

**CITY OF GRETNA, FLORIDA**

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**GENERAL PURPOSE FINANCIAL STATEMENTS,  
INDEPENDENT AUDITOR'S REPORT THEREON AND  
SUPPLEMENTARY REPORTS AS REQUIRED BY THE  
OFFICE OF THE AUDITOR GENERAL AND THE  
*GOVERNMENT AUDITING STANDARDS*  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**BCA WATSON RICE LLP  
Certified Public Accountants  
And  
Advisors**



# General - Purpose Financial Report

*of the*



**Fiscal Year Ended September 30, 2017**

*Prepared by the*

**Finance Department**



**CITY OF GRETNA, FLORIDA**

**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>I. INTRODUCTORY SECTION</b>	
List of City Officials	i
<b>II. FINANCIAL SECTION</b>	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Proprietary Fund Financial Statements:	
Statement of Net Position – Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22
Notes to Financial Statements	23-50
Required Supplementary Information:	
Budgetary Comparison Schedules:	
General Fund	51
Notes to Budgetary Comparison Schedule	52-53
Combining Financial Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	55

**CITY OF GRETNA, FLORIDA**

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**TABLE OF CONTENTS**

(continued)

	<b>PAGE</b>
<b>III. COMPLIANCE SECTION</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56-57
Schedule of Findings and Questioned Costs	58-61
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	62-65
Examination Letter	66

# **CITY OF GRETNA, FLORIDA**

## **COMMISSION - MANAGER FORM OF GOVERNMENT**

### **LIST OF PRINCIPAL OFFICIALS**

As of September 30, 2017

## **CITY COMMISSION**

**Anthony Baker**

**Mayor**

**Helen Franks-Reed**

Mayor Pro-Tem

**Clarence Jackson II**

Commissioner

**James Payne**

Commissioner

**Jeff McNealy**

Commissioner

## **CITY MANAGER**

Antonio Jefferson

## **FINANCE DIRECTOR**

Dianne Formman

## **CITY CLERK**

Karen Condry





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**INDEPENDENT AUDITOR'S REPORT**

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## Independent Auditor's Report

To The Honorable Mayor and City Commission  
City of Gretna, 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 City of Gretna, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise City of Gretna, Florida's basic financial statements as listed in the table of contents.

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

City of Gretna, Florida'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 Gretna, Florida, 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.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-12 and 54-55, respectively, 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.

Management has omitted the schedule of proportionate share of net pension liability, the schedule of changes in net pension liability and related ratios, the schedule of employer contributions, and the schedule of investment returns, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Gretna, Florida's basic financial statements. The accompanying supplementary combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary combining and individual nonmajor fund financial statements is the responsibility of management and was derived from and relates directly to the underlying

accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary combining and individual nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2019 on our consideration of City of Gretna, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gretna, Florida's internal control over financial reporting and compliance.

Tallahassee, Florida  
April 30, 2019

Handwritten signature in cursive script that reads "BCA Watson Rice LLP".

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

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CITY OF GREटना

*A Vision for Tomorrow*

ESTABLISHED 1909

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended September 30, 2017**

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This discussion and analysis of the City of Gretna (the "City") financial statements is designed to introduce the basic financial statements and provide an analytical overview of the City's financial activities for the fiscal year ended September 30, 2017. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and footnotes. As management of the City of Gretna, Florida (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. Please read it in conjunction with the accompanying basic financial statements beginning on page 14.

**FINANCIAL HIGHLIGHTS**

- The City's total net position at September 30, 2017 was \$6.408 million as compared to \$6.529 million for the fiscal year ended September 30, 2016, a decrease of \$.121 million.
- The total revenues from all sources was \$2.319 million for fiscal year ended 2017 as compared to \$2.414 million for fiscal year ended 2016. The decrease in revenue is primarily due to a decrease in operating grants and contribution by \$.095 thousand.
- During the year, the City's governmental and business activity expense exceeded revenue by \$.206 million for fiscal year ended 2017 as compared to the governmental and business activity revenues exceeding expenses by \$.902 million for fiscal year ended 2016. Expenditures exceeded revenues due to unanticipated employee benefit cost, accounting consulting, and repairs and maintenance expenses.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are:

- (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the City.
- (2) Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.
- (3) Notes to the financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2017**

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**REPORTING ON THE CITY AS A WHOLE**

**Statement of Net Position and the Statement of Activities (Government-wide)**

The Statement of Net Position and the Statement of Activities report information about the City and about its activities in a way that helps answer how well the current year's activities contributes to the overall financial well-being.

These statements include *all* assets and deferred outflows of resources and liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are considered, regardless of when cash is received or paid.

These two statements report the City's net position and changes therein. Net position, the difference between assets and liabilities, is one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating.

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental activities - All the City's basic services are governmental activities, including general government, community development, public safety, public services, library, and recreation. Property taxes, sales taxes, utility taxes, and franchise fees finance most of these activities.

Proprietary activities/Business type activities - The City charges a fee to customers to cover all the costs of the services provided.

**REPORTING ON THE CITY'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the City. Some funds are required to be established by State law. However, management establishes other funds, which aid in the management of money for purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City maintains two types of funds, *governmental*, and *proprietary*, and use different accounting approaches as explained below.

*Governmental funds* - Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out, with the balances remaining at year end that are available for spending. These funds are reported using an accounting method called the *modified accrual* accounting method, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the City's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The basic governmental fund financial statements can be found on pages 16-19 of this report.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2017**

*Proprietary funds* - The City's proprietary funds are the following: sewer, electric, water, gas, refuse, landfill and telecommunications, which charges customers for the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The basic proprietary fund financial statements can be found on pages 20-23 of this report.

These funds are presented on a governmental fund financial statement and a proprietary fund financial statement format. The City's major funds are presented in separate columns on the fund financial statements. The definition of a major fund is one that meets certain criteria set-forth in GASB 34. The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the fund financial statements. Table 1 below summarizes the major features of the basic financial statements.

Table 1: Major Features of the Basic Financial Statements			
	Government-wide Fund Financial Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component unit	Activities of the City that are not proprietary or fiduciary	Activities of the City that are operated similar to private businesses
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet,</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred outflows and deferred inflows.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term and deferred outflows and deferred inflows.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	<ul style="list-style-type: none"> <li>• Revenues for which cash is received during or soon after the end of the year</li> <li>• Expenditures when goods or services have been received and payment is due during the year or soon thereafter.</li> </ul>	All revenues and expenses during the year, regardless of when cash is received or paid.

**City of Gretna, Florida**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2017**

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**Notes to the Financial Statements**

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. Refer to Note 1 to the financial statements for more detailed information on the elements of the financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position**

The following comparative table summarizes the City's net position as of September 30, 2017 and 2016:

Table 2  
Statement of Net Position  
As of September 30, 2017

<b>Assets and Deferred outflows</b>	Governmental Activates		Business-Type Activates		Total Activities	Total Activities
	2016	2017	2016	2017	2016	2017
Current and other assets	\$ 164,235	\$ 46,123	\$ 2,039,612	\$ 1,896,132	\$ 2,203,847	\$ 1,942,256
Capital Assets	3,283,213	3,399,953	4,876,963	4,763,617	8,160,176	8,077,576
Deferred outflow related to pension	61,193	137,603	26,225	321,075	87,418	458,678
<b>Total Assents and deferred outflows</b>	<u>\$ 3,508,641</u>	<u>\$ 3,583,680</u>	<u>\$ 6,942,800</u>	<u>\$ 6,980,824</u>	<u>\$ 10,451,441</u>	<u>\$ 10,478,510</u>
<b>Liabilities and deferred inflows</b>						
Long-term debt	\$ 618,623	\$ 95,452	\$ 1,206,595	\$ 841,479	\$ 1,825,218	\$ 936,931
Other liabilities	1,813,536	1,861,851	91,555	116,774	1,905,091	1,938,270
Net pension liability	133,860	347,522	57,369	810,884	178,402	1,158,406
Deferred inflows related to pension	26,225	24,485	-	57,133	26,225	81,618
<b>Total liabilities and deferred inflows</b>	<u>\$ 2,566,019</u>	<u>\$ 2,546,939</u>	<u>\$ 1,355,519</u>	<u>\$ 1,826,468</u>	<u>\$ 3,908,711</u>	<u>\$ 4,033,607</u>
<b>Net Position</b>	\$ 3,148,122	\$ 3,304,501	\$ 3,885,278	\$ 3,948,019	\$ 7,033,400	\$ 7,252,520
Net Investment in Capital Assents	13,452	21,213	161,241	161,515	174,693	182,728
Restricted	(2,218,952)	(2,288,973)	1,540,762	1,044,822	(678,190)	(1,026,522)
Unrestricted	942,622	1,036,741	5,587,281	5,154,356	6,529,903	6,408,726
<b>Total Net Position</b>	<u>\$ 942,622</u>	<u>\$ 1,036,741</u>	<u>\$ 5,587,281</u>	<u>\$ 5,154,356</u>	<u>\$ 6,529,903</u>	<u>\$ 6,408,726</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended September 30, 2017**

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There are six basic transactions that will affect the comparability of the Statement of Net Position summary presentation:

- a) Net results of activities will impact current assets and unrestricted net position.
- b) Borrowing for capital will increase current assets and long-term debt.
- c) Spending or lack of spending borrowed proceeds will affect current assets and capital assets.
- d) Spending of non-borrowed current assets on new capital will reduce current assets, increase capital assets, reduce unrestricted net position, and increase invested in capital assets, net of debt.
- e) Principal payment on debt will reduce current assets, long-term debt, reduce unrestricted net position and increase invested in capital assets, net of debt.
- f) Reduction of capital assets through depreciation will reduce capital assets and invested in capital assets, net of debt.

