558	\$ 51,432	\$ 376,990
2021	341,885	35,105	376,990
2022	359,005	17,974	376,979
	<u>\$ 1,026,448</u>	<u>\$ 104,511</u>	<u>\$ 1,130,959</u>

**Wells Fargo Capital Improvement Note # 109**

During the fiscal year 2014, the City secured a \$4,200,000 loan in order to refund part of the existing line of credit #91 from Wells Fargo Bank, NA. This amount includes \$2,500,000 for efforts to acquire the electric utility system within the City. Additionally, this loan funded supplemental costs for the final phase of the US1 corridor project and other transportation projects, namely initial funding of the Lantern Park sub-division bridge entrance. Provisions of the agreement call for semi-annual debt service payments in May and November. The November payment includes principal and interest while the May payment is for interest only. The interest rate is a fixed rate of 3.29%. The maturity date is November 1, 2028. The amount due at September 30, 2019 is \$2,983,653. Maturities on this debt are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 263,539	\$ 93,932	\$ 357,471
2021	270,729	85,134	355,863
2022	278,115	76,095	354,210
2023	285,703	66,810	352,513
2024	293,498	57,271	350,769
Thereafter	1,592,069	132,937	1,725,006
	<u>\$ 2,983,653</u>	<u>\$ 512,179</u>	<u>\$ 3,495,832</u>

**Wells Fargo Capital Improvement Revenue Note # 117**

On September 30, 2015, the City issued the Capital Improvement Revenue Note Series 2015. The total cost of issuance including the refinancing of existing debt was \$4,109,102. The purpose of this note was to pay off and to reduce the interest rate on debt. Provisions of the agreement call for semi-annual debt service payments in January and July. The interest rate is a fixed rate of 2.65%. The maturity date of this note is June 30, 2023. The amount due at September 30, 2019 is \$3,042,451. Maturities on this debt are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 479,991	\$ 77,432	\$ 557,423
2021	490,512	64,644	555,156
2022	501,264	51,577	552,841
2023	1,570,684	38,223	1,608,907
	<u>\$ 3,042,451</u>	<u>\$ 231,876</u>	<u>\$ 3,274,327</u>

**Compass Bank Note 2016**

On November 30, 2016 the City received a note of \$401,000 funding capital acquisitions made during the fiscal year ended September 30, 2016. The interest rate is a fixed rate of 2.67%. The maturity date is November 1, 2023. The amount due at September 30, 2019 is \$205,643. Maturities on this debt are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	102,888	4,116	107,004
2021	47,488	2,110	49,598
2022	49,159	820	49,979
Thereafter	6,108	164	6,272
	<u>\$ 205,643</u>	<u>\$ 7,210</u>	<u>\$ 212,853</u>

**Compass Bank Grant Proceeds Note #117**

Hurricane Irma made landfall in Florida on September 10, 2017 resulting in significant expenses to the City. While the City expects to receive grant funding from the State of Florida and the US Federal Emergency Management Agency, that funding could take an extended period of time to receive.

The City received from Compass Bank bridge loan to cover up to \$1,000,000 of hurricane related expenses for up to two years from the date of closing, November 16, 2017, at 3.67%. This loan would include an immediate advance of \$1,000,000 to offset initial expenses and provide ongoing funding pending receipt of grant funds. This loan is slightly different than the previous hurricane loan in that it includes a subordinated lien on water and sewer revenues in addition to the grant revenues but does not include a general covenant to budget and appropriate. Given the short term nature of this loan and the City's existing loan profile, the City's Financial Advisor has recommended this revenue pledge and structure. The Compass Bank Grant Note #117 was paid off in 2019.

**Wells Fargo U.S. 1 Median Improvement Note 2006 # 34**

During fiscal year 2006, the Community Redevelopment Agency borrowed \$3,000,000 to be used for the U.S. 1 corridor utility burial project and median improvements. This is the second loan for this multi-year project. The interest rate is a fixed rate of 5.47%. The maturity date of this note is February 1, 2024. The amount due at September 30, 2019 is \$1,112,296. Maturities on this debt are as follows:

<b>Year Ended</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 188,376	\$ 48,532	\$ 236,908
2021	198,820	38,088	236,908
2022	209,842	27,065	236,907
2023	221,476	15,432	236,908
2024	115,301	3,153	118,454
	<u>\$ 933,815</u>	<u>\$ 132,270</u>	<u>\$ 1,066,085</u>

**General Fund Obligations Under Capital Lease**

The City expends cash for major equipment and then subsequently finances the purchase through a master lease agreement put in place in 2003.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of September 30, 2019:

**General Government**

<b>Lessor</b>	<b>Date of Lease</b>	<b>Original Principal Amount</b>	<b>Principal Outstanding</b>	<b>Payments Per Year</b>	<b>Life of Lease (Yrs.)</b>	<b>Interest Rate</b>
SANTANDER	03/15/19	\$ 197,020	\$ 197,020	\$ 43,798	5	4.02%
BB&T	09/27/12	178,822	27,547	28,258	7	2.58%
		<u>\$ 375,842</u>	<u>\$ 224,567</u>	<u>\$ 72,056</u>		
	<b>Year Ending</b>			<b>Lease Payments</b>		
	2020			\$ 71,789		
	2021			43,798		
	2022			43,798		
	2023			43,798		
	2024			43,798		
	Net minimum lease payments			246,981		
	Less amount representing interest			(22,414)		
	Present value of net minimum lease payments			<u>\$ 224,567</u>		

**NOTE 11 - UTILITY SYSTEM DEBT**

The City combined its stormwater and water and sewer utility in 1995.

On March 12, 2013 the City adopted resolution No. 13-05 (master Utility System Bond Resolution) which amended Resolution No. 02-13. The City also adopted Resolution No. 13-06 on March 12, 2013, which authorized the issuance of not to exceed \$1,200,000 Utility System Refunding Revenue Note Series 2013 A and not to exceed \$1,000,000 Series 2013B. Utility System Refunding Revenue Note Series 2013 A was paid off during fiscal year ended 2017.

**Debt Issuance Costs On Debt Refunding**

2003 Refunding Revenue Bond consists of the following:

Deferred loss on bonds redeemed	49,355
Total deferred charges on debt refunding	<u>\$ 49,355</u>

**State of Florida Revolving Loans**

The City of South Daytona received a State of Florida Department of Environmental Protection Revolving Loan for installation of a sanitary sewer collection system in the Country Club Gardens sub-division. The interest rate is 2.63% on the loan. The payments are due May 15<sup>th</sup> and November 15<sup>th</sup>. The loan is amortized over twenty years (240 months) with a maturity date of May 15, 2020. As of September 30, 2019, the City owed \$84,978. Maturities on long-term debt for the Country Club Gardens loan are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 84,978	\$ 1,680	\$ 86,658
	<u>\$ 84,978</u>	<u>\$ 1,680</u>	<u>\$ 86,658</u>

The City of South Daytona received a State of Florida Department of Environmental Protection Revolving Loan for installation of a sanitary sewer collection system in the Palm Grove sub-division. The interest rate is 3.16% on the loan. The payments are due June 15<sup>th</sup> and December 15<sup>th</sup>. The loan is amortized over twenty years (240 months) with a maturity date of December 15, 2024. As of September 30, 2019, the City owed \$1,698,346. Maturities on long-term debt for the Palm Grove loan are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 292,223	\$ 39,574	\$ 331,797
2021	299,377	32,420	331,797
2022	306,707	25,090	331,797
2023	314,219	17,579	331,798
2024	321,915	9,883	331,798
Thereafter	163,905	1,995	165,900
	<u>\$ 1,698,346</u>	<u>\$ 126,541</u>	<u>\$ 1,824,887</u>

The City of South Daytona received a State of Florida Department of Environmental Protection Revolving Loan for installation of culverts, swales and other stormwater management enhancements in the Palm Grove sub-division. The interest rate is 2.21% on the loan. The payments are due June 15th and December 15th. The loan is amortized over twenty years (240 months) with a maturity date of December 15, 2027. As of September 30, 2019, the City owed \$563,565. Maturities on long-term debt for the Palm Grove loan are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 60,969	\$ 12,120	\$ 73,089
2021	62,324	10,764	73,088
2022	63,708	9,380	73,088
2023	65,124	7,964	73,088
2024	66,571	6,517	73,088
Thereafter	244,869	10,942	255,811
	<u>\$ 563,565</u>	<u>\$ 57,687</u>	<u>\$ 621,252</u>

**Wells Fargo Capital Improvement Note # 59**

The City’s Utility Fund secured a \$7,000,000 line of credit in December, 2006 to cover the timing differences between expenditures and revenue streams for capital projects. In fiscal year ended September 30, 2011, the revolving line was converted to a term loan bearing level annual debt service payments of \$433,953 and a fixed interest rate of 5.17%. The maturity date of this note is December 14, 2021. The balance owed at September 30, 2019 is \$1,189,378. Maturities on this debt are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 376,668	\$ 61,436	\$ 438,104
2021	396,124	41,980	438,104
2022	416,586	21,518	438,104
	<u>\$ 1,189,378</u>	<u>\$ 124,934</u>	<u>\$ 1,314,312</u>

**Wells Fargo Capital Improvement Note # 75**

The City’s General Fund secured an \$8,000,000 line of credit in January 2007 to cover the timing differences between expenditures and revenue streams for capital projects and to finance the City’s match. In fiscal year ended September 30, 2011, the revolving line was converted to a term loan in the amount of \$3,513,059 to finance the City’s match of grant expenditures and other capital expenditures primarily consisting of land acquisition and pre-construction costs associated with the pending replacement of the public works facility, Reed Canal Park improvements Phase I and II, Big Tree Road / Magnolia mast arms, US1 / Ridge Blvd mast arms, James Street Splash park, Sensory Park development, and Riverfront Park parking lot expansion. A percentage of this note has been recorded in the Utility Service fund for funding of project related to the Utility Service Fund. This note bears a fixed interest rate of 4.92%. The maturity date of the note is January 10, 2022. The amount due from the Utility Service Fund at September 30, 2019 was \$160,394.

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 51,212	\$ 6,985	\$ 58,197
2021	53,429	4,767	58,196
2022	55,753	2,441	58,194
	<u>\$ 160,394</u>	<u>\$ 14,193</u>	<u>\$ 174,587</u>

**Utility System Refunding Revenue Note Series 2013 B – BBVA Compass Bank**

The City’s Utility System Fund secured an additional \$891,000 credit facility in March, 2013 to refund the then existing Note Payable to City of Daytona Beach. The interest rate is a fixed rate of 2.49%. The maturity date of the note is July 1, 2027. The amount due at September 30, 2019 is \$546,000. Maturities on this debt are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 63,000	\$ 13,595	\$ 76,595
2021	64,000	12,027	76,027
2022	66,000	10,433	76,433
2023	67,000	8,790	75,790
2024	69,000	7,121	76,121
Thereafter	217,000	10,881	227,881
	<u>\$ 546,000</u>	<u>\$ 62,847</u>	<u>\$ 608,847</u>

**Utility Service Fund Obligations Under Capital Lease**

The City expends cash for major equipment and then subsequently finances the purchase through a master lease agreement put in place in 2003.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of September 30, 2019:

<b>Utility Service Fund</b>						
<u>Lessor</u>	<u>Date of Lease</u>	<u>Original Principal Amount</u>	<u>Principal Outstanding</u>	<u>Payments Per Year</u>	<u>Life of Lease (Yrs.)</u>	<u>Interest Rate</u>
Santander	12/15/16	\$ 304,469	\$ 187,419	\$ 66,450	5	3.15%
		<u>\$ 304,469</u>	<u>\$ 187,419</u>	<u>\$ 66,450</u>		
	<u>Year Ending</u>			<u>Lease Payments</u>		
	2020			\$ 66,450		
	2021			66,449		
	2022			66,449		
	Net minimum lease payments			199,348		
	Less amount representing interest			(11,929)		
	Present value of net minimum lease payments			<u>\$ 187,419</u>		

**NOTE 12–OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**General Information about the OPEB Plan**

**Plan Description.** The City of South Daytona administers a single-employer healthcare plan. A separate financial report is not prepared for the healthcare plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**Benefits provided.** The City’s group health care plan provides healthcare and dental insurance for retirees and their dependents. The City pays 100% of the active employees insurance costs. Retirees can choose to remain on the City’s insurance plan into retirement if they pay the entire premium. The insurance carrier charges actives and retirees the same premium rates. Benefits levels and provisions are established by the City.

**Employees covered by benefit terms.** At September 30, 2019 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	26
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>99</u>
Totals	<u><u>125</u></u>

**Total OPEB Liability** The City’s total OPEB liability of \$1,660,716 was measured as of September 30, 2019, and was determined by an actuarial valuation as of that date.

**Actuarial assumptions and other inputs.** The total OPEB liability in the September 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**Discount Rate.** The City does not have a dedicated Trust to pay retiree healthcare benefits. Per GASB 75, the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

A rate of 3.58% is used, which is the S&P Municipal Bond 20-Year High-Grade Rate Index as of September 30, 2019.

Inflation rate	3.00%
Salary rate increase	4.00%
Discount rate	3.58%
Initial health care cost trend rate (1)	5.50%
Ultimate health care cost trend rate	4.50%
Retirees' share of benefit-related costs	100.00%

(1) Trend rate for 2019 to 2020. The trend rate for 2018 to 2019 is known and used.

