

City of ORANGE CITY Florida

Comprehensive Annual Financial Report

For the year ended September 30, 2017



Small town ambiance...world class opportunity

City of Orange City, Florida

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2017

PREPARED BY

THE FINANCE DEPARTMENT

CITY OF ORANGE CITY, FLORIDA
Comprehensive Annual Financial Report
For the Year Ended September 30, 2017

MAYOR

Gary Blair

COUNCIL

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

CITY MANAGER

Dale Arrington

CITY CLERK

Gloria J. Thomas

FINANCE DIRECTOR

Christine C. Davis

CITY ATTORNEY

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

INDEPENDENT AUDITORS

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

CITY OF ORANGE CITY, FLORIDA
Comprehensive Annual Financial Report
For the Year Ended September 30, 2017

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Orange City, Florida



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

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

Photo courtesy of Florida State Archives



March 23, 2018

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

It is with great pleasure that we present to you the City of Orange City, Florida (“the City”) Comprehensive Annual Financial Report for the fiscal year ended September 30, 2017. This report fulfills the requirements set forth in the Florida Statutes, Chapter 166.241 and the Rules of the Florida Auditor General, Chapter 10.550. The organization, form and contents of this report, plus the accompanying financial statements and statistical tables, are formulated in accordance with the principles prescribed by the Government Accounting Standards Board (GASB), State of Florida (SOF), and the Government Finance Officers Association (GFOA).

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

McDermitt Davis & Company, LLC, a firm of licensed certified public accountants, has audited the City’s financial statements. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City for the year ended September 30, 2017, are free of material misstatements. The independent audit involved examining on test basis evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon their examination, that there was a reasonable basis for rendering an unmodified (“clean”) opinion that the City’s financial statements for the fiscal year ended September 30, 2017, are fairly presented in conformity with generally accepted accounting principles (GAAP).

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

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

Building
386-775-5423

City Clerk
386-775-5403

City Manager
386-775-5408

Community Info.
386-775-5410

Finance
386-775-5430

Fire
386-775-5460

Human Resources
386-775-5457

Parks & Rec.
386-775-5454

Planning
386-775-5415

Police
386-775-9999

Public Works
386-775-5450

Utilities
386-775-5444



CITY HISTORY

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

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

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

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

CITY PROFILE

The City of Orange City, Florida, is located in Southwest Volusia County between the cities of DeBary, DeLand and Deltona, creating a "Metropolitan Area" of over 200,000 residents. The City of Orange City was chartered as a municipality under law of the State of Florida on May 30, 1889, although the City was formed on August 26, 1882. The City currently has a land area of just over 7 square miles and an estimated population of 11,850 which represents an increase from 11,679 in 2016 (information obtained by Bureau of Economic Business and Research). The City of Orange City has operated under the council-manager form of government since 1988. Policymaking and legislative authority are vested in an elected City Council, which consists of a mayor and six council members.

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

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



Local economy: The financial statements are a realistic barometer of the City and its continued quality growth pattern over the past years. The City's 2017 taxable property valuations increased by 7.3% (\$42,834,002). New construction and annexations totaled \$2,993,546. The increase in taxable value is due to economic improvements coupled with new taxable values resulting from annexations and new construction. The City anticipates a continued increase in taxable values for the 2018 tax year. The City has both commercial businesses, primarily retail, and healthcare, along with residential homes and apartments.

Throughout fiscal year 2016-2017, the City had one (1) voluntary annexation. As a result, this annexation added 1.87 acres, with a taxable value of \$0, and resulted in no City ad valorem revenue. The City began the voluntary annexation program in March 2002. Since inception the City has realized a total of 192 annexations, consisting of 774 acres, with an assessed value of \$95,175,586, a taxable value of \$61,144,442, and City recurring ad valorem revenue of \$455,526 (2016, 7.45 mills).

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

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

FINANCIAL INFORMATION

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

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

The **business-type activity** of the City currently has \$1,655,000 in revenue bonds and \$579,457 in loan payables for its Utilities fund. The City fiscal year 2017/18 budget includes \$510,400 in capital projects. The City successfully obtained State Revolving Fund (SRF) funding with a combination of grants (85%) and low interest loan (15%), in the amount not to exceed \$10.5 million to fund the Water System Master Plan. These funds are being used to pay for Water System capital improvements. The projects are underway and currently have a stated completion of July 2019. In January 2016, city staff met with State representatives



from the Florida Department of Environmental Protection to begin the process of borrowing SRF funding through their low interest loan program for our Stormwater Master Plan capital projects. A formal SRF application in the amount of \$11 million was submitted and we received approval in late 2017. The loan contract is scheduled to be presented for approval to Council in April 2018. Construction for the Stormwater capital projects should begin in late 2018.

The **governmental-type activity** of the City currently has no governmental debt. The City fiscal year 2017/18 budget includes \$1,158,228 in capital projects. A summary of the capital projects funded are: seven (7) replacement vehicles city-wide, \$254,900; various equipment and computers, \$457,200; facility and park improvements, \$311,128; and road and sidewalk construction, \$135,000.

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

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

Major initiatives: The City's 2017/18 capital improvement project for the construction of a new Skate Park was ranked number one by the Volusia County ECHO Board. This appropriated budget for the new Skate Park is \$200,000, with the ECHO grant contributing \$100,000. The remaining \$100,000 is funded with a private donation of \$83,900 and \$16,100 match from the City's General Fund. The Volusia County ECHO grant is scheduled for approval by the Volusia County Council in April 2018.

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

Over the past ten plus years, the government has continued to experience significant economic growth and investment. New mixed-use and residential development has been completed or is in various phases of development throughout the City. This development, combined with an easy commute to the nearby metropolitan center afforded by high quality transportation systems, the presence of retail and service industries, and the presence of recreational, educational and health facilities has even further strengthened the City's already strong economic base. Thanks to the diversity of its commercial base, the City expects a full recovery in all sectors of its local economy as the national economy improves.



AWARDS AND ACKNOWLEDGEMENTS

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Orange City for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2016; this is the sixteenth consecutive year that the City has received this prestigious award. In order to receive this Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget of Fiscal Year 2016/17. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. We believe that our budget document for Fiscal Year 2017/18 meets the Distinguished Budget Presentation Award Program's requirements and was submitted to the GFOA to determine its eligibility for the award. The City has successfully received the Distinguished Budget Award for ten consecutive years.

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

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

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

Yours in public service,

Ms. Dale Arrington

Dale Arrington
City Manager

Ms. Christine Davis

Christine C. Davis
Finance Director



Government Finance Officers Association

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

Presented to

**City of Orange City
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

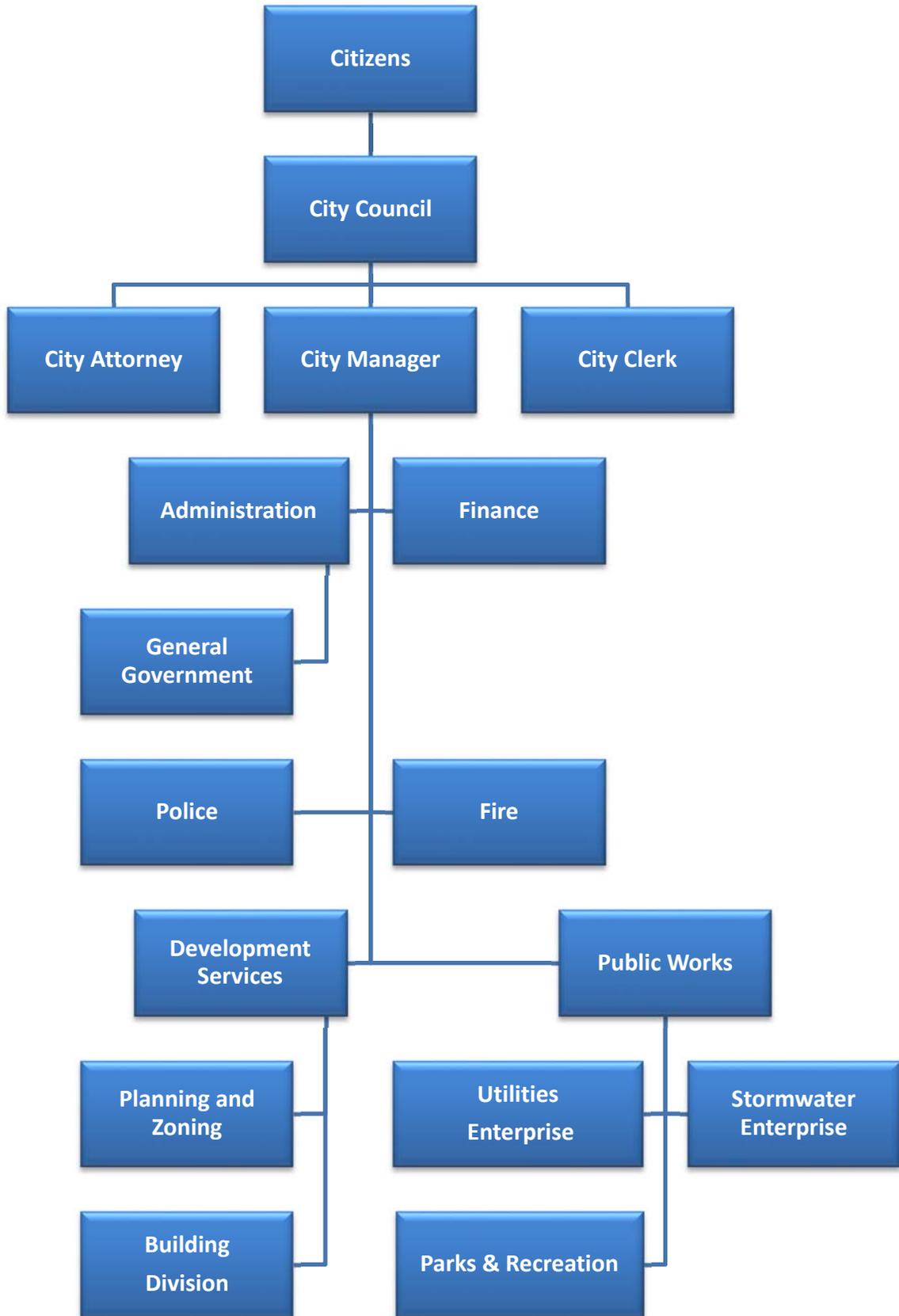
September 30, 2016

Christopher P. Morill

Executive Director/CEO

CITY OF ORANGE CITY, FLORIDA

ORGANIZATIONAL CHART



**CITY OF ORANGE CITY, FLORIDA
Comprehensive Annual Financial Report
For the Year Ended September 30, 2017**

Council-Manager Form of Government



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

City Council

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

Administrative Staff

City Manager Dale Arrington	City Attorney William Reischmann
Finance Director Christine C. Davis	City Clerk Gloria J. Thomas

Coleman Park



Orange City children have a new playground to frequent. Coleman Park, located at 200 East Blue Springs Ave, received brand new ADA accessible playground equipment.

The park has undergone significant construction to improve its playground area, as the old playground equipment was approximately 20 years old and was nearing the end of its useful life. The playground features a new play structure with a slide, climbing areas and other activities.

The playground equipment was purchased with Community Development Block Grant (CDBG) funds. The intent of CDBG funds is to benefit a low or moderate income population that is generally identified using federal consensus data. CDBG funds have been used in the past for similar ADA accessible playground equipment at Veterans Memorial Park and Valentine Park.

Photo courtesy of City of Orange City

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Orange City, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Orange City, Florida*, as of and for the year ended September 30, 2017 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Orange City, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MCDIRMIT DAVIS & COMPANY, LLC

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, pension and other postemployment benefits disclosures on page 3 through 13, and 53 through 59, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2018 on our consideration of *City of Orange City's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering *City of Orange City's* internal control over financial reporting and compliance.

McDiernit Davis & Company LLC

Orlando, Florida
March 23, 2018

CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

September 30, 2017

Management of the City of Orange City, Florida (the "City") offers the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year that ended on September 30, 2017. This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues and concerns.

As with other sections of this financial report, the information contained within the Management's Discussion and Analysis (MD&A) should be considered only as part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the letter of transmittal, which can be found on page i, the required supplementary information (RSI) which can be found beginning with page 52, and the City's financial statements beginning on page 16.

Financial highlights

- The assets and deferred outflows of resources of the City of Orange City exceeded its liabilities and deferred inflows of resources at September 30, 2017 by \$29,926,928 (net position). Of this amount, \$4,298,049 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's total net position increased by \$4,236,394. Governmental total net position decreased by \$2,329,057 while business-type activities increased by \$6,565,451.
- As of the close of the fiscal year, the City of Orange City's governmental funds reported combined ending fund balances of \$7,569,819, a decrease of \$2,492,820 in comparison with the prior year. Approximately 76.4% of this amount or \$5,784,872 is available for spending at the City's discretion (unassigned fund balance).
- There is no principal amount of debt outstanding for governmental activities and the principal amount outstanding for business-type activities reflects a reduction of \$295,000 with new debt payable in the amount of \$579,457 associated with the SRF Loan DW642000. There was no new debt issuance for governmental funds.

Overview of the financial statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private sector companies. The focus is on major funds, rather than the previous model fund types.

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

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

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

CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

September 30, 2017

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

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

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

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

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

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

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

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Impact Fee Fund (a special revenue fund) and CRA (a special revenue fund), all of which are considered to be major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in this report, following the notes to the financial statements.

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

CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

September 30, 2017

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and can be found on pages 25-51 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 60-66 of this report.

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

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets and deferred outflows exceed liabilities and deferred inflows by \$29,926,928 at September 30, 2017.

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

Statement of Net Position						
As of September 30						
(in thousands)	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 8,697	\$ 10,681	\$ 5,238	\$ 4,176	\$ 13,935	\$ 14,857
Restricted assets	-	-	667	632	667	632
Capital assets	8,614	7,652	18,346	12,233	26,960	19,885
Total assets	17,311	18,333	24,251	17,041	41,562	35,374
Total deferred outflows of resources	5,241	3,979	571	382	5,812	4,361
Current liabilities	1,181	674	1,143	1,003	2,324	1,677
Long-term liabilities outstanding	11,447	9,746	3,197	2,544	14,644	12,290
Total liabilities	12,628	10,420	4,340	3,547	16,968	13,967
Total deferred inflows of resources	432	71	47	7	479	78
Net position:						
Net investment in capital assets	8,614	7,652	16,077	10,283	24,691	17,935
Restricted net position						
Other purposes	628	646	310	295	938	941
Unrestricted	250	3,523	4,048	3,291	4,298	6,814
Total net position	\$ 9,492	\$ 11,821	\$ 20,435	\$ 13,869	\$ 29,927	\$ 25,690

CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

September 30, 2017

Eighty-two percent (82%) of the City's net position are reflected in investment in capital assets (e.g., land, buildings, improvements, infrastructure, vehicles and equipment) less any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of the City's **governmental activities** decreased by \$2,329,057 and totaled \$9,492,165 at the end of fiscal year 2017. The reason for this overall decrease is due to planned large capital projects that were paid, in part, with unrestricted net position. Of this amount, approximately 97% is either restricted as to the purpose they can be used for or is invested in capital assets (land, buildings and equipment). Consequently, unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, totaled \$249,665 at the end of 2017.

Net position of the City's **business-type activities** increased by \$6,565,451 and totaled \$20,434,763 at the end of fiscal year 2017. Of this amount, approximately 80% is invested in capital assets (land, buildings and equipment) and restricted. Consequently, unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, totaled \$4,048,384 at the end of 2017.

As of September 30, 2017, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. This trend has been consistent for the previous twelve years.

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

Changes in net position – while the Statement of Net Position shows a snapshot of the City's financial position at the end of the fiscal year, the Statement of Changes in Net Position provides answers as to the nature and source of those changes. At September 30, 2017, the City's combined net position totaled \$29,926,928, which is an increase of \$4,236,394 over last year's reported \$25,690,534.