Governmental Activities comprised \$1.254 million of the net position while Business Activities comprised \$5.154 million of net position for fiscal year ended 2017 as compared to \$.943 million and \$5.587 million for the previous fiscal year.

By far, the largest portion of the City's net position for fiscal year 2017 reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. 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 its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Except for net invested capital assets (net of related debt) the entire portion of the City's net position represents resources that are subject to external restrictions on how they may be used. There are no excess funds available in unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors.

**Statement of Activities:**

The following information is presented to assist the reader in understanding the different types of factors that can affect the result from operation. Examples of events that may impact the revenues are as follows:

- 1) ***Economic condition*** can reflect a declining, stable or growing environment and has a substantial impact on property, non-ad valorem assessments, sales, gas, or other tax revenues as well as consumer spending habits.
- 2) The City Commission has significant authority to set ***rates*** (water, wastewater, stormwater, permitting, impact fees, user fees, etc.).
- 3) ***Changing patterns in intergovernmental and grant revenues*** (both recurring and nonrecurring) can significantly change and impact the annual comparisons.
- 4) ***Market impacts on investment income*** may cause investment revenues to fluctuate from the prior year.

**City of Gretna, Florida**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2017**

Table 3  
Statement of Changes in Net Position  
As of September 30, 2017

	Governmental Activities		Business Activities		Total Activities	Total Activities
	2016	2017	2016	2017	2016	2017
<b>Revenue:</b>						
Charges for services	\$ 6,598	8,825	\$ 1,463,986	\$ 1,411,463	\$ 1,470,584	\$ 1,420,288
Operation grants and contributions	15,493	40,324	17,175	-	32,668	40,324
Capital grants and contributions	195,900	234,000	-	-	195,900	234,000
<b>General Services</b>	<u>217,991</u>	<u>283,149</u>	<u>1,481,161</u>	<u>1,411,463</u>	<u>1,699,152</u>	<u>1,694,612</u>
Property Tax	111,987	101,884	-	-	101,884	101,884
Licenses and Permits	8,298	11,124	-	-	11,124	11,124
Utility Taxes	77,880	49,134	-	-	49,134	49,134
Other Taxes	-	-	-	-	-	-
Intergovernmental	478,296	416,810	-	-	416,810	416,810
Interest Income	85	84	-	-	84	84
Other	38,619	45,433	-	-	105,460	45,433
<b>Total Revenues</b>	<u>933,156</u>	<u>907,618</u>	<u>1,481,161</u>	<u>1,411,463</u>	<u>2,414,317</u>	<u>2,319,081</u>
<b>Expenses:</b>						
<b>Program Expenses:</b>						
General Government	777,284	584,690	-	-	777,284	584,690
Public Safety	399,999	363,634	-	-	399,999	363,634
Transportation	152,251	162,839	-	-	152,251	162,839
Physical Environment	74,923	4,562	-	-	74,923	4,562
Parks and Recreation	79,890	112,095	-	-	79,890	112,095
Interest on long-term debt	-	-	-	-	-	-
Water and Sewer	-	-	1,677,954	1,369,893	1,677,954	1,369,893
Solid Waste	-	-	153,754	143,567	153,754	143,567
<b>Total Expenses</b>	<u>1,484,347</u>	<u>1,227,820</u>	<u>1,831,708</u>	<u>1,573,460</u>	<u>3,316,055</u>	<u>2,801,280</u>
Excess (Deficiency) Before Transfer	(551,191)	(320,202)	(305,547)	(101,997)	(901,738)	(218,205)
Transfer	330,072	-	(330,072)	-	-	-
<b>Change in net position</b>	(221,119)	(320,202)	(680,619)	(101,997)	(511,552)	(218,205)
Net position - beginning, as restated	1,163,741	1,356,943	6,267,900	5,256,353	3,921,228	\$ 6,613,094
<b>Net position - ending</b>	<u>\$ 942,622</u>	<u>\$ 1,036,741</u>	<u>\$ 5,587,281</u>	<u>\$ 5,154,356</u>	<u>\$ 6,529,903</u>	<u>\$ 6,191,097</u>

The City's programs include primarily General Government, Public Safety, Transportation, Physical Environment and Parks and Recreation.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2017**

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Each program's net cost (total cost, less revenues generated by the activities), presented below, shows the extent to which the City's general taxes support each of the City's programs:

Table 4  
Governmental Activities

	2016	2017
	Net Cost of Services	Net Cost of Services
General Government	\$ (559,293)	\$ (361,366)
Public Safety	(399,999)	(354,589)
Transportation	(79,890)	(162,839)
Physical Environment	(152,251)	(4,562)
Culture and Recreation	(74,923)	(61,315)
<b>Total</b>	<b>\$ (1,266,356)</b>	<b>\$ (944,671)</b>

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As shown in the Statement of Activities approximately ten percent (10%) of the governmental revenues were derived from grants and contributions. The remaining source of funding for FY 2016 and 2017 came from utility taxes, shared revenues and other miscellaneous revenues. The nature of Governmental Activities is to be funded primarily from taxes, and transfers from other non- governmental activities. Governmental activities in municipal governments are not normally self- supporting. For fiscal years 2016 and 2017, revenues generated from the business-type activities supported the City's overall program revenues.

Table 5  
Business-Type Activities

Table 5  
Business-Type Activities

	2016	2017
	Net Cost of Services	Net Cost of Services
Water and sewer	\$ (344,970)	\$ (110,601)
Soildwaste	(5,877)	8,604
<b>Total</b>	<b>\$ (350,847)</b>	<b>\$ (101,997)</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2017**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

**General Fund Budgetary Highlights**

Differences between the original budget and the final budget were relatively minor and can be briefly summarized as follows:

- Increases in salaries and related expenditures of various departments.
  - Increases in various departments for professional service and capital outlay expenditures.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The capital assets of the City are those assets that are used in the performance of City functions. Capital assets include equipment, buildings, land, and park facilities etc.

	September 30, 2016			September 30, 2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 1,436,707	-	\$ 1,436,707	\$ 1,436,707	-	\$ 1,436,707
Building and Improvements	851,161	-	851,161	851,161	-	851,161
Furniture and Fixtures	1,318,954	269,403	1,588,357	1,455,694	269,403	1,725,097
Machinery and Equipment	-	1,209,702	1,209,702	-	1,209,703	1,209,703
Infrastructure	1,272,783	8,726,828	9,999,611	1,272,783	8,738,681	10,011,464
Total Assets	4,879,605	10,205,933	15,085,538	5,016,345	10,217,787	15,234,132
Less accumulated depreciation	(1,596,393)	(5,329,170)	(6,925,563)	(1,616,392)	(5,454,170)	(7,070,562)
<b>Net</b>	<b>\$ 3,283,212</b>	<b>4,876,763</b>	<b>\$ 8,159,975</b>	<b>\$ 3,399,953</b>	<b>4,763,617</b>	<b>\$ 8,163,570</b>

The City's capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$8.106 million (net of accumulated depreciation) versus \$8.160 million for fiscal year ended 2016. Additional information on the City's capital assets can be found in Note 5 on page 36 of this report.

**City of Gretna, Florida**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2017**

**Debt**

Currently the City uses debt financing on an as needed basis each year. At the end of the current fiscal year, the City had total debt of \$2.095 million versus \$1.768 million for the previous fiscal year, an increase of \$.327 million primarily due to the recognition of net pension liability of \$1.158 million. None of this amount comprises debt backed by the full faith and credit of the government. There were no unsecured debts during the year. The revenue bonds payable are secured by franchise fees and public service taxes. The capital leases are secured by equipment.