**Mortality rates.** The mortality rates were based on the RP-2014 Combined Annuitant Mortality Table for Males or Females.

The actuarial assumptions used in the December 10, 2018 valuation were based on the results of an actuarial experience study for the period October 1 – September 30, 2017.

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
Balances as of 9/30/2018	<u>\$ 1,653,186</u>
Changes for the year:	
Service Cost	60,504
Interest on Total OPEB Liability	58,021
Changes of benefit terms	-
Difference Between Expected & Actual Experience	-
Changes of Assumptions and Other Inputs	6,812
Contributions – Employer	-
Contributions - Active & Inactive Employees	-
Net Investment Income	-
Benefit Payments	(118,382)
Other Changes	<u>575</u>
Net Changes	<u>7,530</u>
Balances as of 9/30/2019	<u><u>\$ 1,660,716</u></u>



**Sensitivity of the total OPEB liability to changes in the discount rate.** The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
Total OPEB liability	\$1,779,786	\$1,660,716	\$1,551,920

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a health care cost rate that is 1-percentage-point lower (4.50 percent) or 1-percentage-point higher (6.50 percent) than the current discount rate:

	1% Decrease (4.50%)	Health Care Trend Rates (5.50%)	1% Increase (6.50%)
Total OPEB liability	\$1,523,484	\$1,660,716	\$1,819,578

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2019, the City recognized OPEB expense of \$130,410. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference Between Expected & Actual Experience	\$ -	\$ 4,187
Changes of Assumptions and Other Inputs	140,727	67,900
Net Difference Between Projected & Actual Earnings on OPEB Plan Investments	-	-
<b>Total</b>	<b>\$ 140,727</b>	<b>\$ 72,087</b>

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

Fiscal Year Ending:	Amount
September 30, 2020	11,884
September 30, 2021	11,884
September 30, 2022	11,884
September 30, 2023	11,884
September 30, 2024	11,884
September 30, 2025	8,760
September 30, 2026	460

## NOTE 13 - RISK MANAGEMENT

The City of South Daytona is exposed to various risks of loss relative to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all which are satisfactorily insured by general liability insurance. Commercial insurance policies are also obtained for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

## NOTE 14 - PENSION PLANS

### 1. Florida Retirement System (FRS) (Defined Benefit Pension Plan)

**General Information About the FRS.** The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially, all regular employees of the City who were employed before January 1, 1996 and after September 30, 2005, including those individuals employed between these two periods that subsequently elected to roll over their net pension assets into the FRS Plans, are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: [www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

**Plan Description.** The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The City's general classes of membership are as follows:

- ◆ Regular Class - Members of the FRS who do not qualify for membership in the other classes.
- ◆ Special Risk Class – Members of FRS who are eligible for membership in Special Risk.
- ◆ Senior Management Service Class (SMSC) - Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

**Benefits Provided.** Benefits under the 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 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 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 class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

The following chart shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
<b>Regular Class members initially enrolled before July 1, 2011:</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement up to age 63 or up to 31 years of service	1.63
Retirement up to age 64 or up to 32 years of service	1.65
Retirement up to age 65 or up to 33 or more years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011:</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement up to age 66 or up to 34 years of service	1.63
Retirement up to age 67 or up to 35 years of service	1.65
Retirement up to age 68 or up to 36 or more years of service	1.68
<b>Senior Management Service Class</b>	2.00
<b>Special Risk Class</b>	
Service from Dec. 1, 1970 through Sept. 30, 1974	2.00
Service on and after Oct. 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

**Contributions.** The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018-19 fiscal year were as follows:

Class	Percent of Gross Salary		
	Employee	Employer (1)	
		Pre 06/30/19	Post 07/01/19
FRS, Regular	3.00	8.26	8.47
FRS, Special Risk Class	3.00	24.50	25.48
FRS, Senior Management Service	3.00	24.06	25.41
DROP - Applicable to Members of the Above Class	0.00	14.03	14.60
FRS, Reemployed Retiree		(2)	(2)

- Notes:
- (1) Employer rates include a 1.66 percent for the postemployment health insurance. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the investment plan.
  - (2) Contribution rates are dependent upon retirement class in which reemployed.

The City's contributions to the Plan totaled \$980,181 (including employee contributions of \$152,918), for the fiscal year ended September 30, 2019. This excludes HIS defined benefit pension plan contributions of \$89,877 and FRS Investment Plan contributions of \$84,330.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At September 30, 2019, the City reported a liability of \$9,647,397 for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City’s proportionate share of the net pension liability was based on the City’s 2018-19 fiscal year contributions relative to the 2018-19 fiscal year contributions of all participating members based on a June 30, 2019 fiscal year. At June 30, 2019, the City’s proportionate share was 0.028013318 percent, which was an decrease of 0.000233100% from its proportionate share measured as of June 30, 2018 of 0.027780218 percent.

For the fiscal year ended September 30, 2019, the City recognized the Plan pension expense of \$1,437,623. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	FRS	
	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 572,215	\$ 5,987
Change of assumptions	2,477,868	-
Net difference between projected and actual earnings on FRS pension plan investments	-	533,744
Changes in proportion and differences between City FRS contributions and proportionate share of contributions	83,885	221,368
City FRS contributions subsequent to the measurement date	219,113	-
Total	<u>\$ 3,353,081</u>	<u>\$ 761,099</u>

The deferred outflows of resources related to pensions, totaling \$219,113, resulting from the City’s contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ending June 30	Amount
2020	\$ 860,543
2021	259,600
2022	627,217
2023	473,149
2024	122,023
Thereafter	30,337
	<u>\$ 2,372,869</u>

**Actuarial Assumptions.** The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	6.90 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.3%	3.3%	1.2%
Fixed income	18%	4.1%	4.1%	3.5%
Global equity	54%	8.0%	6.8%	16.5%
Real estate	10%	6.7%	6.1%	11.7%
Private equity	11%	11.2%	8.4%	25.8%
Strategic investments	6%	5.9%	5.7%	6.7%
Total	100%			
Assumed Inflation - Mean			2.6%	1.7%

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

**Discount Rate.** The discount rate used to measure the total pension liability was 6.90 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

**Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate.** The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
The City's proportionate share of net pension liability	\$ 16,677,136	\$ 9,647,397	\$ 3,776,375

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

**Payables to the FRS Pension Plan.** At September 30, 2019, the City reported a payable of \$78,750 for the outstanding amount of contributions to the FRS Plan required for the fiscal year ended September 30, 2019.

## 2. HIS Pension Plan (Defined Benefit Pension Plan)

**Plan Description.** The HIS Pension Plan (Health Insurance Subsidy Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

**Benefits Provided.** For the fiscal year ended September 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**Contributions.** The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2019, the HIS contribution rate for the period from October 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019 was 1.66%, of payroll pursuant to section 112.363, Florida Statutes. The City contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$89,877 for the fiscal year ended September 30, 2019.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions.** At September 30, 2019, the City reported a net pension liability of \$1,828,442 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportionate share of the net pension liability was based on the City's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the City's proportionate share was 0.016341427%, which was an increase of 0.00032687% from its proportionate share measured as of June 30, 2018, of 0.016014556%.

For the fiscal year ended September 30, 2019, the City recognized an increase of Plan pension expense of \$21,250. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 22,208	\$ 2,239
Change of assumptions	211,713	149,442
Net difference between projected and actual earnings on HIS pension plan investments	1,180	-
Changes in proportion and differences between City HIS contributions and proportionate share of contributions	29,205	76,324
City HIS contributions subsequent to the measurement date	22,044	-
Total	<u>\$ 286,350</u>	<u>\$ 228,005</u>

The deferred outflows of resources related to pensions, totaling \$22,044, resulting from the City's contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Measurement Period Ending June 30</u>	<u>Amount</u>
2020	\$ (15,470)
2021	(12,381)
2022	(6,777)
2023	4,922
2024	(894)
Thereafter	(5,701)
	<u>\$ (36,301)</u>

**Actuarial Assumptions.** The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	3.50 percent

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

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

**Discount Rate.** The discount rate used to measure the total pension liability was 3.50 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
The City's proportionate share of net pension liability	\$ 2,087,260	\$ 1,828,442	\$ 1,612,876

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

**Payable to the HIS Pension Plan -** At September 30, 2019, the City reported a payable of \$1,386 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended September 30, 2019.

**3. FRS – Investment Plan (Defined Contribution Pension Plan)**

The City contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

As provided in Section 121.450 I, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established by and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member's accounts during the 2018-19 fiscal year were as follows:

Class	Percent of Gross Salary		
	Employee	Employer	
		Pre 06/30/19	Post 07/01/19
FRS, Regular	3.00	3.30	3.30
FRS, Special Risk Class	3.00	11.00	11.00
FRS, Senior Management Service	3.00	4.67	4.67

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended June 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The City's Investment Plan pension expense totaled \$84,330 for the fiscal year ended September 30, 2019.

**Payable to the FRS Investment Plan** - At September 30, 2019, the City reported a payable of \$3,339 for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended September 30, 2019.



**NOTE 15 – DEFERRED COMPENSATION EMPLOYEE BENEFITS**

The City offers its City Manager participation in a Prototype Money Purchase Plan, created in accordance with Section 401(a) of the Internal Revenue Code. The International City Managers Association Retirement Corporation administers the assets of this plan. Upon separation from service for reasons of death, disability or attainment of age 65 (normal retirement age) the participant may elect to commence receiving benefits, which equal accumulated employers’ contributions plus earnings thereon. All benefits vest with the employee at the date of contribution. Also, the City provides its employees with two optional deferred compensation plans created in accordance with Internal Revenue Code Section 457. Annual contributions, determined by the participant, may not exceed the lesser of \$18,000 or 100% of gross annual compensation.

Provisions have been made to amend the plan to keep it in conformity with tax law changes, which also permits special catch-up contribution of \$6,000 for those participants age 50 years old and older and double catch up contributions which allow a participant for three years prior to the normal retirement age to contribute twice the annual limit (\$36,000 in 2019). Deferred compensation withheld from a participating employee’s pay is not taxable as current income until withdrawn from the plan. Such compensation is not available to the employees until employment termination, retirement, or death. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

**NOTE 16 - LEGAL MATTERS**

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

**NOTE 17 - COMMITMENTS**

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

Budgetary policy of the City is that appropriations lapse at the close of the fiscal year, therefore the City does not have any encumbrances.

**NOTE 18 - CONSTRUCTION IN PROGRESS**

As of September 30, 2019 the City recorded construction in progress of \$2,701 in the Governmental Funds and \$0 in the Utility Service Fund. These amounts are comprised of commitments and projects at various stages of completion. The following schedule illustrates these projects.

		Total Project Cost 9/30/2018		Total Project Cost 9/30/2019	
			Additions	Deletions	
<u>Governmental Funds</u>					
Streets	#836 Reec Canal Mitigation	\$ -	\$ 2,701	\$ -	\$ 2,701
Streets	#880 RR Quiet Zone	4,830	-	(4,830)	-
Total Governmental Funds		4,830	2,701	(4,830)	2,701
		2,100	-	(2,100)	-
#874 Reed Canal - SF Weir Gate Lift		2,100	-	(2,100)	-
Total Utility Service Funds		2,100	-	(2,100)	-
Total All Funds		\$ 6,930	\$ 2,701	\$ (6,930)	\$ 2,701

**NOTE 19 - HURRICANE IRMA SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)**

Non-Federal entities must record expenditures on the SEFA when: (1) FEMA has approved the non-Federal entity's Project Worksheet, and (2) the non-Federal entity had incurred the eligible expenditures. Federal awards expended in years subsequent to the fiscal year in which the PW is approved are to be recorded on the non-Federal entity's SEFA in those subsequent years.

**NOTE 20 - NEW ACCOUNTING STANDARDS**

The following Governmental Accounting Standards Boards (GASB) Statements will be implemented in the financial statements, as applicable:

**Statement No. 84.** "Fiduciary Activities." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2019.

**Statement No. 87.** "Leases." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2020.

**Statement No. 90.** "Majority Equity Interests—an amendment of GASB Statements No. 14 and 61." The requirements of this Statement will go take effect for financial statements starting with the fiscal year that ends December 31, 2019.

**Statement No. 91.** "Conduit Debt Obligations." The requirements of this Statement will go take effect for financial statements starting with the fiscal year that ends December 31, 2020.



## **REQUIRED SUPPLEMENTARY INFORMATION**

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**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
CITY OF SOUTH DAYTONA, FL**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB Liability										
Service cost	\$ 60,504	\$ 59,598	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Interest	58,021	50,580	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Changes of benefit terms	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Difference between expected and actual experience	-	(5,653)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Changes in assumptions or other inputs	6,812	(91,669)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Benefit payments	(118,382)	(101,754)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other Changes	575	181,354								
Net change in total OPEB liability	7,530	92,456	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total OPEB liability - beginning	1,653,186	1,560,730	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total OPEB liability - ending	\$ 1,660,716	\$ 1,653,186	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Covered-payroll	\$ 5,412,212	\$ 5,394,917								
Total OPEB liability as a percentage of covered payroll	30.68%	30.64%								

**Notes to Schedule**

Changes in assumptions, Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

3.58%                      3.64%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available.