(in thousands)	Changes in Net Position					
	For the Year Ended September 30					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues -						
Charges for services	\$ 4,648	\$ 4,503	\$ 5,156	\$ 4,995	\$ 9,804	\$ 9,498
Operating grants and contributions	113	85	-	148	113	233
Capital grants and contributions	154	114	3,457	314	3,611	428
General revenues	6,753	6,342	6	9	6,759	6,351
Total revenues	\$ 11,668	\$ 11,044	\$ 8,619	\$ 5,466	\$ 20,287	\$ 16,510
Expenses:						
General government	2,637	3,012	-	-	2,637	3,012
Public safety	7,045	6,247	-	-	7,045	6,247
Highways and streets	1,108	1,509	-	-	1,108	1,509
Parks and recreation	1,266	542	-	-	1,266	542
Economic environment	11	-	-	-	11	-
Water and sewer	-	-	3,881	3,578	3,881	3,578
Stormwater	-	-	102	78	102	78
Total expenses	12,067	11,310	3,983	3,656	16,050	14,966
Increase in net position before transfers	(399)	(266)	4,636	1,810	4,237	1,544
Transfers	(1,930)	(127)	1,930	127	-	-
Increase in net position	(2,329)	(393)	6,566	1,937	4,237	1,544
Net position - October 1	11,821	12,214	13,869	11,932	25,690	24,146
Net position - September 30	\$ 9,492	\$ 11,821	\$ 20,435	\$ 13,869	\$ 29,927	\$ 25,690

CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

September 30, 2017

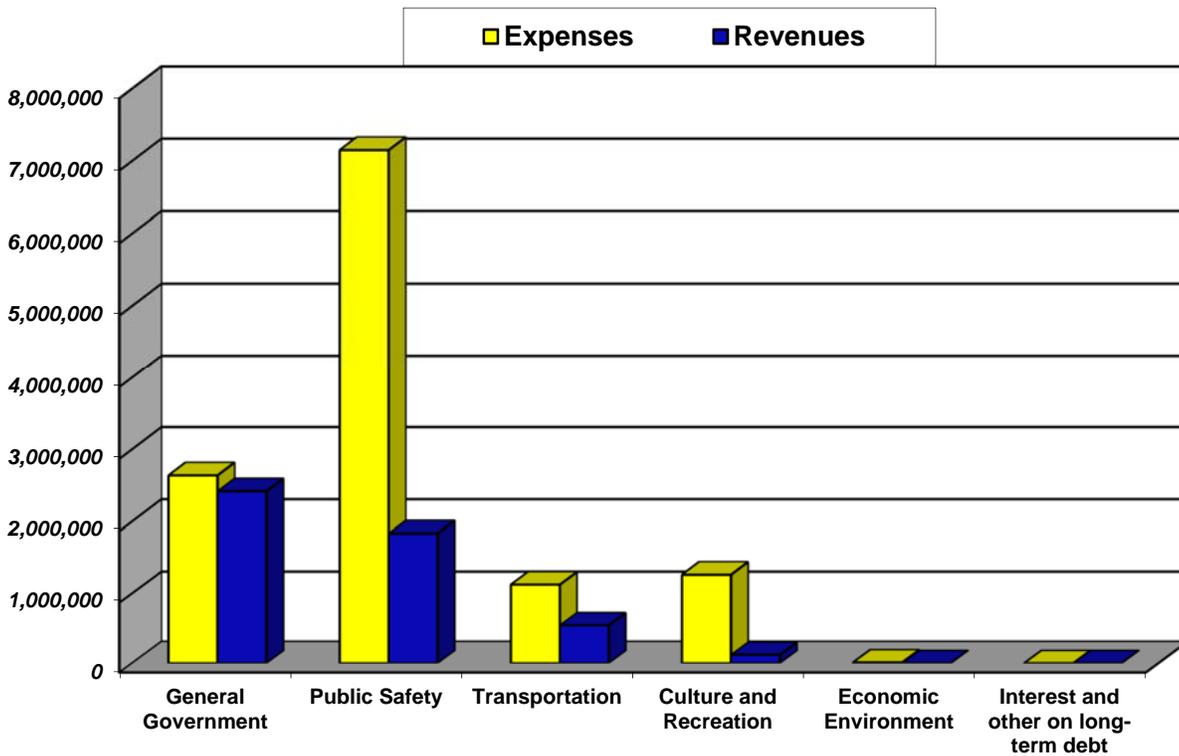
The City's total revenue increased by 23% or \$3,776,087. The total cost of all program expenses increased by 7% or \$1,084,288. Governmental activities decreased the City's net position by \$2,329,057, and business-type activities increased the City's net position by \$6,565,451 for a net increase of \$4,236,394.

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

Governmental Activities

The cost of all governmental activities this year was \$12,066,874 compared to \$11,310,113 last year for an increase of 6.7% or \$756,761. It should be noted that as shown in the Statement of Activities on page 17, the amount the City's taxpayers ultimately financed for these activities through City taxes was \$7,151,328 because some of the costs were paid by those who directly benefited from the programs, \$4,628,771 or by other governments and organizations that subsidized certain programs with grants and contributions, \$267,494. The governmental program revenues increased in fiscal year 2017 to \$4,915,546 from \$4,703,050 for an increase of \$212,496 or 4.5%. With the net increase being attributable to grant revenues increasing from \$199,735 to \$267,494 (grants tend to be nonrecurring). Positive factors were increased ad valorem, local option gas tax, state sales tax and revenue sharing. The City also realized an increase in permitting and new construction and generated new revenues associated with pari-mutual taxes (card room). The City continues to pursue grant opportunities; we expect grant revenue to again increase next year depending on the timing with the completion of certain large capital projects and the subsequent collection of reimbursement grant proceeds. The City paid for the remaining "public benefit" portion of governmental activities with \$7,151,328 in taxes and with other revenue, such as general entitlements.

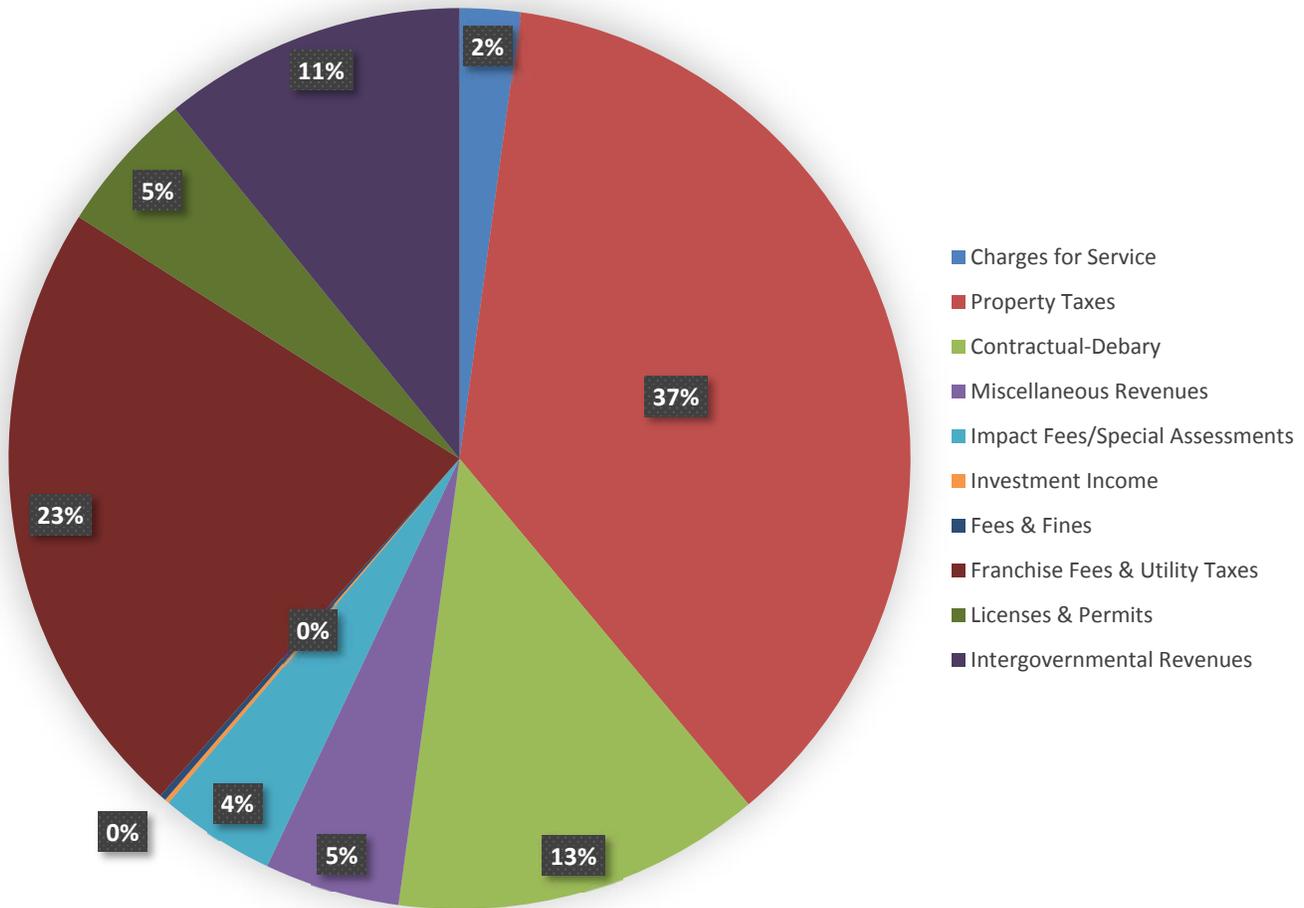
Program Expenses vs. Revenues



Management's Discussion and Analysis

September 30, 2017

Governmental Revenues by Source



Business-type Activities

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

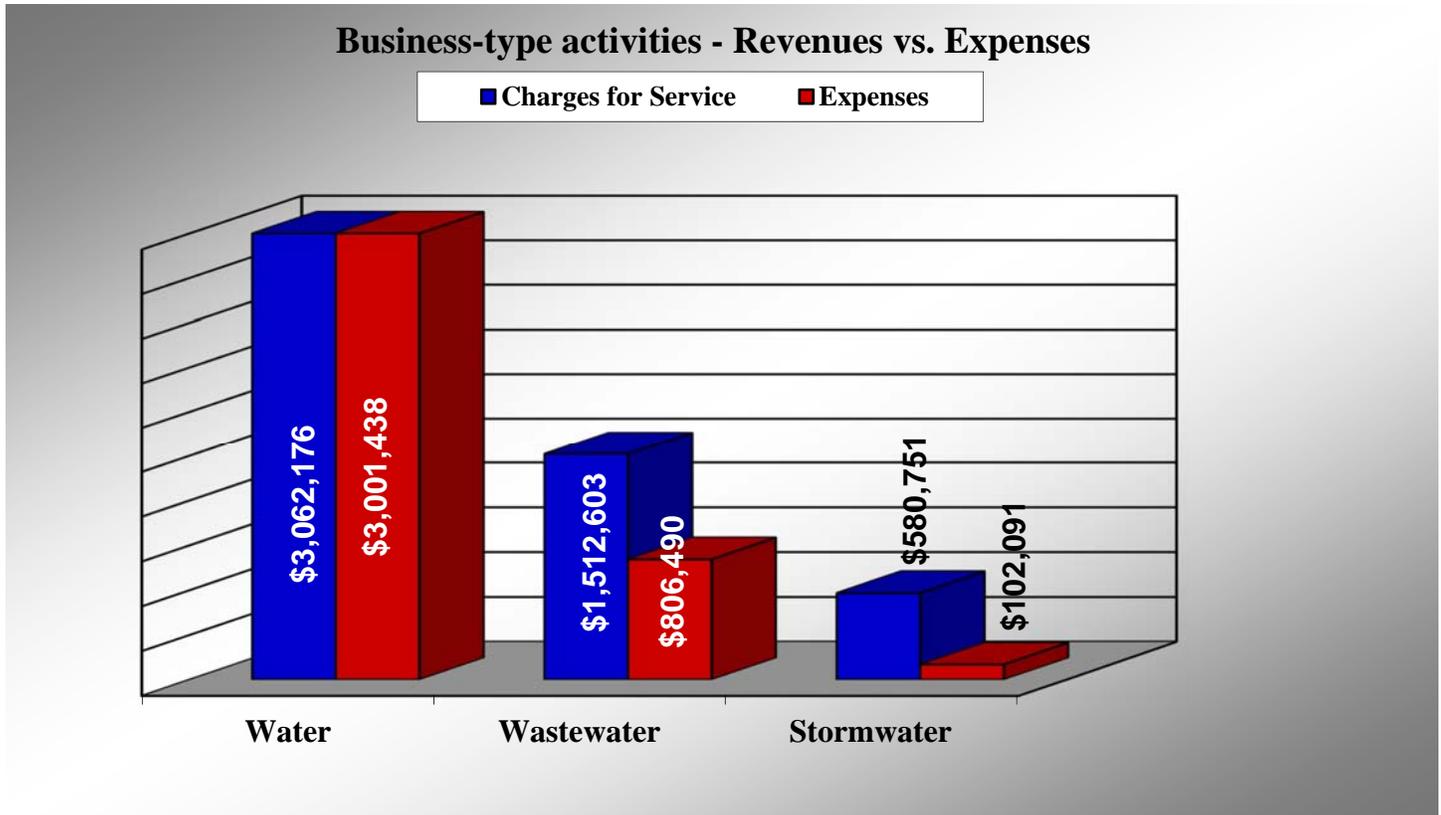
Total expenses of the business-type activities increased in 2017 to \$3,983,350 (up \$327,527 or 9%) as compared to \$3,655,823 in 2016. Revenues of the business-type activities increased in 2017 to \$8,618,540 (up \$3,152,781 or 57.6%) as compared to \$5,465,759 in 2016. Business-type activities increased the City's net position by \$6,565,451, which is more than the prior year's \$1,937,194, and totaled \$20,434,763 at September 30, 2017. Key factors in the current year's activity include:

- The annual Utilities (water, wastewater and reclaimed) rates increased as provided in the 2013 adopted rate study.
- Operating Grants and Contributions revenues in the amount of \$0 in 2017 and \$148,118 in 2016 and Capital Grants and Contributions of \$3,456,591 in 2017 and \$314,435 in 2016.

Management's Discussion and Analysis

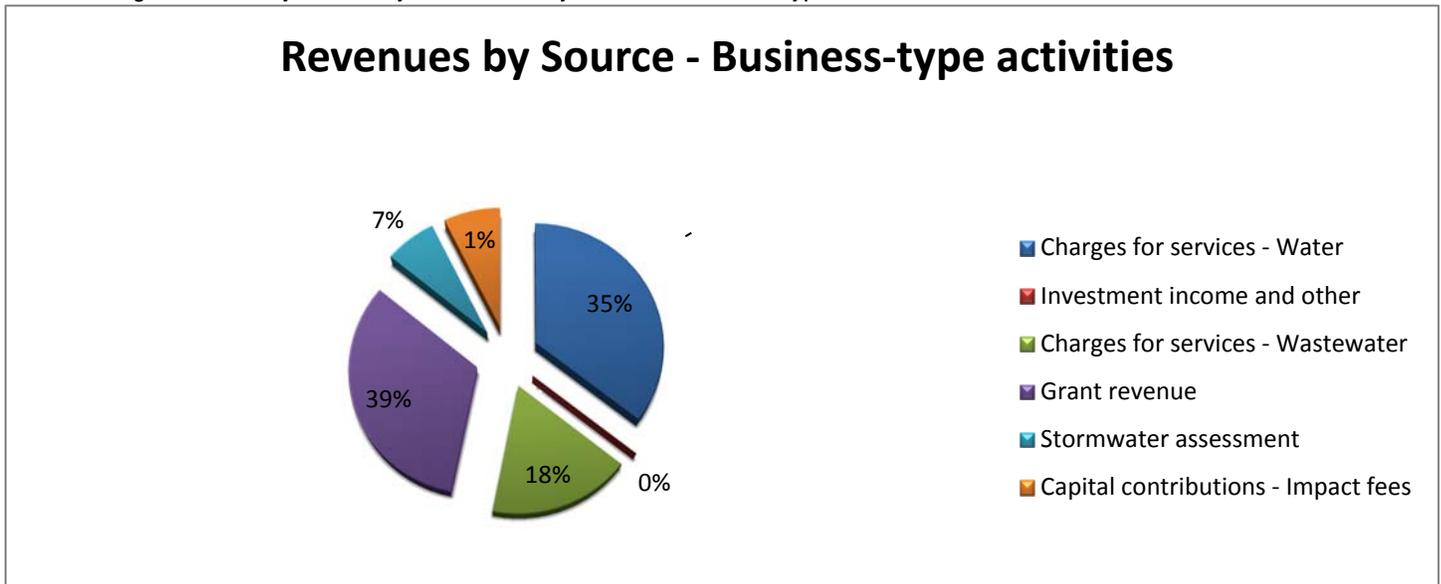
September 30, 2017

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



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

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



CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

September 30, 2017

Financial analysis of the City's funds. As noted earlier, the City of Orange City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of September 30, 2017, the City's governmental funds reported combined ending fund balances of \$7,569,819, a decrease of \$2,492,820 in comparison to \$10,062,639 reported last year. Approximately 76.4% of this total amount, \$5,784,872 constitutes the unassigned fund balance, which is available for spending at the City's discretion. The remaining fund balance categories total \$1,784,947 and represent balances that are nonspendable, restricted, committed and assigned. Nonspendable funds total \$103,117 and are used to account for prepaid items at year-end. Restricted funds are the forfeiture funds that total \$24,791 and must be spent according to Florida State Statutes. Committed funds are impact fees that total \$585,445 and are used for acquisitions of capital assets resulting from growth (not replacement of capital assets). Sparkman (SAD) funds total \$17,813, and must be utilized for costs related to principal and interest payments and other operating costs. The assigned funds total \$1,053,781 and are the result of appropriated fund balance within the adopted fiscal year 2017/18 budget and in-progress procurements at year-end. For more detailed information see Note 10 on page 48.