	2016			2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenue Bonds	\$ -	\$ 786,900	\$ 786,900	\$ -	\$ 678,412	\$ 678,412
Capitalized Leases	35,385	-	35,385	-	-	-
Laundry Mat Loan	83,070	154,807	237,877	24,312	-	24,312
City Hall A/C	-	-	-	71,140	-	71,140
Water Tank	-	-	-	-	98,725	98,725
DEP Loan	-	67,061	67,061	-	64,342	64,342
Net Pension Liability	448,544	192,233	640,777	347,522	810,884	1,158,406
Net	<u>\$ 566,999</u>	<u>\$ 1,201,001</u>	<u>\$ 1,768,000</u>	<u>\$ 442,974</u>	<u>\$ 1,652,363</u>	<u>\$ 2,095,337</u>

Additional information on the City's debt can be found in Note 6 on page 38 of this report.

**NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the City's budget for fiscal year 2017-2018, the City Commission and management continued to be cautious as to the growth of revenues and expenditures. Looking forward to the preparation of the fiscal 2017-2018 budget, the City anticipates increased revenues from the gaming facility, Creek Entertainment Management, as well increases tax receipts from the improving economy. The city currently receives 10% of the state tax on Pari-mutual gaming services. Despite a slowly recovering housing market and related property values and ad valorem taxes, the City anticipates increased general fund revenue over the coming years due to an anticipated expansion of the offerings at Creek Entertainment Gretna.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's City Manager, at the City of Gretna, 14615 Main Street, Gretna, Florida 32351-2328 or via email at [ajefferson@mygretna.com](mailto:ajefferson@mygretna.com).



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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF GRETNA, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Equity in pooled cash	\$ 24,910	\$ 1,578,774	\$ 1,603,685
Accounts receivable, net	-	98,459	98,459
Restricted cash	21,213	218,899	240,112
Land	1,436,707	-	1,436,707
Buildings	223,191	-	223,191
Furniture and fixtures	803,463	723,328	1,526,791
Machinery and equipment	-	212,166	212,166
Infrastructure	936,592	3,828,123	4,764,715
Total assets	<u>3,446,076</u>	<u>6,659,749</u>	<u>10,105,826</u>
<b>DEFERRED OUTFLOW</b>			
Deferred outflow related to pensions	<u>137,603</u>	<u>321,075</u>	<u>458,678</u>
Total deferred outflow	<u>137,603</u>	<u>321,075</u>	<u>458,678</u>
<b>LIABILITIES</b>			
Deficit in cash and equity and pooled cash	1,889,771		1,889,771
Accounts payable and accrued expenses	113,480	24,983	111,761
Unearned revenues	50,964		50,964
Customer deposits	-	57,384	57,384
Due within one year:	-	-	-
Compensated absence	-	-	-
Capital lease payable	-	-	-
Loans payable	23,640	53,220	76,860
Bonds payable	-	25,881	25,881
Due in more than one year:	-	-	-
Compensated absence	25,444	34,407	59,851
Loans payable	71,812	110,046	181,858
Bonds payable	-	652,531	652,531
Net pension liability	347,522	810,884	1,158,405
Total liabilities	<u>2,522,453</u>	<u>1,769,336</u>	<u>4,074,160</u>
<b>DEFERRED INFLOW</b>			
Deferred inflow related to pensions	<u>24,485</u>	<u>57,133</u>	<u>81,618</u>
Total deferred inflow	<u>24,485</u>	<u>57,133</u>	<u>81,618</u>
<b>NET POSITION</b>			
Net Invested in capital assets	3,304,501	3,921,939	7,226,440
Restricted for public safety	21,213	-	21,213
Restricted for debt service	-	161,515	161,515
Unrestricted	(2,288,973)	1,070,902	(1,218,071)
Total net position	<u>\$ 1,036,741</u>	<u>\$ 5,154,356</u>	<u>\$ 6,191,097</u>

**CITY OF GRETNA, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

Function/Program	Expenses	Program Revenues			Net Expense and Changes in Net Position		
		Fees, Fines & Charges for Services	Operating grants & contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities</b>							
General government	\$ 584,690	\$ -	\$ 40,324	\$ 183,000	\$ (361,366)	\$ -	\$ (361,366)
Public safety	363,634	8,045	-	1,000	(354,589)	-	(354,589)
Culture and recreation	112,095	780	-	50,000	(61,315)	-	(61,315)
Transportation	162,839	-	-	-	(162,839)	-	(162,839)
Physical environment	4,562	-	-	-	(4,562)	-	(4,562)
Total government activities	<u>1,227,820</u>	<u>8,825</u>	<u>40,324</u>	<u>234,000</u>	<u>(944,671)</u>	<u>-</u>	<u>(944,671)</u>
<b>Business-type activities</b>							
Water and wastewater	1,369,893	1,259,292	-	-	-	(110,601)	53,399
Solidwaste	143,567	152,171	-	-	-	8,604	11,988
Total business activities	<u>1,513,460</u>	<u>1,411,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101,997)</u>	<u>65,387</u>
Total Primary Government	<u>\$ 2,585,849</u>	<u>\$ 1,420,588</u>	<u>\$ 40,324</u>	<u>\$ 234,000</u>	<u>(944,671)</u>	<u>(101,997)</u>	<u>(879,284)</u>
<b>General Revenue</b>							
					101,884	-	101,884
					49,134	-	49,134
					11,124	-	11,124
					416,810	-	416,810
					84	-	84
					45,433	-	45,433
							-
					<u>624,469</u>	<u>-</u>	<u>624,469</u>
					<u>(320,202)</u>	<u>(101,997)</u>	<u>(218,205)</u>
					<u>942,622</u>	<u>5,587,281</u>	<u>6,529,903</u>
					<u>414,321</u>	<u>(330,923)</u>	<u>83,393</u>
					<u>1,356,943</u>	<u>5,256,353</u>	<u>6,613,094</u>
					<u>\$ 1,036,741</u>	<u>\$ 5,154,356</u>	<u>\$ 6,191,097</u>

**CITY OF GRETNA, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Unrestricted Cash	\$ 24,910	\$ -	\$ -	\$ 24,910
Restricted Cash	-	-	21,213	21,213
Total Assets	<u>\$ 24,910</u>	<u>\$ -</u>	<u>\$ 21,213</u>	<u>\$ 46,123</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Deficit in cash and equity in pooled cash	\$ 744,108	\$ 851,688	\$ 293,975	\$ 1,889,771
Accounts payable and accrued expenses	103,477	10,003	-	113,480
Total liabilities	<u>847,585</u>	<u>8 1,691</u>	<u>293,975</u>	<u>2,003,251</u>
Fund balance				
Unassigned	<u>(822,675)</u>	<u>(861,691)</u>	<u>(272,762)</u>	<u>(1,957,128)</u>
Total fund balances	<u>(822,675)</u>	<u>(861,691)</u>	<u>(272,762)</u>	<u>(1,957,128)</u>
Total liabilities and fund balances	<u>\$ 24,910</u>	<u>\$ -</u>	<u>\$ 21,213</u>	<u>\$ 46,123</u>

See notes to basic financial statements.

CITY OF GRETNA, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017

Fund balance - total governmental funds (Page 16)	\$(1,957,128)
Amounts reported for governmental activities in the statement of activities (Page 14) are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	
Governmental capital assets	5,016,345
Less accumulated depreciation	(1,616,392)
Long-term liabilities, including bonds and note payable are not due and payable in the current period and, therefore are not reported in the governmental funds.	
Governmental loans and capital lease payable	(95,272)
Compensated absences	(25,444)
Net pension liability	(347,522)
Deferred inflows/outflows or resources not report in the government	
Deferred outflows related to pension	137,603
Deferred inflows related to pension	(24,485)
The statement of net position include certain unearned revenues not available to the current period and not reported in governmental funds	(50,964)
Net position of governmental activities (Page 14)	\$ 1,036,741

See notes to basic financial statements.