This schedule is prepared using the optional format of combining the required schedules in paragraph 170a and 170b.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**FLORIDA RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN**  
**CITY OF SOUTH DAYTONA, FL**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
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**Schedule of Proportionate Share of Net Pension Liability:**

City proportion of the net pension liability	0.028013318%	0.027780218%	0.029015145%	0.029747996%	0.028941522%	0.02888917%	n/a	n/a	n/a	n/a
City proportionate share of the net pension liability	\$ 9,647,397	\$ 8,367,546	\$ 8,582,485	\$ 7,511,392	\$ 3,738,186	\$ 1,762,710	n/a	n/a	n/a	n/a
City covered payroll	\$ 5,412,212	\$ 5,360,253	\$ 5,594,389	\$ 5,418,743	\$ 5,077,155	\$ 5,118,666	n/a	n/a	n/a	n/a
City proportionate share of the net pension liability as a percentage of covered payroll	178.25%	156.10%	153.41%	138.62%	73.63%	34.44%	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%	n/a	n/a	n/a	n/a

**Schedule of Contributions:**

Contractually required contribution	\$ 868,615	\$ 791,714	\$ 755,336	\$ 725,452	\$ 705,619	\$ 632,812	n/a	n/a	n/a	n/a
Contributions in relation to the contractually required contribution	(868,615)	(791,714)	(755,336)	(725,452)	(705,619)	(632,812)	n/a	n/a	n/a	n/a
Contribution deficiency ( excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	n/a	n/a	n/a	n/a
City covered payroll	\$ 5,412,212	\$ 5,394,917	\$ 5,594,389	\$ 5,418,743	\$ 5,077,155	\$ 5,118,666	n/a	n/a	n/a	n/a
Contributions as a percentage of covered payroll	16.05%	14.68%	13.50%	13.39%	13.90%	12.36%	n/a	n/a	n/a	n/a

\* The amounts presented for each fiscal year were determined as of 6/30.

REQUIRED SUPPLEMENTARY INFORMATION  
 FRS HEALTH INSURANCE/SUBSIDY DEFINED BENEFIT PENSION PLAN  
 CITY OF SOUTH DAYTONA, FL

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
--	------	------	------	------	------	------	------	------	------	------

**Schedule of Proportionate Share of Net Pension Liability:**

City proportion of the net pension liability	0.016341427%	0.016014556%	0.016168139%	0.016416986%	0.016767803%	0.016767803%	n/a	n/a	n/a	n/a
City proportionate share of the net pension liability	\$ 1,828,442	\$ 1,694,999	\$ 1,728,772	\$ 1,913,332	\$ 1,710,052	\$ 1,625,596	n/a	n/a	n/a	n/a
City covered payroll	\$ 5,412,212	\$ 5,394,917	\$ 5,594,389	\$ 5,418,743	\$ 5,077,155	\$ 5,118,666	n/a	n/a	n/a	n/a
City proportionate share of the net pension liability as a percentage of covered payroll	33.78%	31.42%	30.90%	35.31%	33.68%	31.76%	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability	2.50%	2.50%	1.64%	0.97%	0.50%	0.99%	n/a	n/a	n/a	n/a

**Schedule of Contributions:**

Contractually required contribution	\$ 90,742	\$ 86,847	\$ 85,566	\$ 84,148	\$ 64,097	\$ 59,557	n/a	n/a	n/a	n/a
Contributions in relation to the contractually required contribution	(90,742)	(86,847)	(85,566)	(84,148)	(64,097)	(59,557)	n/a	n/a	n/a	n/a
Contribution deficiency ( excess )	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	n/a	n/a	n/a	n/a
City covered payroll	\$ 5,412,212	\$ 5,394,917	\$ 5,594,389	\$ 5,077,155	\$ 5,077,155	\$ 5,118,666	n/a	n/a	n/a	n/a
Contributions as a percentage of covered payroll	1.68%	1.61%	1.53%	1.66%	1.26%	1.16%	n/a	n/a	n/a	n/a

\* The amounts presented for each fiscal year were determined as of 6/30.







## **OTHER SUPPLEMENTARY INFORMATION**



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**City of South Daytona, Florida**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2019**

	<u>Community Trust Fund</u>	<u>Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 75,127	\$ -	\$ 75,127
Receivables-net of allowance	717	14,426	15,143
Prepays	2,259	-	2,259
Notes receivable	2,797	-	2,797
Total assets	<u>\$ 80,900</u>	<u>\$ 14,426</u>	<u>\$ 95,326</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and other current liabilities	\$ 827	\$ -	\$ 827
Unearned revenue	3,620	-	3,620
Due to other funds	-	14,426	14,426
Customer deposits payable	-	-	-
Total liabilities	<u>4,447</u>	<u>14,426</u>	<u>18,873</u>
Fund balances:			
Nonspendable:			
Prepaid	\$ 2,259	\$ -	\$ 2,259
Restricted for:			
Capital projects fund	-	-	-
Community Trust	74,194	-	74,194
Total fund balance	<u>76,453</u>	<u>-</u>	<u>76,453</u>
Total liabilities and fund balance	<u>\$ 80,900</u>	<u>\$ 14,426</u>	<u>\$ 95,326</u>

**City of South Daytona, Florida**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2019**

	<u>Community Trust Fund</u>	<u>Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ -	\$ -	\$ -
Miscellaneous	20,063	57,703	77,766
Total revenues	<u>20,063</u>	<u>57,703</u>	<u>77,766</u>
<b>EXPENDITURES</b>			
Current:			
Comprehensive planning	2,879	-	2,879
Parks and recreation	8,129	-	8,129
Total expenditures	<u>11,008</u>	<u>-</u>	<u>11,008</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>9,055</u>	<u>57,703</u>	<u>66,758</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>			
Transfers in	-	-	-
Transfers out	-	(83,567)	(83,567)
Total other financing sources (uses)	<u>-</u>	<u>(83,567)</u>	<u>(83,567)</u>
Net change in fund balances	9,055	(25,864)	(16,809)
Fund balances-beginning	<u>67,398</u>	<u>25,864</u>	<u>93,262</u>
Fund balances-ending	<u>\$ 76,453</u>	<u>\$ -</u>	<u>\$ 76,453</u>

**City of South Daytona, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Capital Project Fund**  
**For the Period Ended September 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ 90,000	\$ 57,703	\$ (32,297)
Total revenues	<u>-</u>	<u>90,000</u>	<u>57,703</u>	<u>(32,297)</u>
<b>EXPENDITURES</b>				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>-</u>	<u>90,000</u>	<u>57,703</u>	<u>(32,297)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfer from reserves	\$ -	\$ -	\$ -	\$ -
Transfers out	<u>(25,864)</u>	<u>(115,864)</u>	<u>(83,567)</u>	<u>32,297</u>
Total other financing sources (uses)	<u>(25,864)</u>	<u>(115,864)</u>	<u>(83,567)</u>	<u>32,297</u>
Net change in fund balances	(25,864)	(25,864)	(25,864)	-
Fund balances-beginning	<u>25,864</u>	<u>25,864</u>	<u>25,864</u>	<u>-</u>
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of South Daytona, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Community Trust Fund**  
**For the Period Ended September 30, 2019**

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ 20,000	\$ 20,000	\$ 20,063	\$ 63
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>20,063</u>	<u>63</u>
<b>EXPENDITURES</b>				
Current:				
Comprehensive planning	10,000	10,000	2,879	7,121
Parks and recreation	<u>10,000</u>	<u>10,000</u>	<u>8,129</u>	<u>1,871</u>
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>11,008</u>	<u>8,992</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>-</u>	<u>-</u>	<u>9,055</u>	<u>9,055</u>
Net change in fund balances	-	-	9,055	9,055
Fund balances-beginning	<u>57,487</u>	<u>57,487</u>	<u>57,487</u>	<u>-</u>
Fund balances-ending	<u>\$ 57,487</u>	<u>\$ 57,487</u>	<u>\$ 66,542</u>	<u>\$ 9,055</u>



## STATISTICAL SECTION





## STATISTICAL SECTION

This part of the City of South Daytona’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.

<b>Contents</b>	<b>Page</b>
Financial Trends	103
<i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	
Revenue Capacity	108
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, property taxes.</i>	
Debt Capacity	114
<i>These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	120
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.</i>	
Operating Information	122
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports of the City for the relevant year.



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TABLE I

**NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS**

September 30, 2019  
CITY OF SOUTH DAVENPORT, FLORIDA  
(accrual basis of accounting)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Governmental activities</b>										
Net investment in capital assets	\$ 12,177,138	\$ 10,534,584	\$ 9,444,684	\$ 8,120,997	\$ 7,774,857	\$ 7,586,871	\$ 7,253,609	\$ 6,026,300	\$ 5,307,076	\$ 7,599,847
Restricted	969,716	1,620,443	600,216	1,903,137	545,881	615,638	662,706	2,343,877	980,496	1,201,692
Unrestricted (deficit)	(8,353,303)	(9,344,063)	(7,496,162)	(7,347,769)	(6,001,696)	32,523	787,718	387,421	719,093	560,196
Total governmental activities net position	\$ 4,793,551	\$ 2,810,964	\$ 2,548,738	\$ 2,676,365	\$ 2,319,042	\$ 8,235,032	\$ 8,704,033	\$ 8,757,598	\$ 7,006,665	\$ 9,361,735
<b>Business-type activities</b>										
Net investment in capital assets	\$ 17,272,002	\$ 17,270,420	\$ 16,946,401	\$ 16,277,612	\$ 15,954,483	\$ 15,553,514	\$ 14,874,196	\$ 14,454,343	\$ 14,295,009	\$ 12,889,807
Restricted	180,469	104,712	102,730	155,490	548,518	534,563	1,000,908	836,302	1,248,285	1,252,890
Unrestricted (deficit)	(1,832,330)	(1,598,729)	(900,012)	(836,180)	(1,463,337)	(737,893)	(1,311,904)	(1,031,568)	(656,058)	(637,161)
Total business-type activities net position	\$ 15,620,141	\$ 15,776,403	\$ 16,149,119	\$ 15,596,922	\$ 15,039,664	\$ 15,350,184	\$ 14,563,200	\$ 14,259,077	\$ 14,887,236	\$ 13,505,536
<b>Primary government</b>										
Net investment in capital assets	\$ 29,449,140	\$ 27,805,004	\$ 26,391,085	\$ 24,398,609	\$ 23,729,340	\$ 23,140,385	\$ 22,127,805	\$ 20,480,643	\$ 19,602,085	\$ 20,489,654
Restricted	1,150,185	1,725,155	702,946	2,058,627	1,094,399	1,150,201	1,663,614	3,180,179	2,228,781	2,454,582
Unrestricted (deficit)	(10,185,633)	(10,942,792)	(8,396,174)	(8,183,949)	(7,465,033)	(705,370)	(524,186)	(644,147)	63,035	(76,965)
Total primary government net position	\$ 20,413,692	\$ 18,587,367	\$ 18,697,857	\$ 18,273,287	\$ 17,358,706	\$ 23,585,216	\$ 23,267,233	\$ 23,016,675	\$ 21,893,901	\$ 22,867,271

Note: During the fiscal year ended September 30, 2015, GASB Statement No. 68 was implemented resulting in adjustments to beginning net position. Periods previous to that year have not been adjusted for these changes.