The General Fund is the chief operating fund of the City. As of September 30, 2017, the unassigned fund balance of the General Fund was \$5,784,872, while the total fund balance of all governmental funds was \$7,569,819. As a measure of the General Fund liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 49.9% of total General Fund expenditures of \$11,605,136.

The fund balance of the City's General Fund decreased \$2,473,459, which is down from a decrease in the prior year of \$602,186 and totaled \$6,941,770. The decrease in fund balance is attributed to expenditures related to planned large capital projects.

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

Unrestricted net position of the Utilities and Stormwater funds at September 30, 2017, amounted to \$4,048,384 an increase of \$757,305 or 23% from the prior year of \$3,291,079.

General Fund Budgetary Highlights

The following is a brief summary of the budget changes from the original to the final budget (refer to budget comparison on page 56). The general fund budget was increased from \$11,245,801 to \$16,374,391 from the original budget (an increase of 45.6%) and was primarily attributed to the following changes:

- \$1,126,804 increase in Leisure Service with the largest being carry-forward of the Mill Lake Park Project – Phase 2 totaling \$997,365.
- \$794,079 increase in Transportation with the largest being carry-forward of the French LAP Project (shared use path) totaling \$571,530.
- \$641,797 increase in emergency and disaster relief for hurricane Irma expenditures.
- \$262,026 increase in the building division due to an increase in development services and permitting.

Actual revenues were \$714,319 less than the final budget, and actual expenditures and transfers out were \$2,577,813 less than the final budget.

These differences are primarily attributed to:

Revenues:

Actual year-end revenues were under the budgeted amount by a net \$714,319 or 6.1%.

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

- Miscellaneous revenue \$88,173

Major revenues that generated unfavorable/negative budget variances were:

- Intergovernmental (grant) \$894,313

CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

September 30, 2017

The primary factor resulting in the unfavorable budget variances for Intergovernmental revenue was the ECHO grant project (Mill Lake Phase 2) that was not completed, resulting in the ECHO grant revenue not being collected in the amount of \$386,250, coupled with uncollected LAP grant proceeds associated with the Big French shared use path totaling \$426,015. The City experienced a modest increase with miscellaneous revenue for the collection of insurance proceeds and the sale of surplus property.

Expenditures:

Actual year-end expenditures were less than budgeted by \$2,577,813 or 15.7%.

Major expense categories that came in under budget were:

- Emergency & Disaster Relief \$ 634,106
- Leisure services \$ 437,667
- Transportation services \$ 766,740

Leisure Service carry-forward for Mill Lake Park Phase II project and Transportation carry-forward the French LAP grant project for the Big French shared use path projects contributed to actual expenditures generating a favorable budget variance. Emergency and Disaster Relief expenditures relating to Hurricane Irma had not been expended as of the annual audit also contributed to the favorable budget variances. Further, personnel services throughout were less than budgeted as the result of some position vacancies and normal personnel attrition throughout the city (notably within police, fire, and public works). City departments continued to be prudent resulting in unspent operating allocations within all departmental functions. The aforementioned items, in part, contributed to the expense appropriation being \$2,577,813 under budget.

Capital Assets and Debt Administration

Capital assets. At September 30, 2017 the City had \$26,959,743 (net of accumulated depreciation) invested in a broad range of capital assets, including land, equipment, buildings, park facilities and infrastructure. This amount represents a net increase (including additions and deductions) of \$7,074,221 or 36% above last year. The following table illustrates the changes in capital assets:

(in thousands)	Capital Assets					
	(net of accumulated depreciation)					
	As of September 30					
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Non-depreciable capital assets:						
Land and improvements	\$ 959	\$ 930	\$ 454	\$ 304	\$ 1,413	\$ 1,234
Waste water capacity	-	-	893	892	893	892
Construction in progress	1,470	451	9,631	3,066	11,101	3,517
Depreciable capital assets:						
Buildings and improvements	1,081	1,112	279	304	1,360	1,416
Water/sewer transmission lines and facilities	-	-	6,835	7,476	6,835	7,476
Machinery and equipment	1,905	1,775	254	191	2,159	1,966
Infrastructure	3,199	3,384	-	-	3,199	3,384
Total	\$ 8,614	\$ 7,652	\$ 18,346	\$ 12,233	\$ 26,960	\$ 19,885

CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

September 30, 2017

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

- Replacement of one fire rescue vehicle (\$198,378)
- Eight replacement vehicles citywide (\$245,961)
- Various facility improvements (\$44,923)
- Citywide equipment (\$144,590)
- Sidewalk improvements (\$83,396)
- Parks improvements (\$92,986)
- Water distribution improvements (\$11,410)
- Land acquisition and improvements (\$23,958)

Construction in progress (CIP) at September 30, 2017 totaled \$11,100,610 with business-type activities accounting for \$9,630,662 and is associated with several comprehensive capital projects (the most significant projects being: Water System Capital Improvements). Governmental activities at September 30, 2017 accounted for \$1,469,948 and are associated with several projects (notably the Mill Lake Park Phase 2 park project).

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

The City's fiscal year 2018 governmental-type activities capital budget continues to fund a healthy program with funding totaling \$1,158,228. Fiscal year 2018 highlighted capital improvements are: new skate park \$200,000, sidewalks totaling \$50,000, city-wide replacement fleet vehicles, four (4) replacement fleet vehicles and two new vehicles for new police officers for a total of \$254,900, park improvements totaling \$83,128, and city-wide computers and related equipment totaling \$206,300.

The City's fiscal year 2018 business-type capital budget has appropriated \$510,400 in projects. In fiscal year 2016, the City successfully obtained funding from the Florida Department of Environmental Protection State Revolving Funding, a combination of grant (85%) and low interest loan (15%), in the amount of up to \$10.5 million to fund up to 5-years of the Water System Master Plan (capital improvements). These projects are multi-year construction projects. The fiscal year 2018 budget has been amended to appropriate the carry-forward capital projects associated with the SRF funded projects. Additional information on the City's capital assets can be found in Note 5 (page 36-37) of the notes to the financial statements in this report.

Long-term debt. At September 30, 2017, the City had debt as noted below.

(in thousands)	Long-Term Debt As of September 30					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
State Revolving Fund Loan	\$ -	\$ -	\$ 579	\$ -	\$ 579	\$ -
Utility Revenue Bonds 2005	-	-	1,655	1,950	1,655	1,950
Total	\$ -	\$ -	\$ 2,234	\$ 1,950	\$ 2,234	\$ 1,950

CITY OF ORANGE CITY, FLORIDA

Management's Discussion and Analysis

September 30, 2017

The City's debt activities experienced a decrease of \$295,000 and an increase of \$579,457. These changes were attributable to the business-type activities with the decrease for principal payments and the increase for loan payables.

The City successfully obtained funding from the Florida Department of Environmental Protection State Revolving Funding (SRF), a combination of grant funding (85%) and a low interest loan (15%), in the amount of up to \$10.5 million to fund up to 5-years of the Water System Master Plan (capital improvements). At September 30, 2017 the City has SRF Loan DW642000 payable in the amount of \$579,457. Additional information on the City's long-term liabilities can be found in Note 6 (page 38-39) of the notes to the financial statements.

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

Economic Factors and Next Year's Budgets and Rates

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

In May 2015, Council held a Strategic Planning/Goal Setting Update Workshop and reviewed and updated the City's Strategic Plan. This plan is utilized to help guide the city in prioritizing funding for the annual budget. The City expenditures have been strategically linked to the priorities contained within the plan. The City held a Strategic Planning Workshop to review and prioritize various objectives in March 2017. These priorities are utilized each year when developing the coming year's budget.

The City continues to realize forward momentum thanks to our long-standing continuation of several fundamental objectives as indicated in the following. The City's continued focus for fiscal year 2018 relates to maintaining our current level of service coupled with an emphasis on funding to maintain the City's capital assets and infrastructure through proper and timely maintenance and replacement. Council took action to increase the City's police force by funding one fulltime officer for the entire 2017/18 fiscal year and one fulltime officer funded for last six months of the 2017/18 fiscal year. The City continues to work to address revenue sources that have declined or have been reduced through state unfunded mandates by managing operating expenses in the most prudent way possible. Current known (and ongoing) shared revenue sources that the state continues to debate as to whether to eliminate or to enact sweeping changes are Communication Services Tax and Business Tax Receipts. On a positive note, the city experienced an increase in taxable values. This is the fifth consecutive positive increase in taxable values.

Council and staff continue to monitor and evaluate current economic influences both internally and externally which influence revenues and expenditures and steps continue to be taken to ensure the City is prepared to adjust the budget appropriately, as well as prepare for the 2019 budget development.

Requests for Information

The financial report is designed to provide a general overview of the City's finances for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the office of the Finance Director, City of Orange City, 205 East Graves Avenue, Orange City, Florida 32763.



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CITY OF ORANGE CITY, FLORIDA

BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

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

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

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

CITY OF ORANGE CITY, FLORIDA

STATEMENT OF NET POSITION

September 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 7,852,478	\$ 4,263,376	\$ 12,115,854
Receivables, net	236,676	431,453	668,129
Internal balances	287,927	(287,927)	-
Due from other governments	216,664	831,516	1,048,180
Prepaid items	103,117	-	103,117
Restricted assets:			
Cash and cash equivalents	-	667,361	667,361
Capital Assets:			
Capital assets not being depreciated	2,428,484	10,977,311	13,405,795
Capital assets being depreciated, net of accumulated depreciation	6,185,967	7,367,981	13,553,948
Total capital assets	<u>8,614,451</u>	<u>18,345,292</u>	<u>26,959,743</u>
Total assets	<u>17,311,313</u>	<u>24,251,071</u>	<u>41,562,384</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension outflows	<u>5,241,347</u>	<u>570,652</u>	<u>5,811,999</u>
LIABILITIES:			
Accounts payable and accrued expenses	840,357	271,201	1,111,558
Retainage payable	63,690	193,744	257,434
Accrued interest	-	38,415	38,415
Customer deposits payable	50,621	318,337	368,958
Unearned revenue	172,375	-	172,375
Noncurrent liabilities:			
Due within one year	53,777	320,973	374,750
Due in more than one year	11,447,458	3,197,233	14,644,691
Total liabilities	<u>12,628,278</u>	<u>4,339,903</u>	<u>16,968,181</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension inflows	<u>432,217</u>	<u>47,057</u>	<u>479,274</u>
NET POSITION:			
Net investment in capital assets	8,614,451	16,076,379	24,690,830
Restricted for impact fee fund	585,445	-	585,445
Restricted for Sparkman road improvements	17,813	-	17,813
Restricted for forfeitures	24,791	-	24,791
Restricted for debt service	-	310,000	310,000
Unrestricted	249,665	4,048,384	4,298,049
Total net position	<u>\$ 9,492,165</u>	<u>\$ 20,434,763</u>	<u>\$ 29,926,928</u>

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

CITY OF ORANGE CITY, FLORIDA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 2,637,169	\$ 2,417,373	\$ -	\$ -	\$ (219,796)	\$ -	\$ (219,796)
Public safety	7,045,247	1,799,228	29,796	5,713	(5,210,510)	-	(5,210,510)
Transportation	1,107,884	391,186	70,518	81,429	(564,751)	-	(564,751)
Culture and recreation	1,265,752	40,265	13,002	67,036	(1,145,449)	-	(1,145,449)
Economic Environment	10,822	-	-	-	(10,822)	-	(10,822)
Total governmental activities	<u>12,066,874</u>	<u>4,648,052</u>	<u>113,316</u>	<u>154,178</u>	<u>(7,151,328)</u>	<u>-</u>	<u>(7,151,328)</u>
Business-type activities:							
Utilities	3,881,259	4,574,779	-	2,920,493	-	3,614,013	3,614,013
Stormwater	102,091	580,751	-	536,098	-	1,014,758	1,014,758
Total business-type activities	<u>3,983,350</u>	<u>5,155,530</u>	<u>-</u>	<u>3,456,591</u>	<u>-</u>	<u>4,628,771</u>	<u>4,628,771</u>
Total primary government	<u>\$ 16,050,224</u>	<u>\$ 9,803,582</u>	<u>\$ 113,316</u>	<u>\$ 3,610,769</u>	<u>(7,151,328)</u>	<u>4,628,771</u>	<u>(2,522,557)</u>
General Revenues:							
Property taxes					4,289,865	-	4,289,865
Local option gas and use tax					222,898	-	222,898
Utility service taxes					1,452,492	-	1,452,492
State sales tax					679,175	-	679,175
Unrestricted investment earnings					18,247	1,582	19,829
Miscellaneous					89,855	4,837	94,692
Transfers					(1,930,261)	1,930,261	-
Total general revenues and transfers					<u>4,822,271</u>	<u>1,936,680</u>	<u>6,758,951</u>
Change in net position					<u>(2,329,057)</u>	<u>6,565,451</u>	<u>4,236,394</u>
Net Position - beginning of year					11,821,222	13,869,312	25,690,534
Net Position - end of year					<u>\$ 9,492,165</u>	<u>\$ 20,434,763</u>	<u>\$ 29,926,928</u>

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

CITY OF ORANGE CITY, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2017

	General Fund	Impact Fee Special Revenue Fund	Community Redevelopment Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 6,947,702	\$ 585,445	\$ 276,727	\$ 42,604	\$ 7,852,478
Taxes receivable, net	236,676	-	-	-	236,676
Due from other governments	216,664	-	-	-	216,664
Due from other funds	575,965	-	11,181	-	587,146
Prepaid costs	103,117	-	-	-	103,117
Total assets	<u>\$ 8,080,124</u>	<u>\$ 585,445</u>	<u>\$ 287,908</u>	<u>\$ 42,604</u>	<u>\$ 8,996,081</u>
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 840,357	\$ -	\$ -	\$ -	\$ 840,357
Retainage payable	63,690	-	-	-	63,690
Due to other funds	11,311	-	287,908	-	299,219
Deposits payable	50,621	-	-	-	50,621
Unearned revenue	172,375	-	-	-	172,375
Total liabilities	<u>1,138,354</u>	<u>-</u>	<u>287,908</u>	<u>-</u>	<u>1,426,262</u>
FUND BALANCES:					
Nonspendable	103,117	-	-	-	103,117
Restricted	-	-	-	24,791	24,791
Committed	-	585,445	-	17,813	603,258
Assigned	1,053,781	-	-	-	1,053,781
Unassigned	5,784,872	-	-	-	5,784,872
Total fund balances	<u>6,941,770</u>	<u>585,445</u>	<u>-</u>	<u>42,604</u>	<u>7,569,819</u>
Total liabilities and fund balances	<u>\$ 8,080,124</u>	<u>\$ 585,445</u>	<u>\$ 287,908</u>	<u>\$ 42,604</u>	

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds	8,614,451
Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds, however, they are recorded in net position under full accrual accounting	4,809,130
Compensated absences are not recorded as a liability in the governmental funds balance sheet	(537,771)
Net pension liabilities are not due and payable in the current period and therefore, are not reported in the funds	(10,783,132)
The net other post employment benefits obligation is not recorded as a liability in the governmental funds balance sheet	<u>(180,332)</u>
Net position of governmental activities in the Statement of Net Position	<u>\$ 9,492,165</u>

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

CITY OF ORANGE CITY, FLORIDA

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

For the Year Ended September 30, 2017

	<u>General Fund</u>	<u>Impact Fee Special Revenue Fund</u>	<u>Community Redevelopment Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property taxes	\$ 4,144,252	\$ -	\$ 145,613	\$ -	\$ 4,289,865
Franchise fees	1,168,329	-	-	-	1,168,329
Local option gas tax	222,898	-	-	-	222,898
Utility service taxes	1,452,492	-	-	-	1,452,492
Fees and fines	26,393	-	-	-	26,393
Licenses and permits	599,236	-	-	-	599,236
Intergovernmental	1,266,730	-	-	-	1,266,730
Impact fees/special assessments	-	113,316	-	370,328	483,644
Charges for services	251,914	-	-	-	251,914
Investment earnings	18,247	-	-	-	18,247
Contractual-DeBary Fire	1,545,004	-	-	-	1,545,004
Miscellaneous	343,326	-	-	-	343,326
Total revenues	<u>11,038,821</u>	<u>113,316</u>	<u>145,613</u>	<u>370,328</u>	<u>11,668,078</u>
EXPENDITURES:					
Current:					
General government	2,088,963	-	-	337,094	2,426,057
Public safety	6,054,275	-	-	500	6,054,775
Transportation	1,475,164	-	-	-	1,475,164
Culture and recreation	339,410	-	-	-	339,410
Economic Environment	-	-	9,508	-	9,508
Capital Outlay	1,647,324	-	278,399	-	1,925,723
Total expenditures	<u>11,605,136</u>	<u>-</u>	<u>287,907</u>	<u>337,594</u>	<u>12,230,637</u>
Excess (deficiency) of revenues over expenditures	<u>(566,315)</u>	<u>113,316</u>	<u>(142,294)</u>	<u>32,734</u>	<u>(562,559)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	284,298	-	11,181	-	295,479
Transfers out	<u>(2,191,442)</u>	<u>-</u>	<u>-</u>	<u>(34,298)</u>	<u>(2,225,740)</u>
Total other financing sources (uses)	<u>(1,907,144)</u>	<u>-</u>	<u>11,181</u>	<u>(34,298)</u>	<u>(1,930,261)</u>
Net change in fund balances	(2,473,459)	113,316	(131,113)	(1,564)	(2,492,820)
Fund Balances, beginning of year	<u>9,415,229</u>	<u>472,129</u>	<u>131,113</u>	<u>44,168</u>	<u>10,062,639</u>
Fund Balances, end of year	<u>\$ 6,941,770</u>	<u>\$ 585,445</u>	<u>\$ -</u>	<u>\$ 42,604</u>	<u>\$ 7,569,819</u>