**CITY OF GRETNA, FLORIDA**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENT FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<b>Revenue</b>				
Ad Valorem	\$ 101,884	\$ -	\$ -	\$ 101,884
Utility taxes	49,134	-	-	49,134
Licenses and permits	11,124	-	-	11,124
Intergovernmental	416,810	-	-	416,810
Grants	41,324	-	50,000	91,324
Charges for services	780	-	-	780
Fines and forfeitures	-	-	8,045	8,045
Contributions	183,000	-	-	183,000
Interest income	68	-	16	84
Miscellaneous	43,433	-	-	43,433
Total Revenues	<u>847,557</u>	<u>-</u>	<u>58,061</u>	<u>905,618</u>
<b>Expenditures</b>				
General Government	581,976	-	-	581,976
Public safety	358,682	-	300	358,982
Culture and recreation	50,745	-	-	50,745
Transportation	-	162,839	-	162,839
Physical environment	4,562	-	-	4,562
Debt service	38,788	-	-	38,788
Capital outlay	17,501	1,016	50,000	68,517
Total expenditures	<u>1,050,254</u>	<u>163,855</u>	<u>50,300</u>	<u>1,266,419</u>
(Deficiency) of revenue over expenditures	<u>(202,697)</u>	<u>(163,855)</u>	<u>7,761</u>	<u>(358,791)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(202,697)</u>	<u>(163,855)</u>	<u>7,761</u>	<u>(358,791)</u>
Fund (deficit), beginning	<u>(619,978)</u>	<u>(697,836)</u>	<u>(280,523)</u>	<u>(1,598,337)</u>
Fund (deficit), ending	<u>\$ (822,675)</u>	<u>\$ (861,691)</u>	<u>\$ (272,762)</u>	<u>\$ (1,957,128)</u>

See notes to basic financial statements.

**CITY OF GRETNA, FLORIDA  
RECONCILIATION OF THE CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Amounts reported for governmental activities in the statement of activities (page 18) are different because:

Net change in fund balances - total governmental funds (page 18)	\$ (358,791)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital outlays	68,517
Less current depreciation	(20,000)

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

Principal payments of loans/notes payable	36,920
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Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the government funds.

Net change in accrued interest payable	10,072
Net change in pension obligation	(101,019)
Net effect of various transactions not requiring use of current resources	44,099

Change in net position of governmental activities (Page 15)	\$ (320,202)
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See notes to basic financial statements.

**CITY OF GRETNA, FLORIDA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2017**

	<b>Business- Type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Equity in pooled cash	\$ 1,570,369	\$ 8,405	\$ 1,578,774
Accounts receivable, net	86,680	11,779	98,459
Total current assets	<u>1,657,049</u>	<u>20,184</u>	<u>1,677,233</u>
Non-current assets:			
Restricted cash	199,946	18,953	218,899
Capital assets:			
Furniture and fixtures	-	269,403	269,403
Machinery and equipment	1,174,684	35,019	1,209,703
Infrastructure	<u>8,738,681</u>	<u>-</u>	<u>8,738,681</u>
Total capital assets	9,913,365	304,422	10,217,787
Less: accumulated depreciation	<u>(5,250,145)</u>	<u>(204,025)</u>	<u>(5,454,170)</u>
Total capital assets, net	4,663,220	100,397	4,763,617
Total non-current assets	<u>4,863,166</u>	<u>119,350</u>	<u>4,982,516</u>
Total assets	<u>6,520,215</u>	<u>139,534</u>	<u>6,659,749</u>
<b>DEFERRED OUTFLOW</b>			
Deferred outflow related to pensions	321,075	-	321,075
Total deferred outflow	<u>321,075</u>	<u>-</u>	<u>321,075</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	20,485	4,498	24,983
Customer deposits	38,431	18,953	57,384
Due within one year:			-
Bonds payable	53,220	-	53,220
Loans payable	25,881	-	25,881
Due in more than one year:			
Compensated absence	29,025	5,580	34,605
Loans payable	762,378	-	762,378
Net pension liability	<u>810,884</u>	<u>-</u>	<u>810,884</u>
Total liabilities	<u>1,740,304</u>	<u>29,031</u>	<u>1,769,335</u>
<b>DEFERRED INFLOW</b>			
Deferred inflow related pensions	57,133	-	57,133
Total deferred inflow	<u>57,133</u>	<u>-</u>	<u>57,133</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	3,847,622	100,397	3,948,019
Restricted for debt service	161,515	-	161,515
Unrestricted	<u>1,034,716</u>	<u>10,106</u>	<u>1,044,822</u>
Total net position	<u>\$ 5,043,853</u>	<u>\$ 110,503</u>	<u>\$ 5,154,356</u>

See notes to basic financial statements.



	<b>Business- Type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
<b>Operating revenue</b>			
Charges for services (pledged - see note 6)	\$ 1,259,292	\$ 152,171	\$ 1,411,463
Total operating revenue	<u>1,259,292</u>	<u>152,171</u>	<u>1,411,463</u>
<b>Operating expenses</b>			
Water system operation	432,767	-	432,767
Sewer collection and maintenance	352,406	-	352,406
Solidwaste collection	-	140,192	140,192
General and administrative	463,095	-	463,095
Depreciation	121,625	3,375	125,000
Total operating expenses	<u>1,369,893</u>	<u>143,567</u>	<u>1,513,460</u>
<b>Operating income</b>	<u>(110,601)</u>	<u>8,604</u>	<u>(101,997)</u>
<b>Income (loss) before transfers</b>			
<b>Transfers</b>			
Transfers out	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>	(110,601)	8,604	(101,997)
<b>Net position, beginning</b>	5,478,286	108,995	5,587,281
Adjustment to beginning balance	<u>(323,832)</u>	<u>(7,096)</u>	<u>(330,928)</u>
<b>Net position, beginning (as adjusted)</b>	<u>5,154,454</u>	<u>101,899</u>	<u>5,256,353</u>
<b>Net position, ending</b>	<u>\$ 5,043,853</u>	<u>\$ 110,503</u>	<u>\$ 5,154,356</u>

See notes to basic financial statements.

**CITY OF GRETN, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR YEAR ENDING SEPTEMBER 30, 2017**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Major Fund</b>	<b>Non-major fund</b>	<b>Total</b>
	<b>Water &amp; Sewer Fund</b>	<b>Solidwaste Fund</b>	
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 1,250,093	\$ 155,477	\$ 1,405,570
Cash paid to suppliers	(729,223)	(82,658)	(811,881)
Cash paid to employees	(449,448)	(64,215)	(513,663)
Cash (paid for) interfund services	-	-	-
Net cash provided from operating activities	<u>71,422</u>	<u>8,604</u>	<u>80,026</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers to other funds	-	-	-
Principal payments on debt	(266,014)		(266,014)
Issuance of debt Acquisition	98,725		98,725
of capital assets Interest paid	(11,853)		(11,853)
on capital debt	(34,691)		(34,691)
Net cash (used for) capital and related financing activities	<u>(213,833)</u>		<u>(213,833)</u>
Net increase (decrease) in pooled cash and cash equivalents	<u>(142,411)</u>	<u>8,604</u>	<u>(133,807)</u>
Pooled cash and cash equivalents, beginning	1,912,726	18,754	1,931,480
Pooled cash and cash equivalents, ending	<u>\$ 1,770,315</u>	<u>\$ 27,358</u>	<u>\$ 1,797,673</u>
Displayed as:			
Unrestricted	\$ 1,570,369	\$ 8,405	\$ 1,578,774
Restricted	199,946	18,953	218,899
Total, September 30, 2017	<u>\$ 1,770,315</u>	<u>\$ 27,358</u>	<u>\$ 1,797,673</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ (110,601)	\$ 8,604	\$ (101,997)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	121,427	3,573	125,000
Non-cash pension adjustment	50,059	-	50,059
Decrease (increase) in accounts receivable	6,567	1,234	7,801
(Decrease) increase in compensated absence	13,647	-	13,647
(Decrease) increase in accounts payable	(12,309)	(3,507)	(15,816)
(Decrease) increase in customers' deposits	2,632	(1,300)	1,332
Net cash provided by operating activities	<u>\$71,422</u>	<u>\$8,604</u>	<u>\$ 80,026</u>

See notes to basic financial statements.

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

The City of Gretna, Florida (the “City”) in Gadsden County, Florida (the “County”) was incorporated in 1909. The City operates under a Commission/City Manager form of government and provides municipal services to its residents, including general government, public safety, public works, and recreation. The City also operates an industrial park, water and sewer, and sanitation enterprises.

The following is a summary of the City’s significant accounting policies presented to assist the reader in interpreting the financial statements and other data in this report. These policies are considered essential and should be read in conjunction with the accompanying financial statements.

**A. Reporting Entity**

The financial reporting entity, under which the financial statements are prepared include all the organizations, activities, functions, and component units for which the City (primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit’s Board, and either (1) the City’s ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

Component units are legally separate organizations for which the primary government is financially accountable or another organization for which the nature and significance of its relationship with the primary government is so important that excluding it from the reporting entity’s financial statements would make it the statements misleading. Component units are included in the reporting entity either as blended or as discretely presented component units. All funds/departments are regarded as one legal entity; therefore, the financial position and results of operations of the funds/departments are reported as part of the primary government.

Based upon the application of the criteria, the financial statements include only the financial statements of the City of Gretna, Florida.

*Blended Component Units*

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same, or substantially the same, as the City Commission or the component units provides services entirely to the City or the component unit debt is expected to be repaid entirely or almost entirely by the primary government. Currently, the City has no blended component units.