TABLE II

**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
 September 30, 2019  
 CITY OF SOUTH DAYTONA, FLORIDA  
 (accrual basis of accounting)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,311,135	\$ 2,122,681	\$ 2,337,247	\$ 2,252,653	\$ 2,320,673	\$ 2,257,561	\$ 2,005,738	\$ 1,821,525	\$ 2,094,353	\$ 2,261,161
Comprehensive planning	970,206	1,015,415	948,947	861,523	660,543	686,678	748,234	726,973	795,489	814,365
Public safety	5,524,599	5,047,259	5,001,435	4,691,442	4,425,389	4,745,775	4,656,015	4,620,595	5,027,911	4,978,350
Environmental services- public works	600,151	1,444,527	2,722,801	1,022,247	944,136	962,031	1,139,452	1,005,978	932,072	837,040
Environmental services- sanitation	1,495,970	1,470,249	1,419,128	1,336,965	1,402,863	1,302,646	1,268,557	1,257,156	1,207,289	1,296,058
Road and street facilities	1,107,544	851,093	777,712	769,679	370,112	409,385	564,138	599,728	533,825	605,698
Community redevelopment	284,926	241,484	164,900	163,621	134,479	126,520	146,438	143,471	146,914	194,018
Parks and recreation	1,547,442	1,652,424	1,542,747	1,431,711	1,337,629	1,382,993	1,346,227	1,366,501	1,354,545	1,557,098
Parks - summer/spring day camp	39,310	38,666	40,037	35,253	40,815	45,593	31,282	37,826	46,131	37,327
Parks - recreation programs	142,047	151,372	154,891	164,895	179,083	161,644	186,162	217,176	243,550	301,285
Intergovernmental services	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	340,526	321,242	388,030	369,850	431,808	462,089	397,875	482,898	380,332	466,190
Total governmental activities expenses	14,363,856	14,356,412	15,497,875	13,099,839	12,247,530	12,542,915	12,490,118	12,279,827	12,762,411	13,348,590
Business-type activities:										
Utility service	5,975,235	5,381,327	5,105,439	4,755,505	4,528,236	4,264,573	4,587,574	4,953,457	4,509,189	4,498,358
Electric utility service	-	-	-	212,251	268,486	278,206	338,723	376,462	439,402	491,162
Interest on long-term debt	-	-	-	4,967,756	4,796,722	4,542,779	4,926,297	6,749,928	4,948,591	4,989,520
Total business-type activities expenses	5,975,235	5,381,327	5,105,439	4,967,756	4,796,722	4,542,779	4,926,297	6,749,928	4,948,591	4,989,520
Total primary government expenses	\$ 20,339,091	\$ 19,737,739	\$ 20,603,314	\$ 18,067,595	\$ 17,044,252	\$ 17,085,694	\$ 17,416,415	\$ 19,029,755	\$ 17,711,002	\$ 18,338,110
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ 1,854	\$ 1,326	\$ 1,159	\$ 2,387	\$ 1,697	\$ 1,114	\$ 890	\$ 3,293	\$ 1,796	\$ 1,075
Comprehensive planning	438,263	387,594	419,908	366,648	345,186	329,951	375,185	329,508	365,323	372,227
Public safety	97,844	108,445	99,630	82,375	104,721	79,505	88,275	88,963	128,010	113,816
Environmental services- public works	-	-	-	-	-	-	-	-	-	-
Environmental services- sanitation	2,024,438	1,951,606	1,887,886	1,735,189	1,794,415	1,787,597	1,743,260	1,717,477	1,636,564	1,735,748
Road and street facilities	-	-	-	-	-	-	-	-	-	-
Parks and recreation	22,743	53,558	42,581	41,613	34,608	29,738	38,650	37,808	22,282	21,545
Parks - summer/spring day camp	46,960	48,179	38,947	32,447	33,502	40,450	24,323	22,931	31,860	28,008
Parks - recreation programs	128,823	102,052	96,257	112,594	130,457	115,648	124,605	152,181	191,667	212,204
Intergovernmental services	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	779,715	833,464	1,858,644	89,644	94,131	105,583	104,818	98,443	186,403	191,931
Capital grants and contributions	1,503,823	818,230	228,917	1,374,782	16,478	449,922	2,009,867	4,293,109	289,057	148,584
Total governmental activities program revenues	5,044,463	4,304,454	4,673,919	3,837,679	2,555,195	2,939,508	4,509,873	6,743,713	2,852,962	2,825,138
Business-type activities:										
Charges for services										
Water and sewer	6,811,893	6,541,407	6,771,324	6,610,304	6,268,470	6,462,741	6,230,009	6,220,439	6,092,752	6,008,926
Operating grants and contributions	388,090	-	-	-	-	-	-	-	-	-
Capital grants and contributions	9,859	118,024	601,292	330,326	55,330	199,488	194,458	334,596	439,147	1,704,035
Total business-type activities program revenues	7,209,842	6,659,431	7,372,616	6,940,630	6,323,800	6,662,229	6,424,467	6,555,035	6,531,899	7,712,961
Total primary government program revenues	\$ 12,254,305	\$ 10,963,885	\$ 12,046,535	\$ 10,778,309	\$ 8,878,995	\$ 9,601,737	\$ 10,934,340	\$ 13,298,748	\$ 9,384,861	\$ 10,538,099
Net (expense)/revenue	\$ (9,319,393)	\$ (10,051,958)	\$ (10,823,956)	\$ (9,262,160)	\$ (9,692,335)	\$ (9,603,407)	\$ (7,980,245)	\$ (5,536,114)	\$ (9,909,449)	\$ (10,523,452)
Governmental activities	1,234,607	1,278,104	2,267,177	1,972,078	2,119,450	2,119,450	1,498,170	(194,893)	1,583,308	2,723,441
Business-type activities	(8,084,786)	(8,773,854)	(8,556,779)	(7,289,286)	(8,165,257)	(7,483,957)	(6,482,075)	(5,731,007)	(8,326,141)	(7,800,011)
Total primary government net expense	\$ (6,850,179)	\$ (7,495,750)	\$ (6,289,602)	\$ (5,317,208)	\$ (6,045,807)	\$ (5,383,957)	\$ (4,982,075)	\$ (5,627,072)	\$ (6,726,141)	\$ (7,796,571)

**TABLE II**  
**CONTINUED**

**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
September 30, 2019  
CITY OF SOUTH DAYTONA, FLORIDA  
(accrual basis of accounting)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 3,514,933	\$ 3,325,668	\$ 2,965,814	\$ 2,840,097	\$ 2,703,529	\$ 2,679,609	\$ 2,110,112	\$ 2,176,715	\$ 2,325,914	\$ 2,622,288
Property tax increments	1,534,641	1,375,280	1,210,342	1,092,555	985,184	875,628	788,529	905,599	1,099,180	1,885,686
Sales taxes	792,952	729,043	698,174	668,367	639,870	594,501	564,315	533,527	551,740	552,906
Public Service taxes	1,258,971	1,228,426	1,194,892	1,180,666	1,156,243	1,125,497	1,039,272	988,076	1,007,815	1,023,810
Franchise taxes	776,487	761,782	752,465	851,398	868,935	847,249	660,345	652,358	709,671	724,643
Motor fuel taxes	-	347,001	341,364	335,286	313,780	305,461	303,828	305,233	304,108	305,868
Communication service tax	394,341	378,596	369,548	404,599	442,686	467,132	506,888	556,874	558,385	598,073
Other taxes	13,387	24,360	23,389	20,181	20,380	21,286	22,157	21,883	21,201	21,687
Intergovernmental revenue	1,144,298	1,095,633	1,095,642	767,966	756,727	729,383	647,341	628,407	631,483	630,723
Unrestricted investments earnings	7,460	6,840	73	-	9,038	74	(271)	-	-	9,659
Miscellaneous	358,375	290,205	342,822	118,439	206,816	139,931	107,354	80,958	139,243	124,846
Gain (Loss) on sale of fixed assets	5,239	1,263	(5,910)	-	4,436	8,832	-	5,266	-	70,861
Transfers	1,500,896	1,543,253	1,707,714	1,424,274	1,649,598	1,339,823	1,176,810	432,151	205,639	1,147,685
Total governmental activities	11,301,980	11,107,350	10,696,329	9,703,828	9,757,222	9,134,406	7,926,680	7,287,047	7,554,379	9,718,735
Business-type activities:										
Unrestricted investments earnings	5,691	-	-	-	8,777	(992)	(775)	(1,115)	4,031	-
Miscellaneous	104,336	4,992	(9,531)	8,658	-	-	-	-	-	-
Gain (Loss) on sale of fixed assets	-	-	2,265	-	-	8,349	(16,462)	-	-	-
Transfers	(1,500,896)	(1,543,253)	(1,707,714)	(1,424,274)	(1,649,598)	(1,339,823)	(1,176,810)	(432,151)	(205,639)	(1,147,685)
Total business-type activities	(1,390,869)	(1,538,261)	(1,714,980)	(1,415,616)	(1,640,821)	(1,332,466)	(1,194,047)	(433,266)	(201,608)	(1,147,685)
Total primary government	\$ 9,911,111	\$ 9,569,089	\$ 8,981,349	\$ 8,288,212	\$ 8,116,401	\$ 7,801,940	\$ 6,732,633	\$ 6,853,781	\$ 7,352,771	\$ 8,571,050
<b>Change in Net Position</b>										
Governmental activities	\$ 1,982,587	\$ 1,055,392	\$ (127,627)	\$ 441,668	\$ 64,887	\$ (469,001)	\$ (53,565)	\$ 1,750,933	\$ (2,355,070)	\$ (804,717)
Business-type activities	(156,262)	(260,157)	552,197	557,258	(113,743)	786,984	304,123	(628,159)	1,381,700	1,575,756
Total primary government	\$ 1,826,325	\$ 795,235	\$ 424,570	\$ 998,926	\$ (48,856)	\$ 317,983	\$ 250,558	\$ 1,122,774	\$ (973,370)	\$ 771,039

Note: Motor fuel taxes were reclassified to Operating Contributions starting in fiscal year 2019. During the fiscal year ended September 30, 2015, GASB Statement No. 68 was implemented resulting in adjustments to beginning net position. Periods previous to that year have not been adjusted for these changes.

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

September 30, 2019  
CITY OF SOUTH DAYTONA, FLORIDA  
(modified accrual basis of accounting)

**TABLE III**

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>General Fund</b>										
Reserved	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 539,903
Unreserved	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,637,147
Total general fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 2,177,050
<b>All other Governmental Funds</b>										
Reserved	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 661,789
Unreserved, reported in:										
Special revenue funds	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	161,552
Capital project funds	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
Debt service funds	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
Total all other governmental funds	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 823,341
<b>General Fund</b>										
Nonspendable	\$ 871,528	\$ 8,050	\$ 17,314	\$ 12,606	\$ 157,543	\$ 43,720	\$ 40,623	\$ 45,300	\$ 40,336	N/A
Restricted	450,090	1,100,631	53,211	253,824	269,449	271,974	253,901	250,756	245,046	N/A
Committed	82,660	-	-	-	-	-	-	-	-	N/A
Assigned	80,500	81,700	80,800	160,197	165,035	129,084	160,715	1,594,541	159,846	N/A
Unassigned	1,341,280	1,270,096	708,007	246,442	906,312	1,442,530	2,059,353	1,654,600	1,821,248	N/A
Total general fund	\$ 2,826,058	\$ 2,460,477	\$ 859,332	\$ 673,069	\$ 1,498,339	\$ 1,887,308	\$ 2,514,592	\$ 3,545,197	\$ 2,266,476	N/A
<b>All Other Governmental Funds</b>										
Nonspendable	\$ 2,259	\$ 2,316	\$ 21,864	\$ -	\$ 4,760	\$ -	\$ -	\$ -	\$ -	N/A
Restricted	517,367	435,797	443,279	1,489,116	106,637	214,580	248,090	533,173	575,604	N/A
Committed	-	-	-	-	-	-	-	-	-	N/A
Assigned	-	-	-	-	-	-	-	-	-	N/A
Unassigned	-	-	-	-	-	-	-	-	-	N/A
Total All Other Governmental Funds	\$ 519,626	\$ 438,113	\$ 465,143	\$ 1,489,116	\$ 111,397	\$ 214,580	\$ 248,090	\$ 533,173	\$ 575,604	N/A

Note: GASB 54 implemented in 2011. Prior fiscal years have not been restated due to implementation of GASB 54.

TABLE IV

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

September 30, 2019  
CITY OF SOUTH DAYTONA, FLORIDA  
(modified accrual basis of accounting)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
Taxes	\$ 7,864,042	\$ 8,170,156	\$ 7,555,988	\$ 7,393,149	\$ 7,130,607	\$ 6,916,363	\$ 5,995,446	\$ 6,140,265	\$ 6,578,014	\$ 7,734,961
Licenses and permits	341,729	338,819	373,588	327,940	310,908	315,377	320,981	307,490	316,544	335,698
Intergovernmental revenue	1,329,725	506,438	497,544	464,669	454,181	427,904	408,037	395,532	400,512	420,123
Payments in lieu of taxes	607,525	589,195	598,098	303,297	302,546	301,479	239,304	232,875	230,971	210,600
Fines and forfeitures	155,847	80,525	75,068	82,331	108,128	65,292	110,822	83,486	147,471	97,179
Unrestricted investment earnings	-	6,840	73	-	9,038	74	-	-	-	9,659
Miscellaneous	379,222	290,205	342,822	118,439	206,816	139,931	107,083	80,958	139,243	124,846
Grants and contributions	398,870	1,651,694	2,087,561	1,464,426	1,10,609	555,505	2,114,685	4,391,552	475,460	340,515
Charges for services	2,263,349	2,233,416	2,137,702	1,962,982	2,025,550	2,003,334	1,963,385	1,961,185	1,913,487	2,040,679
Total revenues	<u>13,340,309</u>	<u>13,867,288</u>	<u>13,668,444</u>	<u>12,117,233</u>	<u>10,658,383</u>	<u>10,725,259</u>	<u>11,259,743</u>	<u>13,593,343</u>	<u>10,201,702</u>	<u>11,314,260</u>
Expenditures										
General government	2,008,212	1,930,728	2,158,652	2,108,165	1,981,667	1,809,895	1,934,821	1,749,049	2,027,123	2,211,547
Comprehensive planning	921,957	937,046	849,718	787,556	676,620	679,607	736,154	710,926	792,245	787,770
Public safety	4,568,679	4,514,402	4,413,816	4,228,959	4,452,149	4,434,911	4,472,364	4,373,228	4,834,052	4,750,110
Environmental services	1,852,301	2,297,662	3,549,266	1,747,829	1,727,115	1,671,785	1,405,296	1,466,769	1,383,092	1,442,219
Road and streets	551,802	671,384	645,941	630,079	419,103	409,385	562,279	597,912	555,632	616,519
Community redevelopment	256,448	237,323	163,180	170,024	128,438	125,812	145,421	142,563	146,079	187,776
Parks and recreation	1,437,355	1,563,955	1,480,468	1,357,242	1,330,653	1,335,420	1,301,082	1,361,342	1,376,896	1,584,710
Capital outlays	266,677	1,237,127	180,902	2,320,472	453,499	547,381	2,121,843	5,282,316	605,327	436,730
Debt service:										
Principal	2,365,176	1,110,215	989,542	997,959	5,306,240	5,486,259	2,242,852	2,537,324	946,985	2,993,782
Interest	367,763	337,847	388,030	356,428	438,277	434,253	426,699	337,724	380,332	466,190
Total Expenditures	<u>14,596,370</u>	<u>14,837,689</u>	<u>14,819,515</u>	<u>14,704,713</u>	<u>16,913,761</u>	<u>16,934,708</u>	<u>15,348,811</u>	<u>18,559,153</u>	<u>13,047,763</u>	<u>15,477,353</u>
Excess of revenues over (under) expenditures	(1,256,061)	(970,401)	(1,151,071)	(2,587,480)	(6,255,378)	(6,209,449)	(4,089,068)	(4,965,810)	(2,846,061)	(4,163,093)
Other financing sources (uses)										
Transfers in	3,214,550	3,077,503	3,770,554	2,610,896	2,424,505	1,746,463	2,010,488	2,956,143	2,683,858	3,256,673
Transfers out	(1,713,654)	(1,534,250)	(2,062,840)	(1,186,622)	(774,907)	(406,640)	(832,806)	(2,523,992)	(2,478,219)	(2,108,988)
Refunding existing debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	5,239	1,263	4,647	-	4,436	8,832	-	5,266	-	64,861
Issuance of debt	197,020	1,000,000	401,000	1,800,000	4,109,192	4,200,000	1,595,698	5,764,683	2,482,111	-
Total other financing sources (uses)	<u>1,703,155</u>	<u>2,544,516</u>	<u>2,113,361</u>	<u>3,224,274</u>	<u>5,763,226</u>	<u>5,548,655</u>	<u>2,773,380</u>	<u>6,202,100</u>	<u>2,687,750</u>	<u>1,212,546</u>
Net change in fund balances	\$ <u>447,094</u>	\$ <u>1,574,115</u>	\$ <u>962,290</u>	\$ <u>636,794</u>	\$ <u>(492,152)</u>	\$ <u>(660,794)</u>	\$ <u>(1,315,688)</u>	\$ <u>1,236,290</u>	\$ <u>(158,311)</u>	\$ <u>(2,950,547)</u>
Debt service as a percentage of noncapital expenditures	19.07%	10.65%	9.41%	10.94%	34.90%	36.13%	20.18%	21.65%	10.67%	23.00%