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

CITY OF ORANGE CITY, FLORIDA

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

For the Year Ended September 30, 2017

Net Change in Fund Balances - total governmental funds: \$ (2,492,820)

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

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

Expenditures for capital assets	1,890,883	
Current year depreciation	<u>(928,721)</u>	962,162

Expenditures in the governmental funds for compensated absences are not recorded as expenses in the statement of activities		19,806
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Expenditures in the governmental funds for other post employment benefits are not recorded as expenses in the statement of activities		(17,899)
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Cash pension contributions reported in the funds were more than the calculated pension expense on the statement of activities, and therefore increased net position		<u>(800,306)</u>
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Change in net position of governmental activities		<u><u>\$ (2,329,057)</u></u>
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CITY OF ORANGE CITY, FLORIDA

STATEMENT OF NET POSITION
ENTERPRISE FUNDS

September 30, 2017

	<u>Utilities</u>	<u>Stormwater</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and cash equivalents, unrestricted	\$ 3,654,455	\$ 608,921	\$ 4,263,376
Cash and cash equivalents, restricted	667,361	-	667,361
Due from other funds	130	-	130
Due from other governments	831,516	-	831,516
Accounts receivable, net	431,453	-	431,453
Total current assets	<u>5,584,915</u>	<u>608,921</u>	<u>6,193,836</u>
Noncurrent assets:			
Capital assets, net	13,776,700	3,676,071	17,452,771
Wastewater capacity	892,521	-	892,521
Total noncurrent assets	<u>14,669,221</u>	<u>3,676,071</u>	<u>18,345,292</u>
Total assets	<u>20,254,136</u>	<u>4,284,992</u>	<u>24,539,128</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	556,244	14,408	570,652
Total deferred outflows of resources	<u>556,244</u>	<u>14,408</u>	<u>570,652</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	247,329	-	247,329
Accrued expenses	23,872	-	23,872
Accrued interest	38,415	-	38,415
Retainage payable	193,744	-	193,744
Due to other funds	67,345	220,712	288,057
Customer deposits payable	318,337	-	318,337
Compensated absences - current	10,973	-	10,973
Bonds payable - current	310,000	-	310,000
Total current liabilities	<u>1,210,015</u>	<u>220,712</u>	<u>1,430,727</u>
Noncurrent Liabilities:			
Compensated absences	98,761	-	98,761
Bonds payable	1,345,000	-	1,345,000
Notes payable	579,457	-	579,457
Net pension liability	1,144,373	29,642	1,174,015
Total noncurrent liabilities	<u>3,167,591</u>	<u>29,642</u>	<u>3,197,233</u>
Total liabilities	<u>4,377,606</u>	<u>250,354</u>	<u>4,627,960</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	45,869	1,188	47,057
Total deferred inflows of resources	<u>45,869</u>	<u>1,188</u>	<u>47,057</u>
NET POSITION:			
Net investment in capital assets	12,400,308	3,676,071	16,076,379
Restricted for debt service	310,000	-	310,000
Unrestricted	3,676,597	371,787	4,048,384
Total net position	<u>\$ 16,386,905</u>	<u>\$ 4,047,858</u>	<u>\$ 20,434,763</u>

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

CITY OF ORANGE CITY, FLORIDA

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

For the Year Ended September 30, 2017

	<u>Utilities</u>	<u>Stormwater</u>	<u>Total</u>
Operating Revenues:			
Charges for Services			
Water sales	\$ 3,062,176	\$ -	\$ 3,062,176
Wastewater services	1,512,603	-	1,512,603
Stormwater fees	-	580,751	580,751
Total operating revenues	<u>4,574,779</u>	<u>580,751</u>	<u>5,155,530</u>
Operating Expenses:			
Purchase of wastewater treatment	806,490	-	806,490
Salaries, wages and benefits	1,619,193	66,175	1,685,368
Water production and supplies	194,128	-	194,128
Repairs and maintenance	218,510	6,976	225,486
Contractual services	44,035	7,151	51,186
Other operating expenses	199,301	20,533	219,834
Depreciation and amortization	726,271	1,256	727,527
Total operating expenses	<u>3,807,928</u>	<u>102,091</u>	<u>3,910,019</u>
Operating income	<u>766,851</u>	<u>478,660</u>	<u>1,245,511</u>
Nonoperating Revenues (Expenses):			
Interest and investment income	1,582	-	1,582
Proceeds from insurance	4,837	-	4,837
Interest expense	(73,331)	-	(73,331)
Total nonoperating revenue (expenses)	<u>(66,912)</u>	<u>-</u>	<u>(66,912)</u>
Income Before Contributions and Transfers	699,939	478,660	1,178,599
Impact Fees	98,510	-	98,510
Capital Contributions	2,821,983	536,098	3,358,081
Transfers In	-	2,180,261	2,180,261
Transfers Out	(250,000)	-	(250,000)
Change in net position	<u>3,370,432</u>	<u>3,195,019</u>	<u>6,565,451</u>
Net Position, beginning of year	<u>13,016,473</u>	<u>852,839</u>	<u>13,869,312</u>
Net Position, end of year	<u>\$ 16,386,905</u>	<u>\$ 4,047,858</u>	<u>\$ 20,434,763</u>

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

CITY OF ORANGE CITY, FLORIDA

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS

For the Year Ended September 30, 2017

	<u>Utilities</u>	<u>Stormwater</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 4,580,515	\$ 580,751	\$ 5,161,266
Payments to suppliers	(1,363,750)	(34,660)	(1,398,410)
Payments to employees	(1,394,721)	(49,753)	(1,444,474)
Net cash provided by operating activities	<u>1,822,044</u>	<u>496,338</u>	<u>2,318,382</u>
Cash Flows from Noncapital Financing Activities:			
Transfers out to other funds	(250,000)	-	(250,000)
Transfers in from other funds	-	2,180,261	2,180,261
Decrease (increase) in due from other funds	(130)	33,143	33,013
Increase in due to other funds	48,048	124,505	172,553
Net cash provided (used) by noncapital financing activities	<u>(202,082)</u>	<u>2,337,909</u>	<u>2,135,827</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(3,717,760)	(3,121,826)	(6,839,586)
Insurance proceeds	4,837	-	4,837
Impact fees	98,510	-	98,510
Grants	2,211,939	536,098	2,748,037
Proceeds from long-term debt	579,457	-	579,457
Principal paid on long-term debt	(295,000)	-	(295,000)
Interest paid on long-term debt	(73,331)	-	(73,331)
Net cash used by capital and related financing activities	<u>(1,191,348)</u>	<u>(2,585,728)</u>	<u>(3,777,076)</u>
Cash Flows from Investing Activities:			
Investment income	1,582	-	1,582
Net cash provided by investing activities	<u>1,582</u>	<u>-</u>	<u>1,582</u>
Net Increase in Cash and Cash Equivalents	430,196	248,519	678,715
Cash and Cash Equivalents, beginning of year	3,891,620	360,402	4,252,022
Cash and Cash Equivalents, end of year	<u>\$ 4,321,816</u>	<u>\$ 608,921</u>	<u>\$ 4,930,737</u>
Classified as:			
Cash and cash equivalents	\$ 3,654,455	\$ 608,921	\$ 4,263,376
Restricted cash and cash equivalents	667,361	-	667,361
Total	<u>\$ 4,321,816</u>	<u>\$ 608,921</u>	<u>\$ 4,930,737</u>

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

CITY OF ORANGE CITY, FLORIDA

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS - CONTINUED

For the Year Ended September 30, 2017

	<u>Utilities</u>	<u>Stormwater</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating income	\$ 766,851	\$ 478,660	\$ 1,245,511
Adjustments Not Affecting Cash:			
Depreciation and amortization	726,271	1,256	727,527
Change in Assets and Liabilities:			
Accounts receivables	(14,353)	-	(14,353)
Inventory and other assets	-	-	-
Accounts payable	98,714	-	98,714
Accrued liabilities	5,497	-	5,497
Compensated absences	7,357	-	7,357
Customer deposits	20,089	-	20,089
Deferred inflows of resources	38,998	1,188	40,186
Deferred outflows of resources	(174,675)	(14,408)	(189,083)
Net pension liability	347,295	29,642	376,937
Total adjustments	<u>1,055,193</u>	<u>17,678</u>	<u>1,072,871</u>
Net Cash Provided by Operating Activities	<u>\$ 1,822,044</u>	<u>\$ 496,338</u>	<u>\$ 2,318,382</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

Note 1 - Summary of Significant Accounting Policies:

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

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

A. Reporting Entity:

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

A. Reporting Entity (Continued):

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

B. Basic Financial Statements:

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

B. Basic Financial Statements (Continued):

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

C. Basis of Presentation - Fund Accounting:

(1) Major Governmental Funds:

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

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

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

(2) Major Proprietary Funds:

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

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

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

(3) Nonmajor Governmental Funds:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

D. Measurement Focus/Basis of Accounting:

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

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

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

E. Budgets and Budgetary Accounting:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

F. Accounts Receivable:

- (1) Property Taxes Receivable - Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to ten (10) mills. The millage rate assessed by the City for the fiscal year ended September 30, 2017 was 7.45, which means that the City has a tax margin of 2.55 per \$1,000 and could raise up to \$1,502,151 in additional tax revenue per year from the present assessed valuation of \$589,078,716.

The property tax calendar is as follows:

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

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

- All unpaid taxes on real and tangible personal property become delinquent on April 1 of the year immediately following year of assessment.
- A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised in April/May of the year immediately following the year of assessment.
- Tax certificates are sold on all real properties with unpaid real property taxes on June 1 (lien date) of the year immediately following the year of assessment.
- A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent personal property taxes by June 1 of the year immediately following the year of assessment.

- (2) Unbilled Utilities Accounts Receivable - Utilities revenues are generally recognized on the basis of cycle billings rendered monthly. The unbilled portion is accrued at year end by calculating the City's October billing cycle and prorating the amount of days applicable to the current year which amounted to \$367,263 at September 30, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

F. Accounts Receivable (Continued):

(3) Allowance for Uncollectible Accounts - Based upon an analysis of both past history and past due receivables, it is management's opinion that a \$50,895 allowance for uncollectible accounts is necessary. This balance relates entirely to the utilities enterprise fund.

G. Long-term Obligations:

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

H. Cash and Investments:

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

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

I. Capital Assets:

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

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

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

There were no capitalizable interest costs for the year ended September 30, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

J. Operating Revenues and Expenses:

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

K. Revenues:

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

L. Inventory:

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

M. Compensated Absences:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

N. Interfund Activity:

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

O. Restricted Assets:

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

P. Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These are recorded as expenditures when consumed rather than when purchased.

Q. Unearned Revenue:

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

R. Estimates:

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

S. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years. Details on the composition of the deferred outflows related to pensions are further discussed in Note 7.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. Details on the composition of the deferred inflows related to pensions are further discussed in Note 7.

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

T. Net Position Flow Assumptions:

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

U. Fund Balance Flow Assumptions:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements:

A. *Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position*

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

B. *Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities*

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

Note 3 - Cash and Investments:

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The City currently holds \$1,600 collectively in cash drawers.

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

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

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

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

Cash and Cash Equivalents - Cash and cash equivalents are carried at cost. In accordance with GASB Statement No. 40, the City's deposits are categorized to give an indication of the level of custodial risk assumed at year end. At present, some of the City's excess funds are primarily deposits that are insured or collateralized pursuant to the Public Depository Security Act of the State of Florida. Demand deposits and money market accounts are insured by federal depository insurance up to \$250,000 of the aggregate account balances for each entity. Amounts in excess of \$250,000 are fully insured by U.S. Government securities held in the Public Security Trust Fund maintained and monitored by the Treasurer of the State of Florida. Demand deposits and cash on deposit bank balances at September 30, 2017 were approximately \$11,420,000.

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 3 - Cash and Investments (Continued):

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

Florida Prime - The Florida Prime (formerly known as Pool or Fund A) meets the requirements of and is classified as a "2a-7 like" pool. The SBA is not a registrant with, nor regulated by, the Securities and Exchange Commission or any other regulatory agency; however, the Florida Prime has adopted operating procedures consistent with the requirements for a 2a-7 like pool and the fair value of the position in the pool is equal to the value of the pool's shares. Such investments are stated at amortized cost in the accompanying financial statements. The Florida Prime is rated by Standard and Poors and is currently rated AAAM. The weighted average days to maturity (WAM) at September 30, 2017 is 51 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The Florida Safe is rated by Standard and Poors and is currently rated AAAM. The weighted average days to maturity (WAM) at September 30, 2017 is 59 days. Next interest rate reset dates used in the calculation of the WAM.

As of September 30, 2017 the funds are as follows:

	<u>Florida Prime</u>	<u>FL Safe</u>
General Fund	\$ 145,620	\$ 1,528,586
Utilities Enterprise Fund	76,942	-
	<u>\$ 222,562</u>	<u>\$ 1,528,586</u>

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

Credit Risk

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

The City maintains two money market accounts with BB&T. These accounts are insured or collateralized pursuant to the Public Depository Security Act of the State of Florida.

Following is a summary of the carrying amount of the cash and cash equivalents owned by the City at September 30, 2017

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and Cash Equivalents:		
Demand deposits, cash on deposit and petty cash	\$ 10,364,706	\$ 10,364,706
Florida Safe Investment Pool	1,528,586	1,528,586
Local Government Surplus Funds Trust Fund (Florida Prime)	222,562	222,562
Total Cash and Cash Equivalents	<u>\$ 12,115,854</u>	<u>\$ 12,115,854</u>
Restricted Assets:		
Demand deposits and cash on deposit	<u>\$ 667,361</u>	<u>\$ 667,361</u>

Cash and cash equivalents of \$667,361 is restricted for customer deposits and debt service.

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 4 - Due from Other Governments:

Amounts due from other governments at September 30, 2017 are as follows:

	General	Utilities
Local Option Gas Tax	\$ 25,292	\$ -
Sales Tax Revenue Sharing	49,582	-
Communication Services Tax	32,321	-
State of Florida - FDOT Grant	1,711	-
FF Supplementary fund	2,205	-
Pari-Mutuel Wagering Trust	34,864	-
State of Florida - SRF	-	831,516
Due from Volusia County	70,689	-
	<u>\$ 216,664</u>	<u>\$ 831,516</u>

Note 5 - Capital Assets:

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Reclass	Ending Balance
Governmental Activities:					
Non-depreciable capital assets:					
Land and improvements	\$ 929,764	\$ 28,772	\$ -	\$ -	\$ 958,536
Construction in progress	450,963	1,018,985	-	-	1,469,948
	<u>1,380,727</u>	<u>1,047,757</u>	<u>-</u>	<u>-</u>	<u>2,428,484</u>
Depreciable capital assets:					
Buildings	1,848,298	44,922	-	-	1,893,220
Machinery and equipment	6,076,868	621,822	(612,711)	-	6,085,979
Infrastructure	4,320,764	176,382	-	-	4,497,146
	<u>12,245,930</u>	<u>843,126</u>	<u>(612,711)</u>	<u>-</u>	<u>12,476,345</u>
Less accumulated depreciation for:					
Buildings	(735,854)	(75,668)	-	-	(811,522)
Machinery and equipment	(4,301,449)	(492,312)	612,711	-	(4,181,050)
Infrastructure	(937,065)	(360,741)	-	-	(1,297,806)
	<u>(5,974,368)</u>	<u>(928,721)</u>	<u>612,711</u>	<u>-</u>	<u>(6,290,378)</u>
Depreciable capital assets, net	<u>6,271,562</u>	<u>(85,595)</u>	<u>-</u>	<u>-</u>	<u>6,185,967</u>
Total capital assets, net	<u>\$ 7,652,289</u>	<u>\$ 962,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,614,451</u>

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 5 - Capital Assets (Continued):

	Beginning Balance	Increases	Decreases	Reclass	Ending Balance
Business-type Activities:					
Non-depreciable capital assets:					
Land and improvements	\$ 422,296	\$ 31,832	\$ -	\$ -	\$ 454,128
Waste water capacity	892,521	-	-	-	892,521
Construction in progress	2,947,107	6,683,555	-	-	9,630,662
	<u>4,261,924</u>	<u>6,715,387</u>	<u>-</u>	<u>-</u>	<u>10,977,311</u>
Depreciable capital assets:					
Water and wastewater system	15,196,373	11,410	-	-	15,207,783
Buildings and improvements	932,751	-	-	-	932,751
Equipment	620,511	112,789	(34,030)	-	699,270
	<u>16,749,635</u>	<u>124,199</u>	<u>(34,030)</u>	<u>-</u>	<u>16,839,804</u>
Less accumulated depreciation for:					
Water and wastewater system	(7,720,022)	(653,192)	-	-	(8,373,214)
Buildings and improvements	(629,105)	(24,916)	-	-	(654,021)
Equipment	(429,199)	(49,419)	34,030	-	(444,588)
	<u>(8,778,326)</u>	<u>(727,527)</u>	<u>34,030</u>	<u>-</u>	<u>(9,471,823)</u>
Depreciable capital assets, net	<u>7,971,309</u>	<u>(603,328)</u>	<u>-</u>	<u>-</u>	<u>7,367,981</u>
Total capital assets, net	<u>\$ 12,233,233</u>	<u>\$ 6,112,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,345,292</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 72,315
Public safety	352,692
Transportation	276,859
Culture and recreation	226,855
Total depreciation expense - governmental activities	<u>\$ 928,721</u>
Business-type Activities:	
Utilities	\$ 726,271
Stormwater	1,256
Total depreciation expense - business-type activities	<u>\$ 727,527</u>

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 6 - Long-Term Debt:

Utilities System Refunding Revenue Bonds

On April 20, 2005, the City issued \$4,585,000, 3.94% fixed rate, Utilities System Refunding Revenue Bonds, Series 2005, maturing 2021, to refund the Series 1995 and series 1996 bonds and pay issuance costs. The bonds outstanding as of September 30, 2017 totaled \$1,655,000.