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above, but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 *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 of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

Only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise fees, communications taxes, 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 measurable and available only when received by the City.

The City reports the following major governmental fund:

The *general fund* is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other funds are accounted for in this fund. Many of the more important activities of the City, including operation of the City's public works departments; street and highway maintenance; public safety, and recreation programs, are accounted for in this fund.

The City reports the following major proprietary funds:

The *water and sewer* fund is used to account for the provision of water and sewer services to the residents and the commerce of the City.

The *solid waste* fund is used to account for the provision of solid waste collection, disposal and recycling for all residential and commercial customers within the City.

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

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

**D. Budgets and Budgetary Accounting**

The City, in accordance with its charter and state law, adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 20, 2017 the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are held to obtain taxpayer comments.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Budgets and Budgetary Accounting (continued)**

- c. Prior to October 1, the budget is legally enacted through passage of an ordinance. Budgetary control is maintained at the departmental and fund level, with finance department providing support to departments in the administration of their budgets. In accordance with the City's budget transfer policy, the City Manager is authorized to transfer budgeted amounts within any fund or function; however, the City Commission must approve any supplemental appropriations or revisions that amend the total expenditures of any fund. During the year, supplementary appropriations were necessary to ensure that expenditures did not exceed budgeted appropriations. All budgets are on a basis consistent with accounting principles generally accepted in the United States of America.
4. Budgeted amounts are as originally adopted, or as amended in accordance with City ordinances. The accompanying financial statements incorporate the original budget ordinances.
5. All annual appropriations lapse at fiscal year-end.

**E. Assets, Liabilities and Net Position**

***Cash, Equity in Pooled Cash and Investments***

Cash includes amounts in demand deposits as well as short-term investments with maturity dates, within three months from the dates acquired by the City.

The City pools substantially all cash. Each fund's equity share of the total pooled cash is included in the accompanying statement of net position under the caption "cash and equity in pooled cash".

Investments, consisting of U.S. Governmental and agency securities, bonds, equity securities and mutual funds, are stated at fair value. The City did not have any investments during fiscal year 2016.

***Allowance for Bad Debts***

The City calculates its allowance for bad debts using historical collection data, specific account analysis, and management's judgment. As of September 30, 2017, the allowance for bad debts was \$47,786 for the enterprise fund.



**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Assets, Liabilities and Net Position (continued)**

***Inter-fund Transactions***

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

Activities between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" or "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Non-current portions of long-term inter-fund loan receivables are reported as advances within the governmental funds, and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

***Capital Assets***

Capital assets, including land, buildings, improvements, infrastructure, and equipment assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an initial useful life of one year or greater. Such assets are recorded at historical cost, if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. During 2016, there was no interest to capitalize.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Assets, Liabilities and Net Position (continued)**

***Capital Assets (continued)***

Buildings, improvements, infrastructure and equipment assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure systems	35
Utility plant, equipment and improvements	40
Buildings and improvements	10-50
Improvements other than building	10-50
Equipment and other depreciable assets	5-20

***Compensated Absences***

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Sick leave credits are not payable upon employees' termination or retirement.

For government-wide statements and proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations. There were no matured compensated absences as of September 30, 2017.

***Net Position and Fund Balance***

Net position is the result of assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Net position of the government-wide and proprietary funds are categorized as net investment in capital assets, restricted or unrestricted.

The first category represents net position related to property, plant, equipment and infrastructure reduced by depreciation and outstanding debt used to construct or purchase capital assets, and deferred inflow/outflow of resources that are attributed to the acquisition of those assets.

The restricted category represents the balance of assets restricted by requirements of revenue bonds and other externally imposed constraints or by enabling legislation in excess of the related liabilities payable from restricted assets. All remaining amounts are considered to be unrestricted.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Assets, Liabilities and Net Position (continued)**

***Net Position and Fund Balance (continued)***

In the fund financial statements, governmental fund balance is categorized as nonspendable, restricted, committed, assigned and unassigned. These categories are based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in fund balances can be spent.

The City's fund balance classification policies and procedures are as follows:

***Nonspendable funds*** are funds that cannot be spent because they are either not in spendable form (e.g. inventories and prepaids) or are legally or contractually required to be maintained intact.

***Restricted funds*** are funds that have constraints placed on their use either externally by creditors, grantors, contributors, laws or regulations or other governments or by law through constitutional provisions or enabling legislation.

***Committed funds*** are funds that have constraints placed on their use through the passage of a formal action by the City Commission which is the City's highest level of decision-making authority. The City Commission has the authority to set aside funds for a specific purpose and requires the passage of a resolution or ordinance. Resolutions and ordinances are considered an equally binding form of City's highest level of formal action. The passage of a resolution or ordinance must take place prior to September 30<sup>th</sup> of the applicable fiscal year but the amount can be determined at a later date. A resolution or ordinance would also be required to modify or rescind the specific use or amount.

***Assigned funds*** are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. This policy hereby delegates the authority to assign amounts to be used for specific purposes to the City's Finance Director for purposes of reporting these amounts in the annual financial statements.

***Unassigned fund*** balance represents residual positive net resources of the general fund in excess of what can be properly classified in one of the other four categories.

Within the foregoing five categories, the committed, assigned and unassigned are considered unassigned fund balances. The City will maintain an economic uncertainty reserve of at least 3% of total General Fund operating expenditures (including other financing). The primary purpose of this reserve is to avoid the need for service level reductions in the event of an economic downturn causing revenue to come in lower than budget. This reserve may be increased from time to time in order to address specific anticipated revenue shortfalls.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Assets, Liabilities and Net Position (continued)**

*Net Position and Fund Balance (continued)*

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless there are legal contracts that prohibit doing so, then unrestricted resources as they are needed. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts. This policy is in place to provide a measure of protection for the City against unforeseen circumstances and to comply with GASB Statement No. 54. No other policy or procedure supersedes the authority and provision of this policy.

*Property Taxes*

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed in October and are payable upon receipt. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by the sale of interest-bearing tax certificates and the seizure of personal property to satisfy unpaid property taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

No accruals for the property tax levy becoming due in November 2016 are included in the accompanying financial statements since the legal right to receive these taxes occurs on November 1, 2016, and such taxes are collected to finance expenditures for the fiscal year ending September 30, 2017.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

*Statement of Cash Flows*

For purposes of the statement of cash flows for proprietary fund types funds, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. New Accounting Pronouncements Adopted**

At September 30, 2016, the City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Because of the adoption of this statement, the City recorded a liability for the unfunded portion of its pension plan. *See Note 7 – Employee Pension Plans.*

Following is the new pronouncement made by the Government Accounting Standards Board (GASB) which took effect during the fiscal year 2017 and was implemented by the City:

**GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73***, was effective for reporting periods beginning after June 15, 2016. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 2. CASH, EQUITY IN POOLED CASH AND INVESTMENTS**

As of September 30, 2017, the value of the City’s deposits and investments in non- pension activities, with their respective credit ratings, were as follows:

	<u>Carrying Amount</u>	<u>Credit Rating</u>	<u>Maturity</u>
Pooled Cash	\$ (94,980)	NA	NA
Restricted Cash	<u>240,112</u>	NA	NA
Total Cash and Investments	<u>\$ 145,132</u>		

As of September 30, 2017, the City had no investments. All deposits with financial institutions are fully insured or collateralized as required by the City Commission. The deposits are also covered by federal depository insurance and, for the amount more than such federal depository insurance, by the State of Florida’s Public Deposits Act (the “Act”). Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default.

Restricted cash represents the following:

Fines and Foreitures	\$ 21,213
Debt Service	168,221
Customer deposits	<u>50,678</u>
Total	<u>\$ 240,112</u>

**NOTE 3. RECEIVABLES**

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts receivable	\$ -	\$ 138,730	\$ 138,730
Less: allowance for bad debts	<u>-</u>	<u>40,271</u>	<u>40,271</u>
Net accounts receivable	<u>\$ -</u>	<u>\$ 98,459</u>	<u>\$ 98,459</u>

The accounts receivable represents approximately one month’s billing for enterprise funds.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund activity balances for the City as of and for the fiscal year ended September 30 are summarized as follows:

a. Interfund transfers

General fund	\$		\$
CDBG Fund		-	-
Department of Environmental Protection fund		-	-
Transportation Fund		-	-
Non-Departmental Fund	\$	-	\$
Net Transfer-In			-
		<b>Business-Type Activities</b>	
		<b>Transfer-In</b>	<b>Transfer-Out</b>
		<b>Net</b>	
Water fund	\$		\$
Sewer fund		-	-
Solidwaste fund		-	-
Net Transfer Out	\$	-	\$

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authority.