TABLE V

**PROGRAM REVENUES BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
 September 30, 2019  
 CITY OF SOUTH DAYTONA, FLORIDA  
 (accrual basis of accounting)

Function/Program	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities:										
General government	\$ 1,854	\$ 1,326	\$ 1,159	\$ 2,387	\$ 1,697	\$ 1,114	\$ 890	\$ 3,293	\$ 1,796	\$ 1,075
Comprehensive planning	438,263	387,594	419,908	366,648	345,186	329,951	375,185	329,508	365,323	372,227
Police	52,491	33,270	39,063	44,503	75,773	52,108	56,618	61,468	98,692	78,738
Fire	45,353	75,175	60,557	37,872	28,948	27,397	31,657	27,495	29,318	35,078
Public works	-	-	-	-	-	-	-	-	-	-
Refuse collection	2,024,438	1,951,606	1,887,886	1,735,189	1,794,415	1,787,597	1,743,260	1,717,477	1,636,564	1,735,748
Road and street facilities	-	-	-	-	-	-	-	-	-	-
Parks and recreation	22,743	53,558	42,581	41,613	34,608	29,738	38,650	37,808	22,282	21,545
Parks - summer/spring day camp	46,960	48,179	38,947	32,447	33,502	40,450	24,323	22,931	31,860	28,008
Parks - recreation programs	128,823	102,052	96,257	112,594	130,457	115,648	124,605	152,181	191,667	212,204
Intergovernmental services	-	-	-	-	-	-	-	-	-	-
Subtotal governmental activities	2,760,925	2,652,760	2,586,358	2,373,253	2,444,586	2,384,003	2,395,188	2,377,502	2,484,623	2,512,250
Business-type activities										
Water	2,779,994	2,720,907	2,899,587	2,706,258	2,544,533	2,528,020	2,530,385	2,564,014	2,581,305	2,487,014
Sewer	2,974,458	2,762,926	2,807,568	2,838,561	2,646,632	2,869,423	2,639,563	2,617,914	2,480,249	2,507,034
Stormwater	1,057,441	1,057,574	1,064,169	1,065,485	1,077,305	1,065,298	1,060,061	1,038,511	1,031,198	1,014,878
Subtotal business-type activities	6,811,893	6,541,407	6,771,324	6,610,304	6,268,470	6,462,741	6,230,009	6,092,752	6,008,926	5,456,266
Total primary government	\$ 9,572,818	\$ 9,194,167	\$ 9,357,682	\$ 8,983,557	\$ 8,713,056	\$ 8,846,744	\$ 8,625,197	\$ 8,470,254	\$ 8,493,549	\$ 7,968,516



TABLE VI

TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

September 30, 2019  
CITY OF SOUTH DAYTONA, FLORIDA  
(modified accrual basis of accounting)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Ad Valorem property tax										
City operating	\$ 3,514,933	\$ 3,325,668	\$ 2,965,814	\$ 2,840,097	\$ 2,703,529	\$ 2,679,609	\$ 2,110,112	\$ 2,176,715	\$ 2,325,914	\$ 2,622,288
Tax increment districts	1,534,641	1,375,280	1,210,342	1,092,555	985,184	875,628	788,529	905,599	1,099,180	1,885,686
Total property tax	\$ 5,049,574	\$ 4,700,948	\$ 4,176,156	\$ 3,932,652	\$ 3,688,713	\$ 3,555,237	\$ 2,898,641	\$ 3,082,314	\$ 3,425,094	\$ 4,507,974
Sales and use tax	\$ 792,952	\$ 729,043	\$ 698,174	\$ 668,367	\$ 639,870	\$ 594,501	\$ 564,315	\$ 533,527	\$ 551,740	\$ 522,906
Franchise fee	776,487	761,782	752,465	851,398	868,935	847,249	660,345	652,358	709,671	724,643
Public service tax	1,258,971	1,228,426	1,194,892	1,180,666	1,156,243	1,125,497	1,039,272	988,076	1,007,815	1,023,810
Motor fuel tax	384,669	347,001	341,364	335,286	313,780	305,461	303,828	305,233	304,108	305,868
Communication services tax	394,341	378,596	369,548	404,599	442,686	467,132	506,888	556,874	558,385	598,073
Other taxes	13,387	24,360	23,389	20,181	20,380	21,286	22,157	21,883	21,201	21,687

Table VII

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

September 30, 2019

CITY OF SOUTH DAYTONA, FLORIDA

Fiscal Year Ended Sept. 30,	Residential Property	Commercial Property	Industrial /Other Property	Total Just Value	Less: Tax-Exempt Property	Total Taxable Assessed Value	Value of One Mill	Total Direct Tax Rate
2010	\$ 498,808,533	\$ 188,406,647	\$ 108,453,377	\$ 795,668,557	\$ 204,909,070	\$ 590,759,487	\$ 590,759	5.778
2011	452,572,103	149,959,393	77,883,556	680,415,052	191,572,401	488,842,651	488,843	5.900
2012	423,033,748	139,114,035	72,811,672	634,959,455	183,998,160	450,961,295	450,961	5.900
2013	403,352,878	132,921,255	69,533,309	605,807,442	177,237,372	428,570,070	428,570	5.900
2014	400,854,761	132,947,205	69,538,993	603,340,959	174,730,685	428,610,274	428,610	7.400
2015	409,974,063	136,904,422	72,876,547	619,755,032	176,942,377	442,812,655	442,813	7.400
2016	428,317,132	139,440,851	78,130,176	645,888,159	177,562,072	468,326,087	468,326	7.400
2017	449,605,213	148,422,698	81,933,587	679,961,498	182,410,198	497,551,300	497,551	7.400
2018	476,360,970	142,227,143	103,489,489	722,077,602	186,954,750	535,122,852	535,123	7.800
2019	512,318,266	145,314,454	110,420,884	768,053,604	192,594,620	575,458,984	575,459	7.750

Source: Volusia County Property Appraiser's Office

TABLE VIII

PROPERTY TAX RATES ALL DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

September 30, 2019

CITY OF SOUTH DAYTONA, FLORIDA

(rate per \$1,000 of assessed value)

Fiscal Year	Tax Year	City Direct Rate			Overlapping Rates								Total Direct & Overlapping Rates
		Operating Rate	Debt Rate	Total City Millage	Volusia County	Volusia School District	Forever and Echo	Mosquito Control	Inlet and Port Authority	Halifax Hospital	St. Johns Water Management	Inland Navigation	
2010	2009	5.778	0.000	5.778	5.974	7.805	0.400	0.210	0.0936	2.2500	0.4158	0.0345	22.961
2011	2010	5.900	0.000	5.900	6.303	8.237	0.000	0.208	0.0930	2.0000	0.4158	0.0350	23.191
2012	2011	5.900	0.000	5.900	6.779	8.063	0.000	0.208	0.0929	1.7500	0.3313	0.0345	23.159
2013	2012	5.900	0.000	5.900	6.881	7.888	0.000	0.208	0.0929	1.2500	0.3313	0.0345	22.586
2014	2013	7.400	0.000	7.400	7.271	7.358	0.000	0.208	0.0929	1.0000	0.3283	0.0345	23.693
2015	2014	7.400	0.000	7.400	7.271	7.336	0.000	0.188	0.0929	1.0000	0.3164	0.0345	23.639
2016	2015	7.400	0.000	7.400	7.271	7.197	0.000	0.188	0.0929	0.9550	0.3023	0.0320	23.438
2017	2016	7.400	0.000	7.400	7.052	6.848	0.000	0.188	0.0929	0.7561	0.2885	0.0320	22.658
2018	2017	7.800	0.000	7.800	7.052	6.520	0.000	0.188	0.0929	0.3781	0.2724	0.0320	22.335
2019	2018	7.750	0.000	7.750	6.646	6.281	0.000	0.188	0.0929	0.3546	0.2562	0.0320	21.601

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

Source: Volusia County Finance Department and the City of South Daytona Finance Department

**PRINCIPAL PROPERTY TAXPAYERS  
CURRENT AND NINE YEARS AGO**

September 30, 2019

CITY OF SOUTH DAYTONA, FLORIDA

**TABLE IX**

<u>Taxpayer</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Florida Power & Light Company	\$ 17,277,325	1	3.00%	\$ 10,086,491	2	1.71%
Tzadik Eagle Oaks Apartments LLC	7,226,721	2	1.256			-
Lakeview Estates LTD	6,196,832	3	1.077	5,365,801	7	0.91
2400 Ridgewood LLC	6,012,520	4	1.045	8,386,400	3	1.42
Marcell Gardens LTD	4,471,485	5	0.777	4,957,103	8	0.84
Industrial Opportunity LLC	4,279,764	6	0.744	4,915,021	9	0.83
Varol Investments	3,357,909	7	0.584			
South Daytona Storage	3,347,451	8	0.582	4,016,560	10	0.68
TRB Daytona LLC	3,299,398	9	0.573	7,413,563	4	1.25
Mirza Sayeed & Nasim	3,191,730	10	0.555			
Halifax Landing Condo LLC				39,458,540	1	6.68
The Grove at Ridgewood				5,493,028	6	0.93
3131 S Ridgewood Avenue LLC				6,407,784	5	1.08
	<u>\$ 58,661,135</u>		<u>10.19%</u>	<u>\$ 96,500,291</u>		<u>16.33%</u>

Source: Volusia County Property Appraiser

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

**TABLE X**

September 30, 2019  
CITY OF SOUTH DAYTONA, FLORIDA

<b>Fiscal Year Ended September 30,</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collection to Date</b>	
		<b>Amount</b>	<b>Percent of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2010	3,413,408	3,379,487	99.01%	*	3,379,487	99.01%
2011	2,884,172	2,789,680	96.72%	*	2,789,680	96.72%
2012	2,660,672	2,542,045	95.54%	*	2,542,045	95.54%
2013	2,528,563	2,438,761	96.45%	*	2,438,761	96.45%
2014	3,171,716	2,968,386	93.59%	*	2,968,386	93.59%
2015	3,276,814	3,172,927	96.83%	*	3,172,927	96.83%
2016	3,465,613	3,247,789	93.71%	*	3,247,789	93.71%
2017	3,681,880	3,436,338	93.33%	*	3,436,338	93.33%
2018	4,176,124	3,889,239	93.13%	*	3,889,239	93.13%
2019	4,459,807	4,174,118	93.59%	*	4,174,118	93.59%

Source: Volusia County Finance Department and the City of South Daytona Finance Department

\* Collections in subsequent years of prior year levies is not available from the Volusia County Property Appraisers Office.

**RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

September 30, 2019

CITY OF SOUTH DAYTONA, FLORIDA

TABLE XI

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Outstanding Debt Per Capita
	Notes Payable	Capital Leases	Revenue Bonds	Note Payable	State Revolving Loan Payable	Capital Leases					
2010	10,341,523	304,233	2,560,000	5,450,538	5,847,137	-	-	24,503,431	5.90%	1,819	
2011	11,715,563	468,989	2,035,000	5,151,353	5,494,833	-	-	24,865,738	6.13%	2,030	
2012	14,602,835	809,074	1,480,000	4,804,537	5,133,891	-	-	26,830,337	6.78%	2,182	
2013	14,058,546	706,209	-	3,689,153	4,764,101	-	-	23,218,009	5.61%	1,868	
2014	12,954,744	523,752	-	4,411,539	4,385,244	-	-	22,275,279	5.29%	1,814	
2015	11,944,050	337,399	-	3,681,876	3,997,093	-	-	19,960,418	4.26%	1,462	
2016	12,863,493	219,997	-	3,258,168	3,599,418	-	-	19,941,076	4.46%	1,578	
2017	10,551,549	143,399	-	2,821,460	3,191,989	304,469	-	17,012,866	3.39%	1,266	
2018	10,506,097	78,636	-	2,364,637	2,774,561	246,117	-	15,970,048	3.30%	1,257	
2019	8,192,010	224,567	-	1,895,772	2,346,888	187,420	-	12,846,657	2.51%	1,002	

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

See Schedule XVI for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

**TABLE XII**

September 30, 2019  
CITY OF SOUTH DAYTONA, FLORIDA

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**General Bonded Debt Outstanding**

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*The City has not had any general bonded debt over the past ten fiscal years.*

Source: City of South Daytona Finance Department.

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
September 30, 2019  
CITY OF SOUTH DAYTONA, FLORIDA

**TABLE XIII**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
County of Volusia	\$ 6,380,000	1.66%	\$ 105,908
Volusia County School District	<u>-</u>	<u>0.00%</u>	<u>-</u>
Subtotal, overlapping debt		1.66%	<u>105,908</u>
City of South Daytona Direct Debt			<u>8,416,577</u>
Total direct and overlapping debt			<u><u>\$ 8,522,485</u></u>

Source: Independent Taxing Districts

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of South Daytona. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.



**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
September 30, 2019  
CITY OF SOUTH DAYTONA, FLORIDA

**TABLE XIV**

*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 South Daytona Finance Department

**Utility Service Fund Pledged Revenues**

Series 2013B (Maturity: July 1, 2027)

State Revolving Loan Fund (SRF) Loans: Country Club Gardens (Maturity: May 15, 2020 )

Palm Grove Phase I (Maturity: December 15, 2024 )/Palm Grove Phase II (Maturity: December 15, 2027)

Fiscal Year	Utility Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service		Total Annual Debt Service	Coverage		
				Annual SRF	Maximum 2013B		State Revolving Fund Actual	Required and Add'l Parity	2013B Required and Add'l Parity
2010	\$ 7,712,961	\$ 3,319,924	\$ 4,393,037	\$ 1,308,564	\$ 76,608	\$ 1,385,172	3.17	1.15	1.10
2011	6,535,930	3,423,694	3,112,236	1,106,616	76,608	1,183,224	2.63	1.15	1.10
2012	6,555,035	3,877,152	2,677,883	1,563,376	76,608	1,639,984	1.63	1.15	1.10
2013	6,424,467	3,574,961	2,849,506	907,001	76,608	983,609	2.90	1.15	1.10
2014	6,662,229	3,286,040	3,376,189	488,674	76,608	565,282	5.97	1.15	1.10
2015	6,332,577	3,507,231	2,825,346	488,605	76,608	565,213	5.00	1.15	1.10
2016	6,949,288	3,824,612	3,124,676	491,554	76,608	568,162	5.50	1.15	1.10
2017	7,365,350	3,901,485	3,463,865	491,546	76,608	568,154	6.10	1.15	1.10
2018	6,664,423	4,160,420	2,504,003	491,546	76,608	568,154	4.41	1.15	1.10
2019	6,926,088	4,754,788	2,171,300	491,544	76,595	568,139	3.82	1.15	1.10

**Governmental Pledged Revenues**

Capital Improvement Note Series 2011 (#75 - Maturity: January 10, 2022)

Series 2015 (#117 - Maturity: June 30, 2023)

Fiscal Year	Public Service Tax	Communication Service Tax	Available Revenues	Maximum Annual Debt Service			Coverage		
				Loan # 75	Loan # 117	Total	Actual	Required	Additional Parity
2011	\$ 1,007,815	\$ 558,385	\$ 1,566,200	\$ 426,392	\$ -	\$ 426,392	3.67	N/A	1.50
2012	988,076	556,874	1,544,950	426,392	-	426,392	3.62	N/A	1.50
2013	1,039,272	506,888	1,546,160	426,392	-	426,392	3.63	N/A	1.50
2014	1,125,497	467,132	1,592,629	426,392	-	426,392	3.74	N/A	1.50
2015	1,156,243	442,686	1,598,929	426,392	543,700	970,092	1.65	N/A	1.50
2016	1,180,666	404,599	1,585,265	426,392	543,700	970,092	1.63	N/A	1.50
2017	1,194,892	369,548	1,564,440	426,392	543,700	970,092	1.61	N/A	1.50
2018	1,228,426	378,596	1,607,022	426,392	543,700	970,092	1.66	N/A	1.50
2019	1,258,971	394,341	1,653,312	435,187	557,423	992,610	1.67	N/A	1.50

**Transportation Revenue Note, Series 2006**

(CRA # 34 - Maturity: February 1, 2024)

Fiscal Year	Tax Increment Proceeds	Maximum Annual Debt Service	Coverage		
			Actual	Required	Additional Parity
2010	\$ 1,885,686	\$ 243,175	7.75	1.15	1.50
2011	1,099,180	243,175	4.52	1.15	1.50
2012	905,599	243,175	3.72	1.15	1.50
2013	788,529	243,175	3.24	1.15	1.50
2014	875,628	243,175	3.60	1.15	1.50
2015	985,184	243,175	4.05	1.15	1.50
2016	1,092,555	243,175	4.49	1.15	1.50
2017	1,210,342	243,175	4.98	1.15	1.50
2018	1,375,280	243,175	5.66	1.15	1.50
2019	1,534,641	236,908	6.48	1.15	1.50

**Capital Improvement Revenue Note Series 2013**

(#109 - Maturity: November 27, 2028)

Fiscal Year	Sales Tax	Maximum Annual Debt Service	Coverage		
			Actual	Required	Additional Parity
2014	\$ 594,501	\$ 339,488	1.75	N/A	1.50
2015	639,870	339,488	1.88	N/A	1.50
2016	688,367	339,488	2.03	N/A	1.50
2017	698,174	338,983	2.06	N/A	1.50
2018	729,043	348,264	2.09	N/A	1.50
2019	792,952	359,036	2.21	N/A	1.50

Source: City of South Daytona Finance Department

**PLEGGED COVERED REVENUES**  
**LAST TEN FISCAL YEARS**  
September 30, 2019  
CITY OF SOUTH DAYTONA, FLORIDA

**TABLE XV**  
**CONTINUED**

Anti-dilution Test - Obligation # 42 (Note # 59)						
<b>Revenues</b>	2019	2018	2017	2016	2015	2014
Total Revenues per CAFR	\$ 13,340,309	\$ 13,867,288	\$ 13,668,444	\$ 12,117,233	\$ 10,658,383	\$ 10,725,259
Less: Ad Valorem revenues	(5,049,574)	(4,700,948)	(4,176,156)	(3,932,652)	(3,688,713)	(3,555,237)
<b>Total Non-ad valorem revenues</b>	<b>8,290,735</b>	<b>9,166,340</b>	<b>9,492,288</b>	<b>8,184,581</b>	<b>6,969,670</b>	<b>7,170,022</b>
<b>Less Restricted Funds</b>						
General Fund Grant Revenues	(93,855)	(724,776)	(1,858,974)	(152,656)	-	-
Less Hurricane grants - debt service	-	-	356,095	-	-	-
Less Essential exp grants	-	-	55,140	-	-	-
Capital Projects Fund	(57,703)	-	-	(63,585)	-	-
Transportation Fund	(442,500)	(1,280,738)	(612,473)	(1,595,126)	(356,235)	(791,038)
Community Trust Fund	(20,063)	(20,654)	(17,712)	(20,541)	(16,572)	(26,460)
Redevelopment Fund	-	-	-	-	-	-
Total Restricted	(614,121)	(2,026,168)	(2,077,924)	(1,831,908)	(372,807)	(817,498)
<b>Adjusted non-ad valorem revenues</b>	<b>7,676,614</b>	<b>7,140,172</b>	<b>7,414,364</b>	<b>6,352,673</b>	<b>6,596,863</b>	<b>6,352,524</b>
<b>Essential Expenditures</b>						
General government	(2,008,212)	(1,930,728)	(2,158,547)	(2,108,165)	(1,981,667)	(1,809,895)
Public safety	(4,568,679)	(4,514,402)	(4,412,454)	(4,228,959)	(4,452,149)	(4,434,911)
Total essential expenditures	(6,576,891)	(6,445,130)	(6,571,001)	(6,337,124)	(6,433,816)	(6,244,806)
Total ad valorem	5,049,574	4,700,948	4,176,156	3,932,652	3,688,713	3,555,237
Less TIF	(1,534,641)	(1,375,280)	(1,210,342)	(1,092,555)	(985,184)	(875,628)
Available ad valorem not restricted	3,514,933	3,325,668	2,965,814	2,840,097	2,703,529	2,679,609
Adjusted essential expenditures	(3,061,958)	(3,119,462)	(3,605,187)	(3,497,027)	(3,730,287)	(3,565,197)
Legally available non-ad valorem revenues	4,614,656	4,020,710	3,809,177	2,855,646	2,866,576	2,787,327
City debt service coverage ratio:						
2 year average of legally available NAV	4,317,683	3,914,943	3,332,411	2,861,111	2,826,952	1,393,664
<b>Maximum annual debt service</b>						
Obligation # 117	557,423	543,700	543,700	543,700	543,700	543,700
Obligation # 109	357,471	338,984	338,984	339,488	339,488	339,488
Obligation # 67 (note 75)	435,187	426,392	426,392	426,392	426,392	426,392
BBVA Compass 2016 (\$401,000)	107,004	107,006	107,006	-	-	-
Leases	71,789	68,178	68,178	81,759	125,220	125,220
Emergency Loan - Hurricane Matthew	-	356,095	356,095	-	-	-
Total maximum annual debt service	\$ 1,528,874	\$ 1,840,355	\$ 1,840,355	\$ 1,391,339	\$ 1,434,800	\$ 1,434,800
Actual annual debt ratio	2.82	2.13	1.81	2.06	1.97	0.97
Required debt ratio	1.50	1.50	1.50	1.50	1.50	1.50

Source: City of South Daytona Finance Department

Note: Obligation 42 (Note 59) has a CBA pledge, however this obligation was paid out of revenues from the Utility Service Fund. Therefore, this obligation was not included in the above calculation.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating revenues include investment revenue, capital grants and contributions. Operating expenses do not include interest, depreciation, or amortization expense. Coverage calculation provided from year of issuance forward.

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

September 30, 2019

CITY OF SOUTH DAYTONA, FLORIDA

**TABLE XVI**

<b>Fiscal Year</b>	<b>Population (a)</b>	<b>Personal Income (amounts expressed in thousands) (b)</b>	<b>Per Capita Personal Income (b)</b>	<b>Median Age (b)</b>	<b>School Enrollment (c)</b>	<b>County Unemployment Rate (d)</b>
2010	13,471	15,610,183	30,818	43.2	62,416	12.5%
2011	12,252	16,373,000	33,104	45.3	61,684	11.0%
2012	12,294	15,933,933	32,203	41.7	61,636	8.8%
2013	12,431	16,544,186	33,299	*	61,124	6.0%
2014	12,279	17,117,508	34,305	*	61,234	5.6%
2015	13,653	17,292,604	34,321	46.5	61,829	5.3%
2016	12,635	18,297,539	35,364	*	62,850	5.2%
2017	13,436	19,577,196	37,404	*	63,043	3.7%
2018	12,703	20,543,253	38,135	*	62,948	3.5%
2019	12,819	21,902,076	40,001	*	63,264	3.5%

\* Information not readily available.