These bonds are collateralized by the net revenues of the utilities system. All gross revenues derived from the operation of the system shall be deposited in the revenue fund and net revenues shall be sufficient to pay at least one hundred and twenty-five percent (125%) of the annual debt service requirements. The total principal and interest remaining to be paid on this series is \$1,854,955. For the fiscal year, total principal and interest paid was \$366,083, and total pledged revenue was \$1,493,122.

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

<u>Year Ending</u> <u>September 30,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 310,000	\$ 65,207
2019	320,000	52,993
2020	330,000	40,385
2021	340,000	27,383
2022	355,000	13,987
Total	<u>\$ 1,655,000</u>	<u>\$ 199,955</u>

State Revolving Fund Loan

In December 2015, the City executed a State Revolving Fund Loan agreement DW642000 for the City's drinking water project. The agreement provides for total funding of \$10,027,285 including \$8,523,192 of principal forgiveness. The loan period is for 30 years with an interest rate of 1.16 percent. The note is secured by gross revenues from the water and wastewater utilities net of operation and maintenance costs. The total principal and interest remaining to be paid on this series is \$674,215. For the fiscal year, there was no interest or principal due or paid and total pledged revenue was \$1,127,039.

<u>Year Ending</u> <u>September 30,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ -	\$ -
2019	9,055	23,298
2020	51,771	12,935
2021	52,979	11,727
2022	54,216	10,490
2023-2027	290,655	32,875
2028-2029	120,781	3,433
Total	<u>\$ 579,457</u>	<u>\$ 94,758</u>

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 6 - Long-Term Debt (Continued):

Long-term liability activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 557,577	\$ 35,952	\$ (55,758)	\$ 537,771	\$ 53,777
Other post employment benefits	162,433	17,899	-	180,332	-
Net Pension Liability	9,082,066	1,701,066	-	10,783,132	-
Governmental activity long-term liabilities	<u>\$ 9,802,076</u>	<u>\$ 1,754,917</u>	<u>\$ (55,758)</u>	<u>\$ 11,501,235</u>	<u>\$ 53,777</u>
Business-Type Activities					
Revenue Bonds	\$ 1,950,000	\$ -	\$ (295,000)	\$ 1,655,000	\$ 310,000
SRF Loan	-	579,457	-	579,457	-
Compensated absences	102,377	17,595	(10,238)	109,734	10,973
Net pension liability	797,078	376,937	-	1,174,015	-
Business-type activity long-term liabilities	<u>\$ 2,849,455</u>	<u>\$ 973,989</u>	<u>\$ (305,238)</u>	<u>\$ 3,518,206</u>	<u>\$ 320,973</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 7 - Employee Benefit Plans:

A. Florida Retirement System

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

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

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

In addition to the above benefits, the Deferred Retirement Option Program (DROP) allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants. The employer contribution at fiscal year ended September 30, 2017 is 13.26%.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 7 - Employee Benefit Plans (Continued):

A. Florida Retirement System (Continued)

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

The HIS plan is funded by required contributions from FRS participating employers as set by the Florida legislature. Employer contributions are a percentage of gross compensation for all active FRS members. At fiscal year ended September 30, 2017, the contribution rate was 1.66% of payroll.

The HIS plan provides monthly payment assistance to retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Department of Management Services, Division of Retirement. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled. For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payment is at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare. Terms of the benefits provided by the plan may be amended only by the State Legislature with a change in the Statutes governing the plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 7 - Employee Benefit Plans (Continued):

A. Florida Retirement System (Continued)

Contributions - The FRS has many classes of membership. Employer contribution rates are set by law. Rates below include the appropriate retirement contribution rate, 1.66 percent HIS contribution rate, 0.06 percent administrative/educational fee and any applicable UAL rates. These classes, with descriptions and weighted average contribution rates in effect during the period ended September 30, 2017, are as follows:

Regular Class - members not qualifying for other classes (10.92% [includes 3% employee contribution] from July 1, 2017 through September 30, 2017 and 10.52% [includes 3% employee contribution from October 1, 2016 through June 30, 2017.]

Senior Management Service Class – members of senior management who do not elect the optional annuity retirement program (25.71% [includes 3% employee contribution] from July 1, 2017 through September 30, 2017 and 24.77% [includes 3% employee contribution] from October 1, 2016 through June 30, 2017.)

Special Risk Class – members employed as law enforcement officers, firefighters, or correctional officers and meet the criteria set to qualify for this class (26.27% [includes 3% employee contribution] from July 1, 2017 through September 30, 2017 and 25.57% [includes 3% employee contribution] from October 1, 2016 through June 30, 2017.)

Elected State Officer's Class – certain elected City officials (48.50% [includes 3% employee contribution] from July 1, 2017 through September 30, 2017 and 45.47% [includes 3% employee contribution] from October 1, 2016 through June 30, 2017.)

- 4) Pension Liabilities and Deferred outflows of Resources and Deferred Inflows of Resources Related to Pensions and Health Insurance Subsidy - At September 30, 2017, the City reported a liability of \$9,952,908 for its proportionate share of the FRS Pension Plan's net pension liability and \$2,004,239 for its proportionate share of the HIS Plan net liability. The net pension liabilities were measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportionate share of the net pension liabilities were based on accrued retirement contributions for employers that were members of the FRS Pension Plan during the year ended June 30, 2017. At June 30, 2017, the City's proportionate share was .0336 percent and 0.0187 percent, which was an increase (decrease) of .0025 percent and 0.0013 percent from its proportionate share of 0.0311 and 0.0174 percent measured as of June 30, 2016 for both the FRS and HIS plans, respectively.

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 7 - Employee Benefit Plans (Continued):

A. Florida Retirement System (Continued)

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$930,778 for the FRS Pension Plan and \$97,568 for the HIS Plan. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to these plans from the following sources:

Description	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 913,437	\$ 55,134	\$ -	\$ 4,173
Change of assumptions	3,344,880	-	281,727	173,309
Net difference between projected and actual earnings on Pension Plan investments	-	246,658	1,111	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	758,525	-	228,170	-
City Pension Plan contributions subsequent to the measurement date	255,984	-	28,165	-
Total	<u>\$ 5,272,826</u>	<u>\$ 301,792</u>	<u>\$ 539,173</u>	<u>\$ 177,482</u>

The deferred outflows of resources related to FRS \$255,984 and HIS \$28,165 resulting from City contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported for the Plans as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

FRS		HIS	
Fiscal Year Ending September 30:	Amount Recognized	Fiscal Year Ending September 30:	Amount Recognized
2018	\$ 683,631	2018	\$ 80,231
2019	1,539,831	2019	80,021
2020	1,125,190	2020	79,920
2021	339,183	2021	60,521
2022	754,010	2022	36,348
Thereafter	273,205	Thereafter	(3,515)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 7 - Employee Benefit Plans (Continued):

A. Florida Retirement System (Continued)

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

	<u>FRS</u>	<u>HIS</u>
Inflation	2.60%	2.60%
Salary Increases, average, including inflation	3.25%	3.25%
Investment Rate of Return net of pension plan investment expense, including inflation	7.10%	3.58%
Mortality rates	Generational RP-2000 with projection scale BB tables	Generational RP-2000 with projection scale BB tables

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

- 6) Discount Rate - The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.10%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

The discount rate used to measure the HIS Plan liability was 3.58%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 7 - Employee Benefit Plans (Continued):

A. Florida Retirement System (Continued)

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.00%	3.00%	1.80%
Fixed Income	18.00%	4.50%	4.40%	4.20%
Global Equity	53.00%	7.80%	6.60%	17.00%
Real Estate	10.00%	6.60%	5.90%	12.80%
Private Equity	6.00%	11.50%	7.80%	30.00%
Strategic Investments	<u>12.00%</u>	6.10%	5.60%	9.70%
Total	<u>100.00%</u>			
Assumed Inflation - Mean			2.60%	1.90%

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

- 8) Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability of the FRS and HIS Plans calculated using the discount rate of 7.10% and 3.58% respectively. Also presented is what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
FRS Plan			

City's Proportionate Share of the Net Pension Liability	\$ 18,014,163	\$ 9,952,908	\$ 3,260,220
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	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
HIS Plan			

City's Proportionate Share of the Net Pension Liability	\$ 2,287,102	\$ 2,004,239	\$ 1,768,629
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Contributions:

The City's contributions, including employee contributions, to the Pension Plan totaled \$894,145 and to the HIS Plan \$102,265 for the fiscal year ended September 30, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 7 - Employee Benefit Plans (Continued):

A. Florida Retirement System (Continued)

Payables:

At September 30, 2017, the City reported a payable in the amount of \$31,776 to the Pension Plan and \$0 to the HIS Plan for outstanding contributions.

Expense:

The City's Investment Plan pension expense totaled 169,674 for the fiscal year ended September 30, 2017.

B. Deferred Compensation Plan

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

Note 8 - Interfund Balances and Transfers:

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. These are transfers to support other funds without a requirement for repayment. The interfund transfer activity for the year ended September 30, 2017 consisted of the following:

	Transfers In			Total
	Major Funds	Major Funds	Major Funds	
	General Fund	CRA	Stormwater	
Transfers Out:				
General Fund	\$ -	\$ 11,181	\$ 2,180,261	\$ 2,191,442
Utilities Enterprise Fund	250,000	-	-	250,000
Solid Waste	34,298	-	-	34,298
	<u>\$ 284,298</u>	<u>\$ 11,181</u>	<u>\$ 2,180,261</u>	<u>\$ 2,475,740</u>

Purpose:

The transfer of \$34,298 from the Solid Waste Fund to the General Fund is the annual 10% franchise fee on residential solid waste.

The transfer of \$250,000 from the Utilities Enterprise Fund to the General Fund is to cover administrative costs including the city manager's and other general government employees' salaries and other unallocated costs.

The transfer of \$2,180,261 from the General Fund to the Stormwater fund is related to work and progress and capital asset purchases being paid, in part, by the General Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 9 - Fund Balance:

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

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. The City had a nonspendable fund balance of \$103,117 in its general fund, which consists of prepaid items.

Restricted - amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. The City had restricted fund balance of \$24,791 at September 30, 2017 restricted for the Forfeiture Fund related expenditures.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the City's highest level of decision-making authority. The City Council addresses these commitments through formal board action, such as, the adoption of a resolution or by motion prior to the City's fiscal year end. Both actions (resolution or motion) are equally binding. The City had committed fund balance at September 30, 2017 of \$17,813 related to the Sparkman Special Assessment project and \$585,445 committed for Impact Fee approved capital activity.

Assigned - amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Assignments can be made by the City Council. The City had assigned fund balance of \$1,053,781 at September 30, 2017 to fund various improvements. Encumbrances of balances within the General Fund are classified as assigned. Under this method, purchase orders, contracts, memoranda of understanding, and other commitments outstanding at year end do not constitute expenditures or liabilities. GASB 54 provides additional guidance on the classification within the Fund Balance section of amounts that have been encumbered. These encumbrances are not separately classified in the financial statements and equal \$528,284. The City Council may also assign fund balance as it does when, fund balance is appropriated, to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. That amount is \$525,497.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 10 - Commitments and Contingencies:

The City has a contract with Volusia County whereby Volusia County has agreed to provide a wastewater treatment and disposal system for the benefit of the City. This contract remains in effect until 2039, at which time the contract can be extended for additional ten-year terms. The fee for this service is established by Volusia County. The City's annual expense related to this contract for the year ended September 30, 2017 was approximately \$806,000.

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

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

The City has various in progress consultant services and commitments in Governmental Funds and Enterprise Funds which amounted to \$4,426,077 at September 30, 2017.

Note 11 - Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. Settled claims have not exceeded the specified commercial coverage limitations for the past three years. There have been no significant reductions in insurance coverage from the past year.

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

Plan Description

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

Funded Status

The third actuarial report for the City's retiree Continuation Insurance plan was prepared as of October 1, 2015. At that point in time, the unfunded actuarial accrued liability (UAAL) for benefits was approximately \$135,000. The covered payroll was approximately \$4,998,000 and the ratio of UAAL to covered payroll was 3 percent.

The annual required contribution and Net OPEB Obligation for the fiscal year ended September 30, 2017 is as follows:

Annual Required Contribution	\$	22,867
Interest on Net OPEB Obligation		6,497
Adjustment to Annual Required Contribution		<u>(9,032)</u>
Annual OPEB Cost		20,332
Estimated Net Contributions Made		<u>(2,433)</u>
Increase in Net OPEB Obligation		17,899
Net OPEB Obligation (beginning of year)		<u>162,433</u>
Net OPEB Obligation (end of year)	\$	<u><u>180,332</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ended September 30, 2017 is shown below. The required three year trend information is presented below.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>City Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2017	\$ 20,332	\$ 2,433	11.97%	\$ 180,332
9/30/2016	20,639	991	4.80%	162,433
9/30/2015	27,533	4,063	14.76%	142,785

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

The Required Supplementary Information immediately following the notes to the financial statements presents the Schedule of Funding Progress for the plan, see page 56. This information is helpful in determining whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Summary of Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, normally presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress includes six years.

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

The following are the more significant assumptions for this plan:

The projected unit credit cost method was used to determine all liabilities, with the liability for each active employee assumed to accrue over his working lifetime based on elapsed time from hire date until retirement. Actuarial Accrued liability is amortized as a level dollar amount over an open 30-year period.

Mortality - RP-2000 Combined Healthy Mortality Table and mortality improvements projected to 2016 using scale AA.

Disability - none assumed

Amortization method - items subject to deferred recognition are amortized with a 3% annual inflationary increase over a 30-year period.

Morbidity rate – 4.5% for under 65 years of age.

Investment returns - 4.0% per annum.

Healthcare cost trend rates - The cost of covered medical services has been assumed to increase approximately 5.5% in the base year and the increase will increase annually at a rate between 5% and 5.5%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

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

Election at retirement - 20% of future eligible retirees will elect medical coverage at retirement.

Marital status - 30% of active employees electing retiree coverage are assumed to be married and to elect spousal coverage with males three years older than females.

Employees prior to July 1, 2011:

Firefighters and police officers - Age 55 with at least 6-years of service, or any age with at least 25-years of service

All others - Age 62 with at least 6-years of service, or any age with at least 30-years of service.

Employees after July 1, 2011:

Firefighters and police officers - Age 60 with at least 8-years of service, or any age with at least 30-years of service

All others - Age 65 with at least 8-years of service, or any age with at least 33-years of service.

Summary of Benefits:

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

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

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

Note 13 - Subsequent Events:

Subsequent to year end, the City drew funds on the State Revolving Fund Loan of approximately \$205,000.