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 5. CAPITAL ASSETS**

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

	<u>Balance Oct. 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Sept. 30, 2017</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	1,436,707	-	-	1,436,707
<b>Total assets not being depreciated</b>	<u>\$ 1,436,707</u>	<u>-</u>	<u>-</u>	<u>1,436,707</u>
Capital assets being depreciated:				
Buildings and improvements	851,161	-		851,161
Furniture, fixtures and equipment	1,318,954	136,740		1,455,694
Infrastructure	1,272,783	-		1,272,783
<b>Total capital assets being depreciated</b>	<u>3,442,898</u>	<u>136,740</u>	<u>-</u>	<u>3,579,638</u>
Less accumulated depreciation for:				
Buildings and improvements	(653,970)			(653,970)
Furniture, fixtures and equipment	(582,637)	(8,600)		(591,237)
Improvements other than buildings	(359,785)	(11,400)		(371,185)
<b>Total accumulated depreciation</b>	<u>(1,596,392)</u>	<u>(20,000)</u>		<u>(1,616,392)</u>
<b>Total capital assets being depreciated, net</b>	<u>\$ 1,846,506</u>	<u>116,740</u>	<u>-</u>	<u>1,963,246</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 3,283,213</u>	<u>116,740</u>	<u>-</u>	<u>3,399,953</u>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Furniture, fixtures and equipment	1,479,107	-	-	1,479,107
Infrastructure	8,726,828	11,853	-	8,738,681
<b>Total assets being depreciated</b>	<u>10,205,935</u>	<u>11,853</u>	<u>-</u>	<u>10,217,788</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	(548,905)	(12,500)		(561,405)
Infrastructure	(4,780,265)	(112,500)		(4,892,765)
<b>Total accumulated depreciation</b>	<u>(5,329,170)</u>	<u>(125,000)</u>		<u>(5,454,170)</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 4,876,765</u>	<u>\$ (113,147)</u>	<u>-</u>	<u>\$ 4,763,618</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 14,750
Public Safety	4,625
Culture and recreation	625
<b>Total</b>	<u>\$ 20,000</u>



**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 6. LONG-TERM DEBT**

**Business-type Activities Long-term Debt**

***Water and Sewer Revenue Bonds, Series 1995***

On May 30, 1995, the City of Gretna issued \$800,000 of serial bonds all of which were purchased by the U.S. Department of Agriculture, Farmers Home Administration (“FMHA”). In May 1996, the FMHA increased the loan by \$276,000. Proceeds were issued for improvements to the Water and Sewer System.

*Pledged Revenues* - Net revenues of the system are pledged as collateral and retained in a “Revenue Fund” which is to be separate and apart from all other funds, for the payment of the revenue bond’s principal and interest.

*Sinking Fund* - On or before the 15th day of each month, the City is to transfer from the Revenue Fund and deposit into the “Reserve Account” which is to be held in the Sinking Fund, a sum equal to 1/12 of 1/10 of the “Maximum Bond Service Requirement”, until the amount on deposit in the Reserve Account equals the “Maximum Bond Service Requirement.” The City is following the Maximum Bond Service Requirement.

***Water and Sewer Revenue Bonds, Series 1996***

On December 10, 1992 the U. S. Department of Agriculture, Farmers Home Administration (FMHA), approved the City's \$1,530,000 (loan of \$800,000 and grant funds of \$730,000) grant and loan application for improvements to its wastewater disposal system. In connection therewith, the City entered into a purchase agreement to acquire property to extend the effluent disposal line into the southern portion of Gadsden County and purchase land for percolation ponds, and other necessary items aggregating \$100,000. FMHA's approval of the application contained several special conditions and was based upon the needs of the City together with sewer needs of a new prison that will be using the City's utilities. On May 1996, the FMHA increased the loan by \$276,000 and the grant by \$184,000. As of September 30, 2003, the City has drawn- down the entire \$800,000 from the loan and \$730,000 from the grant. As of September 30, 2017, there were no outstanding construction commitments related to the wastewater treatment disposal system.

***Changes in Long-term Liabilities***

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payment</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Governmental activities</b>					
Capital Lease	\$ 29,799	\$ -	\$ 29,799	\$ -	\$ -
Laundromat	31,534	-	7,122	24,412	7,125
City Hall AC Unit		71,140	-	71,140	16,515
	<u>\$ 61,333</u>	<u>\$ 71,140</u>	<u>\$ 36,921</u>	<u>\$ 95,552</u>	<u>\$ 23,640</u>

**CITY OF GRETN, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 6. LONG-TERM DEBT (continued)**

*Changes in Long-term Liabilities (continued)*

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Business-Type activities</b>					
Water and Sewer Revenue Bond					
Series 1995	\$ 521,004	\$ -	\$ (20,000)	\$ 501,004	\$ 19,377
Series 1996	183,968	-	(6,560)	177,408	6,504
DEP Loan	67,061	-	(2,719)	64,342	2,795
US Tank	149,150	-	(50,425)	98,725	50,425
<b>Total Business-type Activities</b>	<u>\$ 704,972</u>	<u>\$ -</u>	<u>\$ (26,560)</u>	<u>\$ 841,479</u>	<u>\$ 79,101</u>

The annual requirements to pay principal and interest on the outstanding obligations at September 30, 2017 are as follows:

<u>Total</u>	<u>Principal</u>	<u>Business Activities Interest</u>	<u>Total</u>
\$ 27,454	\$ 81,066	\$ 25,118	\$ 106,183
27,664	80,274	24,094	104,368
27,664	33,364	23,026	56,390
22,291	34,815	21,912	56,727
-	169,625	91,058	260,683
-	235,998	54,893	290,890
-	206,337	12,118	218,454
<u>\$ 105,073</u>	<u>\$ 841,479</u>	<u>\$ 252,218</u>	<u>\$ 1,093,697</u>

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 7. EMPLOYEE BENEFITS**

***Florida Retirement System Pension Plan General Information***

All the City's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

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

***A. Pension Plan Description***

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

***Benefits Provided***

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 7. EMPLOYEE BENEFITS (Continued)**

*A. Pension Plan (continued) Benefits Provided*

*(continued)*

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular and Senior Management Service. Also, the final average compensation for all these members will be based on the eight highest years of salary.

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

***Contributions***

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively, were as follows: Regular—7.52% and 7.92%; Special Risk Administrative Support—28.06% and 34.63%; Special Risk—22.57% and 23.27%; Senior Management Service—21.77% and 22.71%; Elected Officers’—36.70% and 39.64%; and DROP participants—12.99% and 13.26%. These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively.

The City’s contributions, including employee contributions, to the Pension Plan totaled \$128,496 for the fiscal year ended September 30, 2017.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 7. EMPLOYEE BENEFITS (Continued)**

*A. Pension Plan (continued)*

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2017, the City reported a liability of \$925,264 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was 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 liability was based on the City's 2016-17 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2017, the City's proportionate share was .003128077% which was a decrease of .000159451% from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$152,170. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 84,917	\$ (5,125)
Change in assumptions	310,954	-
Net difference between projected and actual earnings on pension plan investments	-	(22,930)
Changes due to proportional share	17,786	(25,969)
	<u>\$ 413,657</u>	<u>\$ (54,024)</u>

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 7. EMPLOYEE BENEFITS (Continued)**

*A. Pension Plan (continued)*

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

The deferred outflows of resources related to the Pension Plan, totaling \$18,773 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<b>Fiscal Year Ending September 30, 2017</b>	<b>Amount</b>
2018	\$ (3,861)
2019	\$ (3,861)
2020	\$ (3,861)
2021	\$ (3,861)
Thereafter	\$ (9,266)

*A. Actuarial Assumptions*

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.10%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables, with adjustments for mortality improvements based on Scale AA.

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

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 7. EMPLOYEE BENEFITS (Continued)**

***A. Pension Plan (continued)***

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:

<b>Description</b>	<b>Target Allocation</b>	<b>Annual Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1%	3%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17%
Real Estate	10%	6.6%	5.9%	13%
Private Equity	6%	11.5%	7.8%	30%
Strategic Investments	12%	6.1%	5.6%	9.7%
Assumed inflation- Mean		2.6%		1.9%

***Discount Rate***

The discount rate used to measure the total pension liability 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 was 7.60% in the July 1, 2016 valuation.

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 7. EMPLOYEE BENEFITS (Continued)**

*A. Pension Plan (continued)*

*Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate*

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	<b>Discount Rate <u>Minus 1%</u></b>	<b>Discount Rate <u>7.10%</u></b>	<b>Discount Rate <u>Plus 1%</u></b>
City's proportionate share of the Net pension liability	\$868,823	\$859,570	\$850,318

*Pension Plan Fiduciary Net Position*

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

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

***B. Health Insurance Subsidy (HIS) Plan Description***

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

***Benefits Provided***

For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

***Contributions***

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 2017 and 2016, the contribution rate was 1.66% of payroll, pursuant to Section 112.363, Florida Statutes. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$19,273 for the fiscal year ended September 30, 2017.