(a) Bureau of Economic and Business Research

(b) United States Department of Commerce, Bureau of Economic and Business Research (2007-2012); Florida Research & Economic Database (2013-2016) (Number represents County total)

(c) Volusia County School Board (Number represents county total)

(d) Agency for Work Force Innovation

**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND 9 YEARS AGO**  
September 30, 2019  
CITY OF SOUTH DAYTONA, FLORIDA

**TABLE XVII**

<u>Employer</u>	<u>2019</u>			<u>2010</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Votran	321	1	9.51%	257	1	13.74%
Giles Electric prior year	120	2	3.56%	85	6	4.55%
Publix	120	2	3.56%	200	2	10.70%
City of South Daytona	104	4	3.08%	123	3	6.58%
Warner Christian Academy	101	5	2.99%	115	4	6.15%
South Daytona Elementary	90	6	2.67%	102	5	5.45%
Johns Appliance	67	7	1.99%	63	7	3.37%
Food Supply Inc	63	8	1.87%	-	-	0.00%
Universal Engineering	45	9	1.33%	56	8	2.99%
Rossi's Diner	22	10	0.65%	-	-	-
RGIS Inventory Specialist py	-	-	0.00%	54	9	2.89%
Rinker	-	-		53	10	2.83%
	<u>1,053</u>		<u>31.21%</u>	<u>1,108</u>		<u>59.25%</u>

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**

**TABLE XVIII**

September 30, 2019

CITY OF SOUTH DAYTONA, FLORIDA

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Government										
Executive	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00	3.00
Finance	5.00	5.00	5.00	6.00	6.00	6.00	5.00	5.00	5.00	5.00
Community Development	7.00	10.00	10.00	9.00	7.00	7.00	8.00	8.00	8.00	8.00
Human Resources	1.00	1.50	1.00	-	-	-	-	-	-	-
Community Redevelopment	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Custodial	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Police										
Officers	28.00	30.00	30.00	29.00	30.00	30.00	32.00	33.00	27.00	25.00
Civilians	6.00	6.00	6.00	6.00	8.00	8.00	8.00	10.00	7.00	8.00
Fire										
Firefighters and officers	14.00	13.00	13.00	13.00	13.00	13.00	16.00	16.00	16.00	12.00
Civilians	-	-	-	-	-	-	-	-	-	2.00
Public works	5.00	3.00	3.00	3.00	3.00	3.00	3.00	1.00	1.00	1.00
Road and street	2.00	4.00	4.00	1.00	-	-	-	1.00	3.00	2.00
Parks and recreation	7.50	8.50	8.50	7.00	8.00	8.00	9.00	10.00	7.00	10.00
Community center	0.50	0.50	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Water and sewer operations	6.00	5.00	5.00	6.00	6.00	6.00	5.00	4.00	7.00	8.00
Water and sewer office	5.00	4.50	4.00	3.00	3.00	3.00	4.00	4.00	3.00	4.00
Equipment maintenance	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00
Total	94.00	98.00	97.00	91.00	92.00	92.00	98.00	99.00	91.00	92.00

Note: Number of positions are full time equivalents

Source: City of South Daytona Finance Department

TABLE XIX

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS

September 30, 2019

CITY OF SOUTH DAYTONA, FLORIDA

Function	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Police										
Physical arrests	608	641	744	782	708	1,053	778	615	680	871
Parking violations	133	470	561	676	529	7	15	35	26	47
Traffic violations	5,623	5,005	4,060	2,634	4,122	4,092	3,545	3,274	3,526	4,320
Fire										
Emergency responses	1,508	2,323	1,766	1,662	1,370	1,265	1,338	1,758	1,547	1,742
Fire responses	1,044	506	1,147	1,003	714	742	146	542	527	424
Inspections	268	253	287	265	360	230	325	250	332	957
Solid Waste:										
Refuse collected (tons per day)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)
Recyclables collected (tons per day)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)
Other public works										
Street resurfacing (miles)	-	0.600	-	-	3	-	-	-	-	-
Water										
Average daily consumption (thousands of gallons)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)
Number of Customers c)	5,667	5,222	5,158	5,145	5,152	5,162	5,120	5,105	5,090	5,086
Sewer										
Average daily treatment (thousands of gallons)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)
Number of Customers	5,379	4,912	4,877	5,040	5,028	5,025	4,990	4,962	4,920	4,896

a) Water and Sewer service is outsourced to the City of Daytona Beach

b) Solid waste service outsourced

c) In 2019 number of water and sewer customers includes accounts with availability charges

Source: City of South Daytona Finance Department

**CAPITAL ASSETS BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
 September 30, 2019  
 CITY OF SOUTH DAYTONA, FLORIDA

TABLE XX

Function	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire	2	2	2	2	2	2	2	2	2	2
Fire Stations										
Solid Waste	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)
Collection trucks (services contracted)										
Public works - transportation	46.40	46.40	46.40	46.40	46.40	46.40	46.40	46.40	46.40	46.40
Streets (miles)	-	-	-	-	-	-	-	-	-	-
Highways (miles)										
Streetslights	29	29	29	29	29	29	29	29	29	29
Traffic signals	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)
Parks and recreation										
Acreage	66.75	66.75	66.75	66.75	66.75	66.75	66.75	66.75	66.75	66.75
Playgrounds	7	7	7	7	7	7	7	7	7	7
Baseball/softball diamonds	4	4	4	4	4	4	4	4	4	4
Soccer/football fields	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	40	40	40	40	40	40	40	40	40	40
Fire hydrants	403	403	403	403	403	403	403	403	403	403
Storage capacity (thousands of gallons)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)
Wastewater										
Sanitary sewers (miles)	35	35	35	35	35	35	35	35	35	35
Storm sewers (miles)	10	10	10	10	10	10	10	10	10	10
Treatment capacity (thousands of gallons)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)

- a) Solid waste service outsourced
- b) Streetslights owned and maintained by FPL
- c) Traffic Signals owned and maintained by Volusia County
- d) Water and Sewer service is outsourced to the City of Daytona Beach

Source: City of South Daytona Finance Department



**WATER AND SEWER RESIDENTIAL RATES  
LAST TEN FISCAL YEARS**

**TABLE XXI**

September 30, 2019  
CITY OF SOUTH DAYTONA, FLORIDA

Fiscal Year	Water Service Rates			Sewer Service Rates			Stormwater Management Fee
	Minimum Use (0-1,000 Total Gallons)	Additional Use (2,000-7,000 Total Gallons)	Additional Use (Over 7,000 Total Gallons)	Minimum Use (0-1,000 Total Gallons)	Additional Use (2,000-7,000 Total Gallons)	Additional Use (Over 7,000 Total Gallons)	
2010	\$ 12.49	\$ 4.79	\$ 5.08	\$ 13.55	\$ 6.25	\$ 6.87	\$ 9.00
2011	13.00	5.00	5.45	14.90	6.89	7.55	9.00
2012	13.00	5.00	5.45	14.90	6.89	7.55	9.00
2013	13.22	5.09	5.55	16.55	7.70	8.37	9.00
2014	13.19	5.05	5.52	14.33	6.58	7.26	9.00
2015	13.35	5.13	5.60	14.69	6.67	7.44	9.00
2016	13.44	5.16	5.64	14.79	6.81	7.49	9.00
2017	14.33	5.57	6.06	15.57	7.18	7.87	9.00
2018	14.61	5.67	6.17	15.61	7.19	7.89	9.00

Fiscal Year	Water Service Rates				Sewer Service Rates			Stormwater Management Fee
	Minimum Use Or Temp Off (0-1,000 Total Gallons)	Additional Use (1,000-2,000 Total Gallons)	Additional Use (2,000-7,000 Total Gallons)	Additional Use (Over 7,000 Total Gallons)	Minimum Use Or Temp Off (0-1,000 Total Gallons)	Additional Use (1,000-2,000 Total Gallons)	Additional Use (Over 2,000 Total Gallons)	
2019	\$ 13.00	\$ 3.39	\$ 5.43	\$ 9.50	\$ 16.00	\$ 6.16	\$ 9.85	\$ 9.00

Notes: Changes in water and sewer rates must be approved via resolution by the City Council.  
City Council changed water and sewer rates based on a water sewer study conducted in 2018. The City instituted a minimum bill for customer accounts that are temporarily turned off.

Source: City of South Daytona Finance Department





## **SUPPLEMENTAL AUDIT REPORTS**



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

To the Honorable Mayor, City Council, and City Manager  
of the City of South Daytona, 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 South Daytona, Florida as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 3, 2020.

***Internal Control over Financial Reporting***

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described on the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

### ***Compliance and Other Matters***

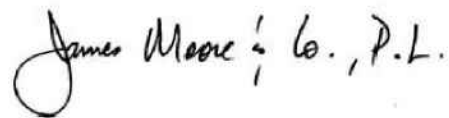
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City's Response to Findings**

The City's responses to the findings identified in our audit are described in the management's response as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large, looped initial 'J'.

Daytona Beach, Florida  
February 3, 2020



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

To the Honorable Mayor, City Council, and City Manager  
of the City of South Daytona, Florida:

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

We have audited the City of South Daytona, Florida's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs, for the year ended September 30, 2019.

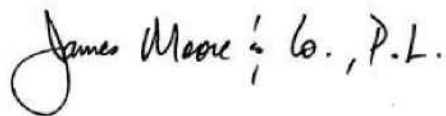
## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida  
February 3, 2020



**City of South Daytona, Florida**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2019**

<b>Federal Grantor/Pass-Through Grantor Program or Cluster</b>	<b>Federal CFDA Number</b>	<b>Grant/Contract #</b>	<b>Expenditures</b>
<b>Federal Emergency Management Agency</b>			
Pass-through Program From:			
Florida Division of Emergency Management FEMA Hurricane Disaster Aid (Irma)	97.036	DR 4337	866,617
 SAFER	 97.083	 EMW-2016 FH-00602	 61,073
<b>Total Federal Emergency Management Agency</b>			<b>\$ 927,690</b>
<b>Department of Housing and Urban Development</b>			
Pass-through County of Volusia :			
Community Development Block Grant Septic to Sewer Conversion/Hope Place Total "CDBG - Entitlement Grants Cluster"	14.218	N/A	23,400 23,400
<b>Total Department of Housing and Urban Development</b>			<b>\$ 23,400</b>
<b>Department of Justice</b>			
Direct:			
Edward Byrne Assistance Program Bulletproof Vests and Jag Grant	16.738	2019 - JAGD - 2134	3,823
<b>Total Department of Justice</b>			<b>\$ 3,823</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 954,913</b>

**City of South Daytona, Florida**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2019**

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**1. Basis of Accounting**

This schedule is prepared on the same basis of accounting as the City of South Daytona's financial statements except for FEMA awards see note 3. The City uses the modified accrual basis of accounting.

**2. Indirect Cost Rate**

The City of South Daytona has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**3. Deferred FEMA Expenditures**

During the fiscal years ended September 30, 2017 and 2018, the City incurred substantial costs related to Hurricane Irma. Per the OMB Compliance Supplement, any reimbursements from the Federal Emergency Management Agency (FEMA) under CFDA 97.036 are not to be recognized as expenditures for purposes of the Schedule of Federal Awards until the respective Project Worksheets (PW) have been approved and obligated. During the year ended September 30, 2019, \$866,617 of the City's PWs from Hurricane Irma had been approved and obligated by FEMA.

**4 Subrecipients**

During the fiscal year ended September 30, 2019, no amounts were passed through to subrecipients.

**CITY OF SOUTH DAYTONA, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**I. Summary of Auditors' Results:**

***Financial Statements:***

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?                     yes     no

Significant deficiency(ies) identified?             yes     none reported

Noncompliance material to financial statements noted?     yes     no

***Federal Awards:***

Internal control over major Federal programs:

Material weakness(es) identified?                     yes     no

Significant deficiency(ies) identified?             yes     none reported

Type of auditor's report issued on compliance for major Federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?     yes     none reported

Auditee qualified as a low-risk auditee?             yes     no

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Identification of major Federal programs:

CFDA Number	Program Name
97.036	Disaster Grants – Public Assistance

**II. Financial Statement Findings:**

**2019-001 Purchasing Policy and Missing Documentation**

*Criteria:* The City's policies and procedures require three quotes for any disbursements greater than \$1,000. Also, department heads are required to review and approve monthly purchasing card statements.

*Condition:* On two out of 40 transactions, the City failed to obtain or produce support indicating that the three quotes were obtained. Also, on two out of 40 transactions, two department heads failed to document their review and approval of the monthly purchasing card statement.

*Cause:* The various procedures were not performed as required, and the absence of the required documentation in each scenario was not detected by internal processes.

*Effect:* The failure to obtain or retain quote documentation and the lack of approval by a department head could result in noncompliance with City policy and/or the lack of identification of improper expenditures of City funds.

*Recommendation:* We recommend that the City review all purchasing and procurement policies to ensure required procedures are consistent with current practice and to educate management and staff on any new policies and procedures to ensure compliance.

**2019-002 Information Technology Matters**

*Criteria:* The City's information technology (IT) environment plays a key role in the financial reporting process, and safeguards should be in place to protect the integrity and security of all financial data.

*Condition:* Various areas for improvement were identified during our analysis of the City's IT environment. The specific areas are exempt from public access provided by Florida Statutes 119.07(1) and 286.001 and other laws and rules requiring public access or disclosure. This exemption is addressed under Florida Statute 281.301, Security systems; records and meetings exempt from public access or disclosure.

*Cause:* Certain IT policies, procedures, and/or best practices were not implemented and/or updated in recent years.

*Effect:* The exploitation of certain deficiencies could result in the compromise of the integrity and/or security of the City's data as it relates to financial reporting.

*Recommendation:* Recommendations have been provided to management in a separate letter exempt from public disclosure for the same reasons as noted in the "Condition" paragraph.

**III. Federal Awards Programs Findings and Questioned Costs: None**

**IV. Prior Audit Findings:** There were no prior year findings related to internal control over financial reporting or Federal programs; therefore, no schedule of prior audit findings has been prepared.