CITY OF ORANGE CITY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2017

CITY OF ORANGE CITY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2017

Retiree Continuation Insurance Plan

Schedule of Funding Progress

Year End Date	Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
9/30/2017	10/1/2015	\$ -	\$ 134,937	\$ 134,937	0%	\$4,997,771	3.0%
9/30/2016	10/1/2015	\$ -	\$ 134,937	\$ 134,937	0%	\$4,997,771	3.0%
9/30/2015	10/1/2012	\$ -	\$ 152,835	\$ 152,835	0%	\$4,300,000	3.6%
9/30/2014	10/1/2012	\$ -	\$ 152,835	\$ 152,835	0%	\$4,300,000	3.6%
9/30/2013	10/1/2012	\$ -	\$ 152,835	\$ 152,835	0%	\$4,300,000	3.6%
9/30/2012	10/1/2009	\$ -	\$ 210,000	\$ 210,000	0%	\$4,200,000	5.0%

CITY OF ORANGE CITY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.033648188%	0.031085301%	0.027824709%	0.026578069%
City's Proportionate Share of the Net Pension Liability	\$ 9,952,908	\$ 7,849,063	\$ 3,593,934	\$ 1,621,653
City's Covered-employee Payroll	\$ 5,978,287	\$ 5,790,168	\$ 5,265,351	\$ 4,987,721
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	166.48%	135.56%	68.26%	32.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.89%	84.88%	92.00%	96.09%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.018744408%	0.017418735%	0.016885531%	0.016227781%
City's Proportionate Share of the Net Pension Liability	\$ 2,004,239	\$ 2,030,081	\$ 1,722,059	\$ 1,517,337
City's Covered-employee Payroll	\$ 5,978,287	\$ 5,790,168	\$ 5,265,351	\$ 4,987,721
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	33.53%	35.06%	32.71%	30.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	1.64%	0.97%	0.50%	0.99%

* Information for prior years not available.

CITY OF ORANGE CITY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2017

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

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

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

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

* Information for prior years not available.

CITY OF ORANGE CITY, FLORIDA

BUDGET TO ACTUAL COMPARISON GENERAL FUND

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 4,229,090	\$ 4,229,090	\$ 4,144,252	\$ (84,838)
Franchise Fees	1,187,500	1,187,500	1,168,329	(19,171)
Local Option Gas Tax	190,000	190,000	222,898	32,898
Utility Service Taxes	1,418,000	1,418,000	1,452,492	34,492
Fees and Fines	31,800	31,800	26,393	(5,407)
Licenses and Permits	372,900	572,926	599,236	26,310
Intergovernmental	1,044,337	2,161,043	1,266,730	(894,313)
Charges for Services	130,500	200,500	251,914	51,414
Investment Earnings	5,000	5,000	18,247	13,247
Contractual - DeBary Fire	1,502,128	1,502,128	1,545,004	42,876
Miscellaneous	200,500	255,153	343,326	88,173
Total revenues	<u>10,311,755</u>	<u>11,753,140</u>	<u>11,038,821</u>	<u>(714,319)</u>
EXPENDITURES:				
Current:				
General Government:				
City Council	113,812	198,405	184,830	13,575
Administration	520,689	560,697	547,100	13,597
City Clerk	270,650	270,650	232,716	37,934
Finance	370,887	370,887	338,209	32,678
Development Services	465,386	467,426	383,217	84,209
General Government	895,634	662,845	491,257	171,588
Public Safety:				
Police	2,767,157	2,921,193	2,896,361	24,832
Fire	2,161,698	2,192,956	2,022,780	170,176
DeBary Fire Services	1,334,217	1,334,217	1,276,025	58,192
Building Division	145,000	407,026	407,026	-
Emergency and Disaster Relief	-	641,797	7,691	634,106
Transportation	1,645,324	2,439,403	1,672,663	766,740
Parks and Recreation:				
Parks Maintenance	477,627	495,448	456,124	39,324
Leisure Services	-	1,126,804	689,137	437,667
Total expenditures	<u>11,168,081</u>	<u>14,089,754</u>	<u>11,605,136</u>	<u>2,484,618</u>
Excess (deficiency) of revenues over expenditures	<u>(856,326)</u>	<u>(2,336,614)</u>	<u>(566,315)</u>	<u>1,770,299</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	286,321	286,321	284,298	(2,023)
Transfers Out	(77,720)	(2,284,637)	(2,191,442)	93,195
Total other financing sources (uses)	<u>208,601</u>	<u>(1,998,316)</u>	<u>(1,907,144)</u>	<u>91,172</u>
Net change in fund balances	(647,725)	(4,334,930)	(2,473,459)	1,861,471
Fund Balances, beginning of year	9,415,229	9,415,229	9,415,229	-
Fund Balances, end of year	<u>\$ 8,767,504</u>	<u>\$ 5,080,299</u>	<u>\$ 6,941,770</u>	<u>\$ 1,861,471</u>

CITY OF ORANGE CITY, FLORIDA

BUDGET TO ACTUAL COMPARISON
IMPACT FEE FUND - SPECIAL REVENUE FUND

For the Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Police Fees	\$ 5,000	\$ 5,000	\$ 29,796	\$ 24,796
Fire Impact Fees	-	-	-	-
Transportation Impact Fees	5,000	5,000	70,518	65,518
Community Park Impact Fees	2,000	2,000	13,002	11,002
Neighborhood Park	-	-	-	-
Investment Earnings	250	250	-	(250)
Total revenues	<u>12,250</u>	<u>12,250</u>	<u>113,316</u>	<u>101,066</u>
EXPENDITURES:				
Current:				
Transportation	<u>12,250</u>	<u>12,250</u>	<u>-</u>	<u>12,250</u>
Total Expenditures	<u>12,250</u>	<u>12,250</u>	<u>-</u>	<u>12,250</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>113,316</u>	<u>113,316</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>113,316</u>	<u>113,316</u>
Fund Balances, beginning of year	<u>472,129</u>	<u>472,129</u>	<u>472,129</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 472,129</u>	<u>\$ 472,129</u>	<u>\$ 585,445</u>	<u>\$ 113,316</u>

CITY OF ORANGE CITY, FLORIDA

BUDGET TO ACTUAL COMPARISON
CRA - SPECIAL REVENUE FUND

For the Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property Taxes	\$ 140,509	\$ 140,509	\$ 145,613	\$ 5,104
Total revenues	140,509	140,509	145,613	5,104
EXPENDITURES:				
Current:				
General government	274,450	301,106	287,907	13,199
Total Expenditures	274,450	301,106	287,907	13,199
Excess (deficiency) of revenues over expenditures	(133,941)	(160,597)	(142,294)	18,303
OTHER FINANCING SOURCES (USES):				
Transfers In	-	26,656	11,181	(15,475)
	-	26,656	11,181	(15,475)
Net change in fund balances	(133,941)	(133,941)	(131,113)	2,828
Fund Balances, beginning of year	131,113	131,113	131,113	-
Fund Balances, end of year	\$ (2,828)	\$ (2,828)	\$ -	\$ 2,828

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2017

1. Summary of Significant Budget Policies

The City Council annually adopts budgets for the General Fund of the primary government. All appropriations are legally controlled at the fund and department level for the General Fund. On September 27, 2016, the City Council approved the original adopted budget and on November 14, 2017 approved the revised final budget reflected in the financial statements.

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

All major Special Revenue Funds budgets were legally adopted.

2. Material Violations

There were no material violations of the annual appropriated budget for the General Fund for the fiscal year ended September 30, 2017. In addition, there were no excesses of budgetary expenditures for the period.

CITY OF ORANGE CITY, FLORIDA

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

For the Year Ended September 30, 2017

CITY OF ORANGE CITY, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds

For the Year Ended September 30, 2017

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

Forfeiture Fund

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

Solid Waste Special Assessment Fund

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

Sparkman Special Assessment Fund

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

CITY OF ORANGE CITY, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2017

	Special Revenue Funds			Total Funds
	Forfeiture Fund	Solid Waste Assessment Fund	Sparkman Special (SAD) Assessment Fund	
ASSETS:				
Cash and cash equivalents	\$ 24,791	\$ -	\$ 17,813	\$ 42,604
Due from other funds	-	-	-	-
Total assets	<u>\$ 24,791</u>	<u>\$ -</u>	<u>\$ 17,813</u>	<u>\$ 42,604</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accrued interest	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted	24,791	-	-	24,791
Committed	-	-	17,813	17,813
Total fund balances	<u>24,791</u>	<u>-</u>	<u>17,813</u>	<u>42,604</u>
Total Liabilities and Fund Balances	<u>\$ 24,791</u>	<u>\$ -</u>	<u>\$ 17,813</u>	<u>\$ 42,604</u>

CITY OF ORANGE CITY, FLORIDA

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

For the Year Ended September 30, 2017

	Special Revenue Funds			Total Funds
	Forfeiture Fund	Solid Waste Assessment Fund	Sparkman Special (SAD) Assessment Fund	
REVENUES				
Fees and Fines	\$ -	\$ -	\$ -	\$ -
Assessments	-	370,328	-	370,328
Total revenues	-	370,328	-	370,328
EXPENDITURES				
Current:				
General government	-	337,094	-	337,094
Public safety	500	-	-	500
Total expenditures	500	337,094	-	337,594
Excess (Deficiency) of Revenues Over Expenditures	(500)	33,234	-	32,734
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(34,298)	-	(34,298)
Total other financing sources and uses	-	(34,298)	-	(34,298)
Net Change in Fund Balances	(500)	(1,064)	-	(1,564)
Fund Balances, beginning of year	25,291	1,064	17,813	44,168
Fund Balances, end of year	\$ 24,791	\$ -	\$ 17,813	\$ 42,604

CITY OF ORANGE CITY, FLORIDA

BUDGET TO ACTUAL COMPARISON
FORFEITURE FUND - SPECIAL REVENUE FUND

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Confiscated Property	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Investment Earnings	125	125	-	(125)
Total revenues	<u>5,125</u>	<u>5,125</u>	<u>-</u>	<u>(5,125)</u>
EXPENDITURES:				
Current:				
Public safety	5,125	5,125	500	4,625
Total expenditures	<u>5,125</u>	<u>5,125</u>	<u>500</u>	<u>4,625</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(500)</u>	<u>(500)</u>
Net change in fund balance	-	-	(500)	(500)
Fund Balances, beginning of year	<u>25,291</u>	<u>25,291</u>	<u>25,291</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 25,291</u>	<u>\$ 25,291</u>	<u>\$ 24,791</u>	<u>\$ (500)</u>

CITY OF ORANGE CITY, FLORIDA

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

For the Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Residential Assessments	\$ 384,458	\$ 384,458	\$ 369,672	\$ (14,786)
New Homes	850	850	656	(194)
Investment Earnings	-	-	-	-
Total revenues	<u>385,308</u>	<u>385,308</u>	<u>370,328</u>	<u>(14,980)</u>
EXPENDITURES:				
Current:				
Solid waste collection contract	328,265	328,265	328,128	137
Operating expenditures	20,722	20,722	8,966	11,756
Total expenditures	<u>348,987</u>	<u>348,987</u>	<u>337,094</u>	<u>11,893</u>
Excess (deficiency) of revenues over expenditures	<u>36,321</u>	<u>36,321</u>	<u>33,234</u>	<u>(3,087)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(36,321)</u>	<u>(36,321)</u>	<u>(34,298)</u>	<u>2,023</u>
Total other financing sources (uses)	<u>(36,321)</u>	<u>(36,321)</u>	<u>(34,298)</u>	<u>2,023</u>
Net change in fund balance	-	-	(1,064)	(1,064)
Fund Balances, beginning of year	<u>1,064</u>	<u>1,064</u>	<u>1,064</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 1,064</u>	<u>\$ 1,064</u>	<u>\$ -</u>	<u>\$ (1,064)</u>

CITY OF ORANGE CITY, FLORIDA

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

For the Year Ended September 30, 2017

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

Water Quality Improvements



The City of Orange City is very focused on water quality improvements throughout the city. Existing pipe rehabilitation projects improve the water quality within the distribution system. Leaky defective pipes that cause discolored water and low pressure are being removed. New fire hydrants have been and continue to be installed throughout the city to increase fire protection.

There are two water plants that service the Orange City Utility customers. The existing water plant electrical pumps and control equipment have been upgraded to allow the city to reduce the amount of chlorine needed at the treatment facilities to maintain regulatory compliance.

Photo courtesy of City of Orange City

CITY OF ORANGE CITY, FLORIDA

STATISTICAL SECTION

For the Year Ended September 30, 2017

This part of the Orange City, Florida comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

CONTENTS

TABLES

Financial Trends

1 through 4

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

Revenue Capacity

5 through 8

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

Debt Capacity

9 through 11

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

Demographic and Economic Information

12 through 13

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

Operating Information

14 through 16

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

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

CITY OF ORANGE CITY, FLORIDA

TABLE 1

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(Prepared on the accrual basis of accounting)

	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015 (1)	2016	2017
Governmental activities										
Net investment in capital assets	\$ 3,434,701	\$ 3,731,120	\$ 4,451,599	\$ 4,317,972	\$ 4,607,684	\$ 4,574,133	\$ 5,923,764	\$ 6,823,702	\$ 7,652,289	\$ 8,614,451
Restricted	14,603	19,667	725,893	647,659	629,310	627,575	671,649	557,372	646,346	628,049
Unrestricted	4,604,993	4,716,936	4,258,027	5,475,269	6,947,175	8,385,609	8,197,908	4,832,747	3,522,587	249,665
Total governmental activities net position	\$ 8,054,297	\$ 8,467,723	\$ 9,435,519	\$ 10,440,900	\$ 12,184,169	\$ 13,587,317	\$ 14,793,321	\$ 12,213,821	\$ 11,821,222	\$ 9,492,165
Business-type activities										
Net investment in capital assets	\$ 4,742,568	\$ 5,584,590	\$ 5,583,788	\$ 5,395,541	\$ 5,146,940	\$ 6,052,364	\$ 6,799,490	\$ 7,616,441	\$ 10,283,233	\$ 16,076,379
Restricted	-	-	-	-	-	270,000	280,000	285,000	295,000	310,000
Unrestricted	3,031,072	2,731,182	3,260,108	4,117,190	4,962,967	4,581,617	4,535,413	4,030,677	3,291,079	4,048,384
Total business-type activities net position	\$ 7,773,640	\$ 8,315,772	\$ 8,843,896	\$ 9,512,731	\$ 10,109,907	\$ 10,903,981	\$ 11,614,903	\$ 11,932,118	\$ 13,869,312	\$ 20,434,763
Primary government										
Net investment in capital assets	\$ 8,177,269	\$ 9,315,710	\$ 10,035,387	\$ 9,713,513	\$ 9,754,624	\$ 10,626,497	\$ 12,723,254	\$ 14,440,143	\$ 17,935,522	\$ 24,690,830
Restricted	14,603	19,667	725,893	647,659	629,310	897,575	951,649	842,372	941,346	938,049
Unrestricted	7,636,065	7,448,118	7,518,135	9,592,459	11,910,142	12,967,226	12,733,321	8,863,424	6,813,666	4,298,049
Total primary government net position	\$ 15,827,937	\$ 16,783,495	\$ 18,279,415	\$ 19,953,631	\$ 22,294,076	\$ 24,491,298	\$ 26,408,224	\$ 24,145,939	\$ 25,690,534	\$ 29,926,928

(1) Updated for GASB 68

CITY OF ORANGE CITY, FLORIDA

TABLE 2

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Prepared on the accrual basis of accounting)