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**CITY OF GRETN, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 7. EMPLOYEE BENEFITS (Continued)**

***B. Health Insurance Subsidy (HIS) Plan***

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At September 30, 2017, the City reported a liability of \$233,141 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was 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 liability was based on the City's 2016-17 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the City's proportionate share was .002180428% percent, which was a decrease of .000081955% percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$19,273. In addition, the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ -	\$ (485)
Change in assumptions	32,772	(20,160)
Net difference between projected and actual earnings on pension plan investments	129	-
Changes due to proportional share	12,249	(6,949)
	<u>\$ 45,021</u>	<u>\$ (27,594)</u>

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 7. EMPLOYEE BENEFITS (Continued)**

***B. Health Insurance Subsidy (HIS) Plan***

***Actuarial Assumptions***

The total pension liability in the July 1, 2016 and recalculated as of June 30, 2017 using a standard actuarial roll-forward technique. The following actuarial assumption applied to all periods included in the measurement were used to determine the total pension liability:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	3.58%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used to determine the total pension liability as of June 30, 2017 were based on certain results of an actuarial experience study of the FRS for the period July 1, 2008 through June 30, 2013.

***B. Health Insurance Subsidy (HIS) Plan Discount Rate***

The discount rate used to measure the total pension 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.

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 7. EMPLOYEE BENEFITS (Continued)**

*Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate*

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.58%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

	<b>Discount Rate <u>Minus 1%</u></b>	<b>Discount Rate <u>3.58%</u></b>	<b>Discount Rate <u>Plus 1%</u></b>
City's proportionate share of the Net pension liability	\$227,126	\$224,795	\$222,463

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*Pension Plan Fiduciary Net Position*

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

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

***General Property Taxes***

Property taxes levied in September 30, 2017 are not subject to accrual, as they are not considered available and are for the purpose of financing the budget of the 2017-2018 fiscal year. Property tax revenues recognized for the 2016-2017 fiscal year were levied September 2016. Almost all unpaid taxes are collected via the sale of tax certificates prior to fiscal year end; therefore, there were no material taxes receivable at fiscal year- end.

Key dates in the property tax cycle (latest dates where appropriate) are as follows:

	Revenues for Fiscal Year Ended September 30, 2017
Assessment roll certified	June 21, 2016
Property taxes levied	October 1, 2016
Beginning of fiscal year for which taxes have assessed	October 1, 2016
Property taxes payable: Maximum discount	November 30, 2016
Delinquent	April 1, 2017

A summary of ad valorem taxes for the fiscal year ended September 30, 2017 is as follows:

Tax roll:			
Taxable value	\$	22,167,466	
Millage rate (1,000 mills)		4.8522	
Tax roll:	\$	107,561	100%
Less: Bankruptcy		1,398	1.30%
Uncollected		4,279	4%
Taxes Collected	\$	101,884	94.7%

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 8. CONTINGENCIES AND COMMITMENTS (Continued)**

***Risk Management***

The government 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. The government obtained general liability insurance at a cost it considered to be economically justifiable. The government pays an annual premium for its general insurance coverage to the Florida League of Cities Florida Municipal Insurance Trust.

The government continues to carry commercial insurance for all other risks of loss, including settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The City continues to implement and monitor various risk control techniques to minimize accidents and losses to City personnel and property. The Worker's Compensation program is administered by Florida Municipal Insurance Trust.

***Litigation***

As of October 29, 2018, there exists no matters involving claims, unasserted possible claims, contingent liabilities or assessments for which there is any reasonable possibility that a City asset may be impaired or litigation incurred.

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 9. SUBSEQUENT EVENTS**

The City has evaluated events and transactions for potential recognition and disclosure in the financial statements through November 30, 2018. No subsequent events have been recognized or disclosed.

**NOTE 10. NEW FINANCIAL STANDARDS NOT YET IMPLEMENTED**

GASB Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, and Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The City has not elected early implementation and, therefore, has not determined the financial statement impact, if any, of these new pronouncements.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF GRETNA, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND FOR THE**  
**YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES:</b>				
Taxes:				
Ad valorem	\$ 109,492	\$ 109,492	\$ 101,884	\$ (7,608)
Utility and other taxes	67,900	67,900	49,134	(18,766)
Licenses and permits	6,500	6,500	11,124	4,624
Intergovernmental	435,327	435,327	416,810	(18,517)
Grants and contributions	318,000	318,000	274,324	(43,676)
Charges for services	500	500	780	280
Fines and forfeitures	4,500	4,500	8,345	3,845
Interest income	-	-	84	84
Miscellaneous	47,300	47,300	45,433	(1,867)
Total revenues	<u>989,519</u>	<u>989,519</u>	<u>967,945</u>	<u>(21,574)</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
City Commission	64,699	64,699	56,928	(7,771)
City Management	89,986	89,986	96,497	6,511
Legal	78,626	78,626	79,939	1,313
Finance	192,907	192,907	266,185	73,278
Total Government	<u>426,218</u>	<u>426,218</u>	<u>499,549</u>	<u>73,331</u>
Public Safety				
Police Department	413,594	413,594	363,307	(50,287)
Inspection	5,000	5,000	9,541	4,541
Total Public Safety	<u>418,594</u>	<u>418,594</u>	<u>372,848</u>	<u>(45,746)</u>
Parks and Recreation				
Physical Environment	122,250	122,250	42,953	79,297
Others	2,000	2,000	4,563	(2,563)
Total Expenditures	183,000	183,000	319,860	(136,860)
Total Expenditures	<u>1,152,062</u>	<u>1,152,062</u>	<u>1,239,773</u>	<u>(32,541)</u>
Excess (deficiency) revenues over expenditures	<u>(162,543)</u>	<u>(162,543)</u>	<u>(271,828)</u>	<u>(54,115)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Loan proceeds				
Transfers in	164000	164000	164000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>164000</u>	<u>164000</u>	<u>164000</u>	<u>-</u>
Net change in fund balances	<u>\$ 1,457</u>	<u>\$ 1,457</u>	<u>(107,828)</u>	<u>\$ (54,115)</u>
Fund balances, beginning -as restated			1,362,198	
Fund balances, beginning ending			<u>\$ 1,254,370</u>	

See notes to budgetary comparison schedule.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

***Budgetary Information***

Annual appropriated budgets are adopted for the general fund and fire rescue special revenue fund on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except for encumbrances, which are reported as expenditures for budgetary purposes. A reconciliation of GAAP to the budgetary basis is shown below. In addition, the City prepares annual operating budgets for the enterprise funds.

During the month of July each year, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing October 1. This budget includes proposed expenditures as well as the expected means of financing them. The Commission holds public hearings and a final budget must be prepared and adopted no later than October 1.

The appropriated budget is prepared by fund, function and department. The City Manager is authorized to transfer budgeted line items within a department classification; however, any revisions that alter the department totals must be approved by the City Commission. Therefore, the department level is the legal level of budgetary control. Budgeted amounts are as originally adopted or as amended. Individual type amendments were not material in relation to the original appropriations.

Encumbrance accounting is employed in governmental funds. All unencumbered appropriations lapse at year end and are budgeted in the next fiscal year.

***Excess of Expenditure over Appropriations***

Expenditures exceeded the budget in the General fund for the fiscal year ended September 30, 2017, at the following department level, which is the legally controlled level of appropriations:

	<u>Budget</u>	<u>Actual</u>	<u>Amount in Excess of Final Budget</u>
General Fund:			
City Management	\$ 89,986	\$ 96,797	\$ (6,811)
Finance	192,907	266,185	(73,278)
Others	183,000	319,860	(136,860)

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

*Excess of Expenditure over Appropriations (continued)*

The over-expenditures resulted from the following:

- City Management Unanticipated increase in health insurance and retirement cost
- Finance: Unanticipated cost for accounting and consulting services.
- Others: Unanticipated repairs and replacement of equipment.

*Budget/GAAP Reconciliation*

There are no reconciling items between GAAP and Budget.