**V. Corrective Action Plan:** See corrective action plan/management's response as listed in the table of contents.

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED  
BY OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Council, and City Manager  
of the City of South Daytona, Florida:

**Report on the Financial Statements**

We have audited the basic financial statements of the City of South Daytona, Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated February 3, 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General

**Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in accordance with the Uniform Guidance; Schedule of Findings and Questioned Costs; and Independent Accountant's Examination Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 3, 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. The following is a summary of prior year recommendations:

**2013-001 Interfund Receivables**—Partial corrective action taken. See sixth-year repeat comment 2019-003.

**2015-002 Renewal and Replacement Fund**—Corrective action taken.

**2018-001 Water and Sewer Rate Study**—Corrective action taken.

**2018-002 Personal Leave, Comp Time and Administrative Time**—Corrective action taken.

**2018-003 Accounts Payable**—Corrective action taken.

**2018-004 Grants**—Corrective action taken.

**2018-005 Sales Tax**—Corrective action taken.

**2018-006 Customer Deposits**—Partial corrective action taken. See second-year repeat comment 2019-004.

### **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 for the primary government and component units of the reporting entity is disclosed in Note 1 of the basic financial statements.

### **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we have the following recommendations:

#### **2019-003 Interfund Receivables (Sixth-Year Repeat Comment)**

At year-end, the Utility Service Fund continued to owe the General Fund significant amounts while also holding a deficit balance in unrestricted net position. While the City performed a rate study and enacted a new rate structure at the end of the current year, the change did not have a significant impact during the current fiscal year. We recommend the City utilize funds from the new rates to reduce the balance owed to the General Fund and to ensure a long-range plan is in place to recover the unrestricted net position deficit.

#### **2019-004 Customer Deposits (Second-Year Repeat Comment)**

At year-end, the Utility Fund had no utility deposits on hand and a liability for customer deposits of \$887,547. The City should strive to have equal cash on hand compared to the liability balance throughout the year. We recommend the City assess the impact of the new rate study and ensure a plan is in place to generate and hold the related cash balance of utility deposit in utility fund cash and cash equivalents.



### **2019-005 Bank Reconciliation Review**

We noted two areas for improvement related to the City's bank reconciliation process. First, monthly bank reconciliations are performed by the Assistant Finance Director with no review and approval by a different individual. While mitigating controls are in place, bank reconciliations should ideally be prepared and then subsequently reviewed by two different individuals. Second, there has been an ongoing variance, though not significant, between the reconciled book balance and the general ledger balance. To improve the effectiveness of internal controls over cash and bank reconciliations, we recommend the bank reconciliation process be modified to include the preparation and review of bank reconciliations to be performed by two different individuals, and for additional research to be performed on the ongoing variance between the reconciled balance and the general ledger such that all future months can be reconciled without any variance.

### **2019-006 Lack of Asset or Inventory Count**

We noted the City has not completed an asset or inventory count in several years. To ensure accounting records are complete and accurate, we recommend the City complete such counts on no less than an annual basis.

### **2019-007 Journal Entry Approvals**

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### **Additional Matters**

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

### **Purpose of this Letter**

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

Daytona Beach, Florida  
February 3, 2020







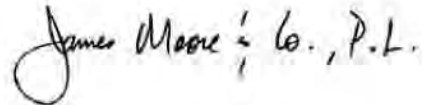
## INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, City Council, and City Manager  
of the City of South Daytona, Florida:

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, 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.

In our opinion, the City of South Daytona, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.



Daytona Beach, Florida  
February 3, 2020



# City of South Daytona

Office of the City Manager / Department of Finance

Post Office Box 214960 • South Daytona, FL 32121 • 386/322-3060 • FAX 386/322-3099



## MEMORANDUM

**To:** James L. Gillis, Jr., City Manager  
**From:** Kevin T. Lewis, Finance Director  
**Re:** Response to Audit Findings/Recommendations  
**Date:** February 06, 2020

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The following constitutes the Finance Department's responses to prior year and current year audit findings and recommendations:

### **Prior Year Findings and Recommendations:**

#### **2019-003 Interfund Receivables (Sixth-Year Repeat Comment)**

At year-end, the Utility Service Fund continued to owe the General Fund significant amounts while also holding a deficit balance in unrestricted net position. While the City performed a rate study and enacted a new rate structure at the end of the current year, the change did not have a significant impact during the current fiscal year. We recommend the City utilize funds from the new rates to reduce the balance owed to the General Fund and to ensure a long-range plan is in place to recover the unrestricted net position deficit.

#### **Response**

Reducing the balance owed to the General Fund and increasing unrestricted fund balance was a major focus of the rate study completed in FY 2019. The City Council approved rate adjustments that were implemented in September 2019. Based on the projected operating results of the new rates, the amount owed to the general fund will be paid and the City will report positive unrestricted balance in the Utility Service Fund at the end of fiscal year 2024.

#### **2019-004 Customer Deposits (Second-Year Repeat Comment)**

At year-end, the Utility Fund had no utility deposits on hand and a liability for customer deposits of \$887,547. The City should strive to have equal cash on hand compared to the liability balance throughout the year. We recommend the City assess the impact of the new rate study and ensure a plan is in place to generate and hold the related cash balance of utility deposit in utility fund cash and cash equivalents.

#### **Response**

Reducing the balance owed to the General Fund and increasing unrestricted fund balance was a major focus of the rate study completed in FY 2019. The City Council approved rate adjustments that were implemented in September 2019. Based on the projected operating results of the new rates, cash on hand will increase incrementally each year.



## **Current Year Findings and Recommendations:**

### **2019-001 Purchasing Policy and Missing Documentation**

Criteria: The City's policies and procedures require three quotes for any disbursements greater than \$1,000. Also, department heads are required to review and approve monthly purchasing card statements.

Condition: On two out of 40 transactions, the City failed to obtain or produce support indicating that the three quotes were obtained. Also, on two out of 40 transactions, two department heads failed to document their review and approval of the monthly purchasing card statement.

Cause: The various procedures were not performed as required, and the absence of the required documentation in each scenario was not detected by internal processes.

Effect: The failure to obtain or retain quote documentation and the lack of approval by a department head could result in noncompliance with City policy and/or the lack of identification of improper expenditures of City funds.

Recommendation: We recommend that the City review all purchasing and procurement policies to ensure required procedures are consistent with current practice and to educate management and staff on any new policies and procedures to ensure compliance.

### **Response**

The City agrees with the comments and recommendations. The City is reviewing and will be updating its purchasing policies and procedures. New staff in place in the Finance Department has been trained on the importance of adhering to the purchasing policy and the City will provide training opportunities for all City staff involved with processing purchases.

### **2019-002 Information Technology Matters**

Criteria: The City's information technology (IT) environment plays a key role in the financial reporting process, and safeguards should be in place to protect the integrity and security of all financial data.

Condition: Various areas for improvement were identified during our analysis of the City's IT environment. The specific areas are exempt from public access provided by Florida Statutes 119.07(1) and 286.001 and other laws and rules requiring public access or disclosure. This exemption is addressed under Florida Statute 281.301, Security systems; records and meetings exempt from public access or disclosure.

Cause: Certain IT policies, procedures, and/or best practices were not implemented and/or updated in recent years.

Effect: The exploitation of certain deficiencies could result in the compromise of the integrity and/or security of the City's data as it relates to financial reporting.

Recommendation: Recommendations have been provided to management in a separate letter exempt from public disclosure for the same reasons as noted in the "Condition" paragraph.

### **Response**

The City agrees with the comments and recommendations. The City is reviewing and will make updates as recommended.

### **2019-005 Bank Reconciliation Review**

We noted two areas for improvement related to the City's bank reconciliation process. First, monthly bank reconciliations are performed by the Assistant Finance Director with no review and approval by a different individual. While mitigating controls are in place, bank reconciliations should ideally be prepared and then subsequently reviewed by two different individuals. Second, there has been an ongoing variance, though not significant, between the reconciled book balance and the general ledger balance. To improve the effectiveness of internal controls over cash and bank reconciliations, we recommend the bank reconciliation process be modified to include the preparation and review of bank reconciliations to be performed by two different individuals, and for additional research to be performed on the ongoing variance between the reconciled balance and the general ledger such that all future months can be reconciled without any variance.

#### **Response**

The City agrees with the comments and recommendations. The finance department hired a CPA to fill the Financial Services Coordinator position in September of 2019. The Financial Services Coordinator is now responsible for preparing the bank reconciliation. The monthly reconciliation will be reviewed by the Assistant Finance Director. Staff will also dedicate additional time to research timing differences between bank deposits and general ledger receipts in order to eliminate variances in the bank reconciliation.

### **2019-006 Lack of Asset or Inventory Count**

We noted the City has not completed an asset or inventory count in several years. To ensure accounting records are complete and accurate, we recommend the City complete such counts on no less than an annual basis.

#### **Response**

The City agrees with the comments and recommendations. The finance department will coordinate a complete fixed asset inventory during FY 19-20.

### **2019-007 Journal Entry Approvals**

Various individuals in the Finance Department can enter journal entries. Journal entries by individuals other than the Finance Director and Assistant Finance Director are required to be approved by one of those two individuals. However, no formal requirement or procedure is in place related to journal entries posted by the Finance Director and Assistant Finance Director. As a best practice to ensure multiple individuals are involved in all journal entry transactions, we recommend a cross-review be performed over journal entries posted by the Finance Director or Assistant Finance Director.

#### **Response**

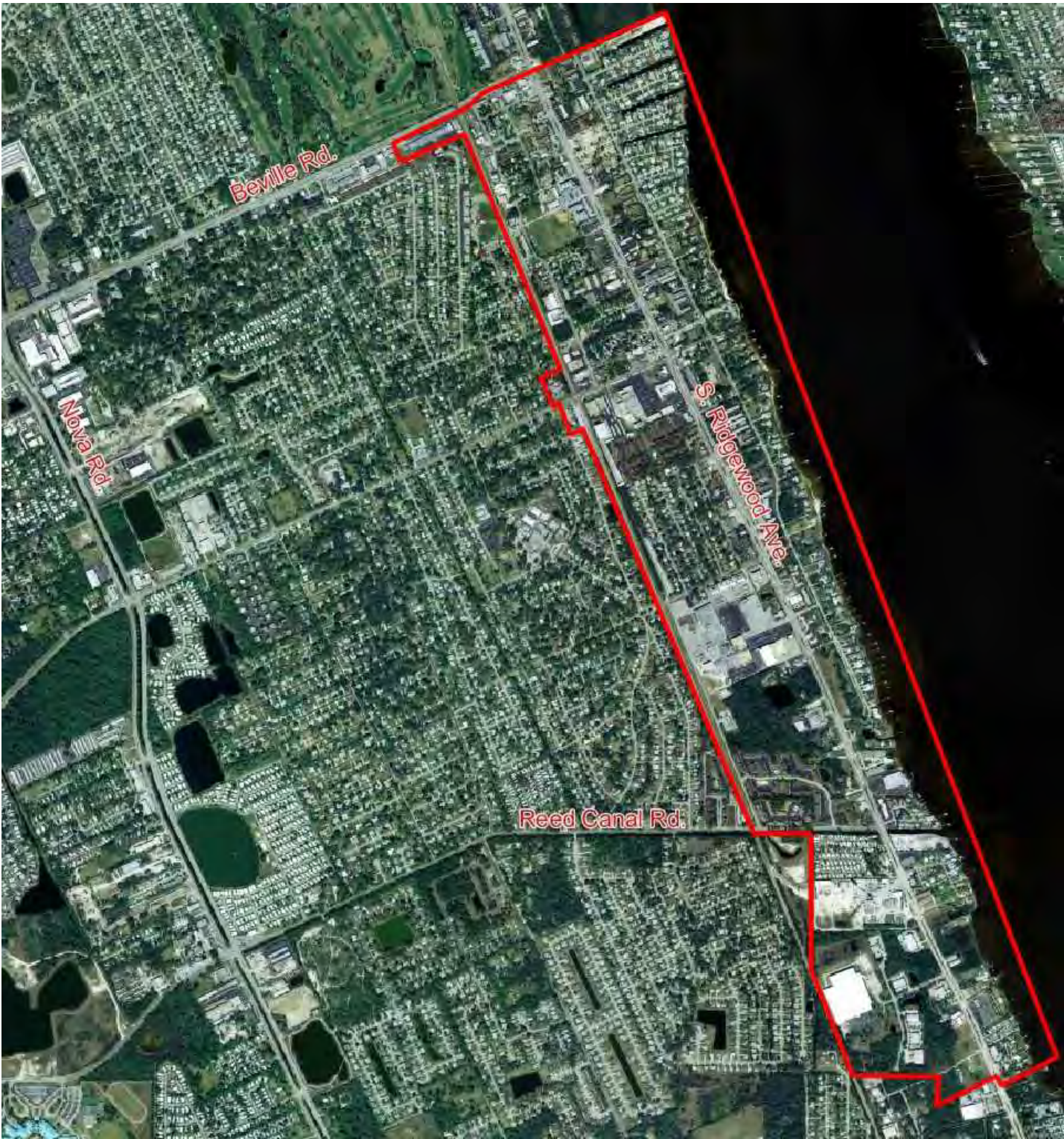
The City agrees with the comments and recommendations. The finance department hired a CPA to fill the Financial Services Coordinator position in September of 2019. This employee is now responsible for preparing and entering journal entries. Journal entries entered by the Financial Services Coordinator will be reviewed by the Assistant Finance Director. Any entries that are entered by the Assistant Finance Director will require approval from the Finance Director. The Finance Director will not enter journal entries.



**END OF DOCUMENT**



# CRA District Boundary Map



Note: Area within the red boundary line is included in the redevelopment district.