Expenses	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government	\$ 3,835,774	\$ 2,330,092	\$ 2,258,273	\$ 2,092,252	\$ 2,311,911	\$ 2,432,709	\$ 2,628,172	\$ 2,567,621	\$ 3,012,446	\$ 2,637,169
Public safety	4,075,631	3,961,588	4,786,504	4,702,471	4,524,106	4,569,526	5,101,304	5,108,840	6,247,281	7,045,247
Transportation	1,181,621	1,202,293	1,124,656	1,230,467	1,135,701	1,055,079	1,170,091	1,196,175	1,508,542	1,107,884
Culture and recreation	313,386	322,205	327,271	258,884	270,948	285,116	438,508	537,128	541,844	1,265,752
Economic environment	-	-	-	-	-	-	-	-	-	10,822
Interest on long-term debt	13,279	92,024	31,934	48,764	28,464	18,909	17,675	8,358	-	-
Total governmental activities expenses	9,419,691	7,908,202	8,528,638	8,332,838	8,271,130	8,361,339	9,355,750	9,418,122	11,310,113	12,066,874
Business-type activities:										
Water and wastewater system	2,508,096	2,679,153	2,757,280	2,743,375	2,781,943	2,722,748	3,083,384	3,337,193	3,577,722	3,881,259
Stormwater	-	-	-	-	-	-	-	-	78,101	102,091
Total business-type activities expenses	2,508,096	2,679,153	2,757,280	2,743,375	2,781,943	2,722,748	3,083,384	3,337,193	3,655,823	3,983,350
Total primary government expenses	\$ 11,927,787	\$ 10,587,355	\$ 11,285,918	\$ 11,076,213	\$ 11,053,073	\$ 11,084,087	\$ 12,439,134	\$ 12,755,315	\$ 14,965,936	\$ 16,050,224
Program Revenues										
Governmental activities:										
Charges for services:										
General government	2,528,315	2,357,933	2,494,399	2,404,738	2,527,353	2,775,157	2,498,242	2,579,408	2,327,456	2,417,373
Public safety	252,754	217,784	1,026,239	1,047,084	1,111,303	1,242,642	1,449,976	1,538,576	1,732,887	1,799,228
Transportation	230,214	209,121	158,508	241,341	256,923	290,337	313,543	344,900	366,401	391,186
Culture and recreation	1,301	6,005	7,075	10,762	14,782	13,974	23,577	24,061	76,571	40,265
Operating grants and contributions	688,859	257,077	302,820	40,854	442,216	81,837	103,754	994,570	85,438	113,316
Capital grants and contributions	-	-	-	-	-	-	-	-	114,297	154,178
Total governmental activities program revenues	3,701,443	3,047,920	3,989,041	3,744,779	4,352,577	4,403,947	4,389,092	5,481,515	4,703,050	4,915,546
Business-type activities:										
Charges for services:										
Water and wastewater system	2,873,763	3,265,022	3,415,060	3,538,409	3,420,232	3,460,206	4,106,345	4,176,905	4,440,775	4,574,779
Stormwater	-	-	-	-	-	-	-	-	553,682	580,751
Operating grants and contributions	253,371	127,971	3,907	16,560	81,504	205,400	12,780	28,935	148,118	-
Capital grants and contributions	-	-	-	-	-	-	-	-	314,435	3,456,591
Total business-type activities program revenues	3,127,134	3,392,993	3,418,967	3,554,969	3,501,736	3,665,606	4,119,125	4,205,840	5,457,010	8,612,121
Total primary government program revenues	6,828,577	6,440,913	7,408,008	7,299,748	7,854,313	8,069,553	8,508,217	9,687,355	10,160,060	13,527,667

(Continued)

CITY OF ORANGE CITY, FLORIDA

TABLE 2

CHANGES IN NET POSITION
Continued
LAST TEN FISCAL YEARS

(Prepared on the accrual basis of accounting)

Net (Expense)/Revenue	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities	(5,718,248)	(4,860,282)	(4,539,597)	(4,588,059)	(3,918,553)	(3,957,392)	(4,966,658)	(3,936,607)	(6,607,063)	(7,151,328)
Business-type activities	619,038	713,840	661,687	811,594	719,793	942,858	1,035,741	868,647	1,801,187	4,628,771
Total primary government net expense	\$ (5,099,210)	\$ (4,146,442)	\$ (3,877,910)	\$ (3,776,465)	\$ (3,198,760)	\$ (3,014,534)	\$ (3,930,917)	\$ (3,067,960)	\$ (4,805,876)	\$ (2,522,557)
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	3,099,682	3,094,975	3,203,919	3,254,075	3,354,635	3,473,084	3,696,581	3,835,377	3,992,652	4,289,865
Local option gas and use tax	188,660	188,223	185,405	184,707	185,391	184,237	185,530	194,547	210,491	222,898
Utility service taxes	1,342,286	1,376,528	1,523,177	1,486,608	1,449,481	1,002,145	1,530,836	1,451,019	1,450,946	1,452,492
State sales tax	439,453	399,435	386,763	426,278	470,793	516,870	542,940	584,986	620,006	679,175
Unrestricted investment earnings	122,058	(36,635)	35,649	18,764	5,875	11,132	1,167	10,781	9,140	18,247
Miscellaneous	44,287	101,182	22,480	73,008	45,647	23,072	61,108	68,351	58,487	89,855
Refund of contrib. to partnership ctr.	-	-	-	-	-	-	-	-	-	-
Transfers	140,000	150,000	150,000	150,000	150,000	150,000	154,500	159,900	(127,258)	(1,930,261)
Total governmental activities	5,376,426	5,273,708	5,507,393	5,593,440	5,661,822	5,360,540	6,172,662	6,304,961	6,214,464	4,822,271
Business-type activities:										
Investment earnings	61,135	(21,708)	16,437	7,241	8,657	4,271	(991)	4,087	1,172	1,582
Miscellaneous	-	-	-	-	18,726	(3,055)	-	-	7,577	4,837
Transfers	(140,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(154,500)	(159,900)	127,258	1,930,261
Total business-type activities	(78,865)	(171,708)	(133,563)	(142,759)	(122,617)	(148,784)	(155,491)	(155,813)	136,007	1,936,680
Total primary government	5,297,561	5,102,000	5,373,830	5,450,681	5,539,205	5,211,756	6,017,171	6,149,148	6,350,471	6,758,951
Change in Net Position										
Functions and Programs										
Governmental activities	(341,822)	413,426	967,796	1,005,381	1,743,269	1,403,148	1,206,004	2,368,354	(392,599)	(2,329,057)
Business-type activities	540,173	542,132	528,124	668,835	597,176	794,074	880,250	712,834	1,937,194	6,565,451
Total primary government	\$ 198,351	\$ 955,558	\$ 1,495,920	\$ 1,674,216	\$ 2,340,445	\$ 2,197,222	\$ 2,086,254	\$ 3,081,188	\$ 1,544,595	\$ 4,236,394

CITY OF ORANGE CITY, FLORIDA

TABLE 3

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Prepared on the modified accrual basis of accounting)

	FISCAL YEAR									
	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,431,619	4,920,788	5,349,312	-	-	-	-	-	-	-
Nonspendable	-	-	-	28,967	2,826	12,448	4,559	120,242	87,800	103,117
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	219,136	75,261	188,871	2,314,824	1,354,722	694,077	1,053,781
Unassigned	-	-	-	6,255,144	7,842,898	9,140,660	6,844,582	8,542,451	8,633,352	5,784,872
Total general fund	<u>\$ 4,431,619</u>	<u>\$ 4,920,788</u>	<u>\$ 5,349,312</u>	<u>\$ 6,503,247</u>	<u>\$ 7,920,985</u>	<u>\$ 9,341,979</u>	<u>\$ 9,163,965</u>	<u>\$10,017,415</u>	<u>\$ 9,415,229</u>	<u>\$ 6,941,770</u>
All other governmental funds										
Reserved for:										
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	766,372	748,942	725,893	-	-	-	-	-	-	-
Committed	-	-	-	635,492	615,143	611,408	656,463	484,602	489,942	603,258
Restricted	-	-	-	12,167	14,167	16,167	15,186	72,770	157,468	24,791
Total all other governmental funds	<u>\$ 766,372</u>	<u>\$ 748,942</u>	<u>\$ 725,893</u>	<u>\$ 647,659</u>	<u>\$ 629,310</u>	<u>\$ 627,575</u>	<u>\$ 671,649</u>	<u>\$ 557,372</u>	<u>\$ 647,410</u>	<u>\$ 628,049</u>

Notes:

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

TABLE 4

CITY OF ORANGE CITY, FLORIDA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Prepared on the modified accrual basis of accounting)

	FISCAL YEAR				
	2008	2009	2010	2011	2012
REVENUES					
Property taxes	\$ 3,099,682	\$ 3,094,975	\$ 3,203,920	\$ 3,254,075	\$ 3,354,636
Franchise fees	1,148,149	1,312,106	1,374,113	1,347,724	1,351,333
Local option gas tax	188,660	188,223	185,405	184,707	185,391
Utility service taxes	1,342,286	1,376,528	1,523,177	1,486,608	1,449,482
Fees and fines	150,130	143,766	71,927	51,899	59,692
Licenses and permits	562,616	318,407	311,581	352,722	441,373
Intergovernmental	966,300	705,529	1,042,706	703,843	1,052,403
Charges for services	704,667	635,502	1,628,809	1,559,847	1,643,829
Impact fees	324,272	81,797	59,212	18,906	120,749
Investment earnings	122,058	(36,635)	35,648	18,764	20,011
Contractual - DeBary Fire and PW	-	-	-	-	-
Miscellaneous	179,049	236,355	175,009	209,124	185,500
Total revenues	8,787,869	8,056,553	9,611,507	9,188,219	9,864,399
EXPENDITURES					
Current:					
General government	3,754,972	2,273,564	2,227,772	1,994,111	2,144,498
Public safety	3,763,269	3,691,653	4,491,448	4,387,143	4,237,149
Transportation	1,111,529	1,127,394	1,028,627	1,141,188	1,046,601
Culture and recreation	242,024	263,924	265,953	202,357	195,765
Debt service:					
Principal	53,287	77,236	85,931	109,851	114,291
Interest and other charges	13,279	89,124	31,934	48,764	28,464
Capital outlay	672,448	757,019	1,224,367	379,104	848,242
Total expenditures	9,610,808	8,279,914	9,356,032	8,262,518	8,615,010
Excess (deficiency) of revenues over expenditures	(822,939)	(223,361)	255,475	925,701	1,249,389
OTHER FINANCING SOURCES (USES)					
Proceeds from debt	400,000	545,100	-	-	-
Refund of contrib. to partnership ctr.	-	-	-	-	-
Transfers in	1,083,357	348,874	274,723	255,857	315,980
Transfer out	(943,357)	(198,874)	(124,723)	(105,857)	(165,980)
Total other financing sources and uses	540,000	695,100	150,000	150,000	150,000
Net change in fund balance	\$ (282,939)	\$ 471,739	\$ 405,475	\$ 1,075,701	\$ 1,399,389
Debt service as a percentage of noncapital expenditures	0.74%	2.21%	1.45%	2.01%	1.84%

(Continued)

CITY OF ORANGE CITY, FLORIDA

TABLE 4

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Continued

LAST TEN FISCAL YEARS

(Prepared on the modified accrual basis of accounting)

	FISCAL YEAR				
	2013	2014	2015	2016	2017
REVENUES					
Property taxes	\$ 3,473,084	\$ 3,696,581	\$ 3,835,377	\$ 3,992,652	\$ 4,289,865
Franchise fees	1,293,984	1,353,098	1,388,094	1,207,730	1,168,329
Local option gas tax	184,537	185,530	194,547	210,491	222,898
Utility service taxes	1,503,849	1,530,836	1,451,019	1,450,946	1,452,492
Fees and fines	49,010	45,780	47,595	37,866	26,393
Licenses and permits	330,237	364,897	371,598	469,346	599,236
Intergovernmental	888,871	942,904	1,487,484	1,137,065	1,266,730
Charges for services	550,681	130,919	185,503	462,890	251,914
Impact fees	15,930	516,003	548,300	194,505	483,644
Investment earnings	11,132	1,167	10,781	9,140	18,247
Contractual - DeBary Fire and PW	1,158,747	1,303,866	1,373,291	1,438,124	1,545,004
Miscellaneous	228,667	335,673	332,318	434,017	343,326
Total revenues	9,688,729	10,407,254	11,225,907	11,044,772	11,668,078
EXPENDITURES					
Current:					
General government	2,341,796	2,568,833	2,567,062	2,686,782	2,426,057
Public safety	4,302,806	4,834,288	5,089,990	5,549,894	6,054,775
Transportation	950,865	1,115,289	1,257,034	1,256,655	1,475,164
Culture and recreation	200,868	227,001	256,070	289,492	339,410
Economic environment	-	-	-	-	9,508
Debt service:					
Principal	51,759	30,938	24,036	-	-
Interest and other charges	18,909	17,675	8,358	-	-
Capital outlay	552,468	1,901,670	1,444,084	1,680,167	1,925,723
Total expenditures	8,419,471	10,695,694	10,646,634	11,462,990	12,230,637
Excess (deficiency) of revenues over expenditures	1,269,258	(288,440)	579,273	(418,218)	(562,559)
OTHER FINANCING SOURCES (USES)					
Proceeds from debt	-	-	-	-	-
Refund of contrib. to partnership ctr.	-	-	-	-	-
Transfers in	190,722	171,897	436,281	273,345	295,479
Transfer out	(40,722)	(17,397)	(276,381)	(367,275)	(2,225,740)
Total other financing sources and use	150,000	154,500	159,900	(93,930)	(1,930,261)
Net change in fund balance	\$ 1,419,258	\$ (133,940)	\$ 739,173	\$ (512,148)	\$ (2,492,820)
Debt service as a percentage of noncapital expenditures	0.90%	0.55%	0.35%	0.00%	0.00%

TABLE 5

CITY OF ORANGE CITY, FLORIDA

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

Fiscal Year	Estimated Market Value		Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2008	920,513,642	72,015,310	258,130,471	734,398,481	4.3824
2009	847,396,744	62,233,675	194,486,158	715,144,261	4.4800
2010	759,454,124	76,727,507	197,407,363	638,774,268	5.1930
2011	661,411,151	67,355,983	198,831,440	529,935,694	6.3445
2012	615,287,106	72,167,257	198,954,171	488,500,192	7.0757
2013	601,650,375	68,070,422	193,358,668	476,362,129	7.5100
2014	617,411,675	71,888,508	188,090,767	501,209,416	7.5900
2015	651,261,340	94,058,070	218,252,303	527,067,107	7.4900
2016	678,491,531	89,179,203	217,673,966	549,996,768	7.4500
2017	723,709,685	87,125,986	222,289,211	588,546,460	7.4500

Source: Volusia County Property Appraiser

Notes:

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

CITY OF ORANGE CITY, FLORIDA

TABLE 6

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

Fiscal Year	City of Orange City, Florida Operating Millage (2)	Overlapping Rates (1)					Total Millage
		Volusia School Board	Volusia County	St. Johns Water Mgmt	FL Inland Nav. District	Hospital Operating & Debt	
2008	4.3824	7.4670	4.7033	0.4158	0.0345	1.2619	18.2649
2009	4.4800	7.4590	5.4037	0.4158	0.0345	1.4672	19.2602
2010	5.1953	7.8050	6.3734	0.4158	0.0345	1.7450	21.5690
2011	6.3445	8.2370	6.3025	0.4158	0.0345	2.0818	23.4161
2012	7.0757	8.0630	6.7791	0.3313	0.0345	2.3849	24.6685
2013	7.5100	7.8880	6.8809	0.3313	0.0345	2.4666	25.1113
2014	7.5900	7.3580	7.2709	0.3283	0.0345	2.3759	24.9576
2015	7.4900	7.3360	7.2709	0.3164	0.0345	1.9237	24.3715
2016	7.4500	7.1970	7.2709	0.3023	0.0320	1.6679	23.9201
2017	7.4500	6.8480	7.0520	0.2885	0.0320	1.5900	23.2605

Source: Volusia County Property Appraiser

Notes:

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

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

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

CITY OF ORANGE CITY, FLORIDA

TABLE 7

PRINCIPAL PROPERTY TAXPAYERS, CURRENT YEAR AND TEN YEARS AGO

SEPTEMBER 30, 2017

Taxpayer Name	Type of Business	2017			2008				
		2016 Taxable Assessed Value	2017 Assessed City Taxes	Rank	Percentage of Total City Taxable Assessed Taxes	2007 Taxable Assessed Value	2008 Assessed City Taxes	Rank	Percentage of Total City Taxable Assessed Taxes
Northland Grandeville LLC	Apartments (316)	24,644,044	183,598	1	4.19%	18,308,319	80,234	1	2.50%
John Knox Village of Central FL	Assisted Living Facility	17,732,005	132,103	2	3.01%	17,264,477	75,660	2	2.36%
EBSCO Integra Landings LLC	Apartments (270)	17,164,452	127,875	3	2.92%	-	-		0.00%
KRG Orange City Saxon LLC	Saxon Crossings	12,924,482	96,287	4	2.20%	-	-		0.00%
Walmart Stores East LP	Retail Store	12,018,943	89,541	5	2.04%	16,731,584	73,324	3	2.29%
985 W Volusia LLC	Shopping Center	11,228,855	83,655	6	1.91%	\$ 10,073,328	44,145	7	1.38%
Publix Super Markets Inc	Crown Center Plaza North	10,907,539	81,261	7	1.85%	-	-		0.00%
Sun Orange City LLC	Orange City RV Park	9,962,765	74,223	8	1.69%	-	-		0.00%
Duke Energy Florida Inc	Electric Power Company	8,810,002	65,635	9	1.50%	-	-		0.00%
Orange City Marketplace, LLC	Shopping Center	8,275,876	61,655	10	1.41%	10,093,292	44,233	6	1.38%
Lowe's Home Centers, Inc.	Retail Store	-	-		0.00%	11,401,436	49,966	4	1.56%
Saxon Trace Partners LTD	Apartments (292)	-	-		0.00%	8,242,226	36,121	10	1.13%
The Home Depot	Retail Store	-	-		0.00%	10,381,013	45,494	5	1.42%
Sun Life Assurance of Canada	Shopping Center (Crown Ctr.)	-	-		0.00%	9,439,714	41,369	8	1.29%
NHC-FL 7LP	Sunburst RV Park	-	-		0.00%	8,702,840	38,139	9	1.19%
Total For Principal Taxpayers		133,668,963	995,834		22.71%	120,638,229	528,685		16.51%
Total For Other Taxpayers		454,877,497	3,388,837		77.29%	610,272,357	2,674,441		83.49%
Total		\$ 588,546,460	\$ 4,384,671		100.00%	\$ 730,910,586	\$ 3,203,126		100.00%

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

Notes:

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

CITY OF ORANGE CITY, FLORIDA

TABLE 8

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	3,203,121	3,083,769	96.27%	15,913	3,099,682	96.77%
2009	3,495,644	3,063,346	87.63%	31,629	3,094,975	88.54%
2010	3,318,624	3,164,962	95.37%	36,608	3,201,570	96.47%
2011	3,362,177	3,230,880	96.09%	21,071	3,251,951	96.72%
2012	3,456,481	3,319,592	96.04%	34,684	3,354,276	97.04%
2013	3,577,480	3,322,184	92.86%	150,864	3,473,048	97.08%
2014	3,801,950	3,653,823	96.10%	42,758	3,696,582	97.23%
2015	3,947,733	3,695,147	93.60%	89,495	3,784,642	95.87%
2016	4,097,476	3,813,028	93.06%	143,907	3,956,934	96.57%
2017	4,384,671	4,064,996	92.71%	72,124	4,137,120	94.35%

Source: Volusia County Tax Collector's Office

CITY OF ORANGE CITY, FLORIDA

TABLE 9

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			Percentage of Personal Income	Per Capita (1)
	Line of Credit	Capital Improvement Revenue Bonds 2007	Special Assessment Revenue Bonds 2009	Utility Refunding Revenue 2005 (2)	Capital Improvement SRF DW 642000	Total Primary Government		
2008	-	346,713	-	3,522,617	-	3,869,330	1.86%	405
2009	-	269,477	548,000	3,306,262	-	4,123,739	1.77%	404
2010	-	190,227	541,317	3,089,907	-	3,821,451	2.15%	370
2011	-	107,791	513,901	2,858,552	-	3,480,244	2.11%	328
2012	-	22,043	485,359	2,617,197	-	3,124,599	1.83%	278
2013	-	-	455,643	2,635,842	-	3,091,485	1.77%	273
2014	-	-	424,705	2,515,000	-	2,939,705	1.66%	256
2015	-	-	-	2,235,000	-	2,235,000	1.20%	193
2016	-	-	-	1,950,000	-	1,950,000	0.99%	167
2017	-	-	-	1,655,000	579,457	2,234,457	1.09%	189

Notes:

- (1) See Table 12 for personal income and population data
- (2) Net of advanced refunding costs. 2014 refunding cost removed due to new GASB pronouncement

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2017

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the Governmental Unit</u>	<u>City of Orange City, FL - Share of Debt</u>
Direct:			
The City of Orange City	\$ -	0.00%	\$ -
Overlapping:			
School District	- (1)	0.00%	-
County of Volusia	<u>12,525,000</u> (2)	2.03%	<u>254,258</u>
Total Direct and Overlapping Debt	<u>\$ 12,525,000</u>		<u>\$ 254,258</u>

Source:

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

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

TABLE 11

CITY OF ORANGE CITY, FLORIDA

PLEDGED REVENUE COVERAGE

BUSINESS-TYPE ACTIVITIES

LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Basic Covenant Coverage
				Principal	Interest	Total	
2008	2,873,763	1,770,135	1,103,628	225,000	157,135	382,135	2.888
2009	3,265,022	1,846,651	1,418,371	235,000	148,193	383,193	3.701
2010	3,415,060	1,908,955	1,506,105	235,000	139,334	374,334	4.023
2011	3,538,409	1,892,510	1,645,899	250,000	131,535	381,535	4.314
2012	3,420,232	1,978,342	1,441,890	260,000	119,918	379,918	3.795
2013	3,460,206	2,086,258	1,373,948	- *	54,779	54,779	25.082
2014	4,104,430	2,467,151	1,637,279	270,000	104,410	374,410	4.373
2015	4,176,905	2,524,487	1,652,418	280,000	93,728	373,728	4.421
2016	4,440,775	2,648,948	1,791,827	285,000	65,996	350,996	5.105
2017	4,574,779	3,081,657	1,493,122	295,000	73,331	368,331	4.054

Notes:

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

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

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

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

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

Fiscal Year	Estimated Population (1)	School Enrollment (2)	Median Household Effective Buying Income (4)	Per Capita Personal Income (3)	Personal Income (3)	Unemployment Rate (4)
2008	9,556	2,705	40,881	30,374	208,092,274	6.1%
2009	10,203	2,759	38,100	31,364	233,473,616	11.7%
2010	10,599	4,783	40,075	32,098	177,887,116	11.9%
2011	11,143	5,525	41,368	33,384	165,132,420	10.3%
2012	11,226	5,439	30,706	34,473	170,476,650	8.8%
2013	11,337	5,568	40,838	35,081	174,451,770	7.1%
2014	11,483	5,614	41,769	35,302	176,962,450	5.9%
2015	11,569	5,764	43,419	36,641	186,104,350	5.7%
2016	11,679	5,609	41,117	38,176	197,823,100	5.5%
2017	11,850	5,500	40,788	38,807	205,432,530	5.1%

Sources:

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

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

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

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

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

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

TABLE 13

CITY OF ORANGE CITY, FLORIDA

PRINCIPAL EMPLOYERS

<u>Employer</u>	<u>September 30, 2017</u>			<u>September 30, 2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Population</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Population</u>
Florida Hospital Fish Memorial	976	1	8%	947	1	10%
John Knox Village	540	2	5%	479	3	5%
Volusia County Schools	468	3	4%	306	4	3%
Wal-Mart	374	4	3%	533	2	6%
Orange City Racing & Card Club	247	5	2%			
Publix - Lakeland for Store #422	184	6	2%	162	5	2%
Orange City Nursing & Rehab Ctr.	157	7	1%	148	8	2%
Lowe's	155	8	1%	150	7	2%
Olive Garden Italian Restaurant	138	9	1%			
Home Depot	134	10	1%	120	9	1%
Kohl's	133	11	1%	112	10	1%
Target	127	12	1%	150	6	2%
TOTAL	<u>3,633</u>		<u>31%</u>	<u>3,107</u>		<u>33%</u>
Population	<u>11,850</u>			<u>9,556</u>		

Source: City of Orange City, Finance Department

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Administration	4.00	3.00	4.00	5.00	6.00	6.00	6.00	6.00	5.90	5.00
City Clerk	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Finance	4.00	4.00	3.50	3.50	3.50	4.00	4.00	4.00	4.00	4.00
Planning and Zoning	6.50	5.50	4.00	4.00	4.00	5.00	5.00	5.00	5.00	4.92
General Government (2)	1.50	1.50	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Building (1)	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Police										
Officers	23.00	23.00	24.00	24.00	24.00	24.00	25.00	25.00	25.00	26.00
Civilians	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Fire										
Firefighters and officers	18.50	18.50	18.50	18.50	20.50	20.50	20.50	20.50	20.50	20.50
Civilians	1.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Public Works										
Public Works	13.00	13.00	14.50	14.00	14.00	14.25	14.25	14.25	13.00	11.00
Parks Maintenance	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	3.50	4.00
Leisure Services	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Utilities Enterprise	17.00	17.00	18.00	15.50	15.50	15.75	16.75	16.75	19.60	19.50
CRA Fund	-	-	-	-	-	-	-	-	-	0.08
Stormwater Fund	-	-	-	-	-	-	-	-	-	2.00
TOTAL	100.00	97.50	99.50	93.50	95.50	97.50	99.50	99.50	102.50	103.00

Source: City of Orange City Annual Budget Book

Notes:

- (1) The Building Department began contracting services in 2004
(2) General Government employee included with Administration 2012

TABLE 15

CITY OF ORANGE CITY

OPERATING INDICATORS BY FUNCTION/PROGRAM

Function/Program	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Arrests	802	691	520	572	622	810	958	945	777	676
Parking violations	515	495	257	299	275	173	146	94	72	107
Uniformed Traffic citations	6,657	6,019	2,092	2,588	2,708	2,299	2,419	1,640	1,394	1,003
911 Calls (cell phones tracking start 2013)	3,341	3,336	2,998	2,912	3,484	11,821	12,578	12,689	13,935	13,935
Cases investigated (CID)	376	351	(3)	542	360	387	363	318	385	344
Cases submitted to State Attorney	424	412	548	479	948	1102	1,352	1,289	1,890	903
Code enforcement cases	578	501	314	245	420	356	1,434	680	657	842
Code enforcement fines (dollars)	10,845	5,245	1,825	400	2,750	9,625	7,000	111,420	42,915	45,377
Animal control (captured animals)	0	150	143	222	57	78	203	160	564	521
Fire										
Emergency responses	3,417	4,430	4,356	5,918	6,099	6,516	6,648	6,608	7,114	7,629
Fires extinguished	93	143	117	114	103	86	65	100	94	97
Inspections	1,401	901	1,002	1,206	1,210	1,251	1,111	870	740	1,048
Public education programs	76	22	41	35	25	65	72	72	63	119
Public Works										
Street resurfacing (miles)	0.92	2.80	1.43	0.44	0.82	1.08	0	3	1.56	0
Potholes repaired	99	65	61	21	21	20	43	38	41	44
Parks and Recreation										
Park usage permits	71	149	148	112	153	142	160	190	180	230
General government										
Construction permits issued	806	808	719	884	1,038	840	928	849	917	952
Value of construction permits (thousands)	42,137	15,203	11,417	15,028	22,083	10,615	17,043	12,330	28,229	43,259
New commercial	(3)	(3)	2	4	3	0	4	3	2	6
New commercial value (thousands)	(3)	(3)	1,112	3,476	12,015	-	4,348	3,772	2,514	16,058
New residential	(3)	(3)	9	2	7	10	4	4	14	21
New residential value (thousands)	(3)	(3)	2,167	421	1,968	3,087	1,417	1,272	6,818	8,612
New redevelopment	(3)	(3)	4	6	2	0	2	0	9	9
New redevelopment value (thousands)	(3)	(3)	3,306	11,066	1,012	-	6,370	0	8,981	5,114
Annexations - number	5	25	5	9	2	5	3	4	3	1
Acres	27.16	26.42	29.92	43.27	10.25	18.47	4.10	74.54	10.23	1.87
Taxable value	1,728,763	6,093,582	3,352,900	7,582,934	2,147,985	341,232	526,908	1,214,604	361,079	0*
Business licenses (new)	186	181	182	159	174	159	154	130	115	137
Legal notices published	48	57	36	63	30	35	37	34	36	38
Library										
Volumes in collection	(3)	28,797	29,839	21,536	20,327	18,205	17,702	17,404	17,387	17,834
Total volumes borrowed	(3)	162,999	106,329	91,182	89,281	83,563	72,324	61,632	53,783	50,539
Computer sessions	(3)	(3)	14,706	12,725	11,121	(3)	(3)	(3)	(3)	(3)
New patrons added during year	(3)	(3)	666	630	655	511	755	562	423	407
Total patrons registered	(3)	8,322	3,908	4,538	5,238	5,689	7,937	7,937	11,492	11,906
Water										
New connections	55	59	20	7	9	6	10	6	9	25
Water mains breaks	11	22	16	21	10	29	12	12	24	15
Average daily consumption (1,000 gal.)	1,509	1,346	1,369	1,592	1,252	1,346	1,604	1,150	1,177	1,215
Peak daily consumption (1,000 gal.)	2,545	2,022	1,945	1,953	1,479	1,650	1,899	1,364	1,386	1,403
Avg. daily sewage treatment (1,000 gal.)	233,992	201,572	279,822	269,340	299,860	296,000	345,000	299,928	283,545	232,120

Source: Various City departments

Notes:

(3) Statistical information not available.

* Exempt - church status

CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM

Function/Program	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	16	16	16	16	16	16	16	16	16
Traffic units (5)	2	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Fire stations	2	2	2	2	2	2	2	2	2	2
Public Works										
Street (miles)	9.9	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3
Highways (miles)	45.6	45.6	45.6	45.6	45.6	45.6	45.6	47.0	47.0	47.0
Streetlights (1)	503	499	499	500	500	500	500	500	500	500
Traffic signals (1)	1	1	2	2	2	2	2	2	2	2
Parks and recreation										
Parks	7	7	7	7	9	9	9	9	9	9
Acreage	67	67	67	67	70	70	70	70	70	70
Playgrounds	3	3	3	3	3	3	3	3	3	3
Baseball/softball fields	5	5	5	5	5	5	5	5	5	5
Soccer/football fields	2	2	2	2	2	2	2	2	2	2
Tennis/pickleball courts	2	2	2	2	2	2	2	2	2	2
Basketball/volleyball courts	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	4
Senior centers	1	1	1	1	1	1	1	1	1	1
Shuffleboard facility	1	1	1	1	1	1	1	1	1	1
Splash pad	1	1	1	1	1	1	2	2	2	2
Water										
Water mains (miles)	70.7	71.1	71.1	71.1	71.1	71.1	72.8	89.04	91.04	90.28
Fire hydrants	431	431	434	438	444	444	457	481	503	500
Storage capacity (1,000 gal.)	1,000	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Sewage (2)										
Wastewater lift stations	16	16	16	16	16	16	16	16	16	16
Stormwater										
Stormwater retention areas	14	14	14	14	14	15	15	15	15	15

Source: Various city departments

Notes:

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



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Youth Programs



The Orange City Police and Fire Departments have programs aimed at helping local youth learn more about public safety.

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

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

Photos courtesy of City of Orange City

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the *City of Orange City, Florida*, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 23, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

MCDIRMIT DAVIS & COMPANY, LLC

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

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.

McDiernit Davis & Company, LLC

Orlando, Florida
March 23, 2018

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

Honorable Mayor and City Council
City of Orange City, Florida

Report on Compliance for Each Major Program

We have audited the *City of Orange City's* (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended September 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

McDiernit Davis & Company, LLC

Orlando, Florida
March 23, 2018

CITY OF ORANGE CITY, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2017

Award type

Grantor

Pass-through grantor

Grantor program title

CFDA

Number

Agency or Pass-through

Entity Grant Number

Expenditures

Federal Grants

United States Department of Housing and Urban Development

passed through Volusia County

Community Development Block Grants/Entitlement Grants

14.218

CDBG 16/17

\$ 67,036

United States Department of Justice

passed through State of Florida, Department of Law Enforcement

Edward Byrne Memorial Justice Assistance Grant (JAG) Program

16.738

2016-JAGD-VOLU-2-H4-017

5,713

United States Department of Transportation

passed through State of Florida, Department of Transportation

Highway Planning and Construction (Federal-Aid Highway Program)

20.205

FPN 435499-1-38-01

37,850

United States Environmental Protection Agency

passed through State of Florida, Department of Environmental Protection

Drinking Water State Revolving Funds Capitalization Grants *

66.468

DW642000

3,571,860

Total federal awards

\$ 3,682,460

* Denotes a major program

See accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF ORANGE CITY, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2017

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Orange City (the City) under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Therefore, amounts reported on the Schedule are based on expenditures incurred as of September 30, 2017, even if grant or loan was received subsequent to that date. Federal expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

CITY OF ORANGE CITY, FLORIDA

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

Year Ended September 30, 2017

Section I - Summary of Independent Auditor's Results:

Financial Statements

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

Federal Awards

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

Identification of major Federal Programs	CFDA No. 66.468	Drinking Water Revolving Funds
Dollar threshold used to distinguish between type A and type B programs	\$750,000	
Auditee qualified as a low-risk auditee?	___ Yes	<u> X </u> No

Section II – Financial Statement Findings: None

Section III – Federal Award Findings and Questioned Costs: None

Section IV – Federal Award Summary Schedule of Prior Year Findings: Federal awards audit was not required nor completed in the prior fiscal year ended, September 30, 2016.

MANAGEMENT LETTER

Honorable Mayor and City Council
City of Orange City, Florida

Report on the Financial Statements

We have audited the financial statements of the *City of Orange City, Florida*, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 23, 2018.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 23, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition and Management

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

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Financial Condition and Management (Continued)

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the *City of Orange City, Florida* for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

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

Purpose of this Letter

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

McDiernit Davis & Company, LLC

Orlando, Florida
March 23, 2018

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

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

We have examined City of Orange City's (the City) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2017. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, City of Orange City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

McDirmit Davis & Company, LLC

Orlando, Florida
March 23, 2018

Honorable Mayor and City Council
City of Orange City, Florida

We have audited the financial statements of *City of Orange City* as of and for the year ended September 30, 2017, and have issued our report thereon dated March 23, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 9, 2014, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City of Orange City is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements are:

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

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

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

Significant Difficulties Encountered During the Audit

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

Uncorrected and Corrected Misstatements

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

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

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management, which are included in the representation letter dated March 23, 2018.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

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

Very truly yours,

McDiarmid Davis & Company, LLC

Orlando, Florida
March 23, 2018



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