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**COMBINING AND INDIVIDUAL FUND STATEMENTS**

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**CITY OF GRETN, FLORIDA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS BY FUND TYPE**  
**SEPTEMBER 30, 2017**

	<b>Capital Projects Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Restricted cash	\$ -	\$ 21,213	\$ -	21,213
Total assets	-	21,213	-	\$ 21,213
<b>LIABILITIES</b>				
Deficit in cash and equity in pooled cash	\$ 3	\$ 293,972	\$ -	\$ 293,975
Accounts payable and accrued expenses	-	-	-	-
Total liabilities	3	293,972	-	293,975
<b>FUND BALANCES</b>				
Unassigned	(3)	(272,759)	-	(272,762)
Total fund balances	(3)	(272,759)	-	(272,762)
Total liabilities and fund balances	\$ -	\$ 21,213	\$ -	\$ 21,213

**CITY OF GRETNA, FLORIDA**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NON-MAJOR**  
**GOVERNMENTAL FUNDS BY FUND TYPE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b>Revenue</b>				
Fines and Forfeitures	\$ -	\$ 8,045	\$ -	\$ 8,045
Interest	-	16	-	16
Misc	50,000	-	-	50,000
Total revenues	<u>50,000</u>	<u>8,061</u>	<u>-</u>	<u>58,061</u>
 <b>Expenditures</b>				
Current	-	-	-	-
Public Safety	-	300	-	300
Culture and recreation	-	-	-	-
Physical environment	-	-	-	-
Capital outlay	50,000	-	-	50,000
Total expenditures	<u>50,000</u>	<u>300</u>	<u>-</u>	<u>50,300</u>
 (Deficiency) of revenue over expenditures	<u>-</u>	<u>7,761</u>	<u>-</u>	<u>7,761</u>
 Net change in fund balance	<u>-</u>	<u>7,761</u>	<u>-</u>	<u>7,761</u>
Fund balance, beginning	<u>(3)</u>	<u>(280,520)</u>	<u>-</u>	<u>(280,523)</u>
Fund balance, ending	<u>\$ (3)</u>	<u>\$ (272,759)</u>	<u>\$ -</u>	<u>\$ (272,762)</u>





**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**

*Independent Auditor's Report*

The Governing Body  
City of Gretna, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gretna, Florida (the "City" 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 April 30, 2019.

***Internal Control over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2017-002, 2017-004, 2016-002 and 2016-003.

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. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2017-001 and 2017-003.

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

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

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

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

### **Purpose of this Report**

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

Tallahassee, Florida  
April 30, 2019

*BCA Watson Rice LLP*

**City of Gretna, Florida**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended September 30, 2017**

**Section II: Financial Statement Findings- Current Year**

**2017-001** Journal entries posted later than 15<sup>th</sup> of proceeding month.

*Criteria:* Per the entity's Accounting and Finance Manual, all journal entries must be inputted by the 15<sup>th</sup> of proceeding month.

*Condition and Context:* Nine of sixty journal entries were inputted after the 15<sup>th</sup> of proceeding month.

*Cause:* Management did not adhere to their policies for journal entries.

*Effect or Potential Effect:* Late journal entries may result in wrong reporting.

*Recommendation:* Management of City of Gretna should ensure that journal entries are posted in proper periods.

*Responsible Official's Response:* Management accepts the findings. Management will revisit its month end close practices to ensure that all journal entries are processed timely in accordance to the City's Accounting and Finance Manual.

**Finding 2017-002:** One credit card proceeds was not traced to the bank statement.

*Criteria:* Per the entity's Accounting and Finance Manual, monthly bank reconciliations should be done monthly and enable the users to trace the cash receipts including the credit card proceeds.

*Condition and Context:* One of five credit card receipts tested couldn't be traced to the bank statements.

*Cause:* Management did not adhere to their policies for credit card proceeds reconciliation.

*Effect or Potential Effect:* In the absence of proper credit card reconciliations, proceeds may not be properly recorded in the General Ledger and that bank reconciliations may not be intact.

*Recommendation:* Management of City of Gretna should ensure proper supporting credit card proceeds reconciliations are maintained for all credit card transactions.

*Responsible Official's Response:* Management accepts the findings. Management will reinforce with the city's accounting team the importance of attention to detail and refresh their understanding of the expectations required by the City's Accounting and Finance Manual.

**Finding 2017-003:** No purchase orders provided for certain cash disbursement selections.

*Criteria:* As part of best practices, management should follow monitoring requirement of the Committee of Sponsoring Organizations (COSO) framework. The framework requires adequate control over the processing of transactions to prevent and detect misstatements.

*Condition and Context:* Twenty-nine of sixty selections did not include a purchase order in the support documents provided by management.

*Cause:* Management did not adhere to their policies for cash management.

*Effect or Potential Effect:* Incurring of excessive costs, improper charges made to departments and

**City of Gretna, Florida**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended September 30, 2017**

unauthorized, unnecessary, or fraudulent purchases can result from failing to include purchase orders in cash disbursement processing.

*Recommendation:* The management of the City of Gretna should ensure that purchase orders accompany each cash disbursement being processed by the city.

*Responsible Official's Response:* Management accepts the finding. There are financial transactions allowed by city policy that do not require purchase orders such as those expenditure made by purchasing card. Creating purchase orders in the city's current financial management system double posting of the same financial transaction. Management agrees that the limited number of transactions that occurred in the year did not include purchase orders.

**Finding 2017-004:** Missing documentation.

*Criteria:* As part of best practices recommended by the Committee of Sponsoring Organizations (COSO) framework, management should require adequate control over the processing of transactions to prevent and detect misstatements on a timely basis.

*Condition and Context:*

1. Long term debt

- a.) Beginning balances don't match the prior year's schedules and audited financial statements.
- b.) Ending balances don't match the trial balance and amortization schedules.
- c.) Revenue reports were not provided for Reserve Account/Sinking Fund for compliance testing.

2. Fixed assets schedule

- a.) Beginning balances doesn't match the ending balances of the prior year's audited financial statements.
- b) Includes footing errors. We could not verify the accuracy of the fixed asset schedule for the year ended 2017.

*Cause:* Management did not adhere to accounting rules, COSO's documentation standards, their accounting and finance policies and procedures for documentation.

*Effect or Potential Effect:* Missing/insufficient documentation might result in a less than unmodified opinion.

*Recommendation:* The City of Gretna should ensure proper accounting documentation.

*Responsible Official's Response:* Management accepts the findings. Management has concluded that in closing the prior year and opening this audited year that there were accounting errors that impacted the referenced schedule. Management will implement an additional review step in the closing and opening of each accounting year.

**City of Gretna, Florida**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended September 30, 2017**

**Financial Statement Findings-Prior Year**

**Finding 2016-002: Disbursement Controls**

**Criteria:** As part of best practices established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), Integrated Framework, management should follow established procedures when disbursing funds. The framework requires adequate control over the processing of transactions to prevent and detect misstatements on a timely basis.

**Condition and Context:** For nineteen checks selected out of sixty-three management did not provide the supporting documentation as requested. Further, for four other samples the documents submitted showed that the controls were not working as intended by management.

**Cause:** Management did not adhere to policies for cash disbursement.

**Effect or Potential Effect:** Suppliers may be paid incorrect amounts. Failure to properly maintain records may also result in duplicate payments or vendors being paid for goods and services not supplied.

**Recommendation:** The governing body and management of the City of Gretna should ensure that established procedures are followed in relations to cash disbursement.

**Responsible Official's Response:** Management accepts the finding. The City Manager has conducted a full review of the cash disbursement practices and implemented changes in the city's daily and month end closing procedures.

**IC-2016-003 Internal Controls Over Financial Reporting**

**Criteria:** Management must maintain a system of internal control over financial reporting as a formal system of checks and balances, monitored by management and the City Commission to ensure the financial statements and related reports produced by the City are free of material misstatement and significant errors.

**Condition and Context:** The financial statements and related documents provided did not agree to the City's accounting records, contained a significant number of computation errors and formatting errors, and several areas were not updated at all.

**Cause:** Management does not have a formal policy or internal control system related to financial reporting.

**Effect or Potential Effect:** Management's noncompliance with developing a system of internal control related to financial reporting results in reporting errors and omissions that are significant to the readers of the financial statements.

**Recommendation:** The City develop and implement formal policies and procedures related to internal control over financial reporting.

**City of Gretna, Florida**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended September 30, 2017**

*Responsible Officials Response:* Management accepts the finding and has made updates the City's accounting policy related to internal control over financial reporting.



## Management Letter

To the Mayor and Members of the City Commission  
City of Gretna, Florida

### Report on the Financial Statements

We have audited the financial statements of the City of Gretna, Florida, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated April 30, 2019.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the 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* and Independent Accountant'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 April 30, 2019, should be considered in conjunction with this management letter.

### 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. Such information is disclosed in Note 1 of the financial statements.

### Financial Condition and Management

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

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's financial condition, and our financial condition assessment was based in part on representations made by management and 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**

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

### **Purpose of this Letter**

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

Tallahassee, Florida  
April 30, 2019





**CITY OF GRETNA, FLORIDA**  
Management Letter  
Fiscal Year Ended September 30, 2017

This letter includes follow-up comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the City of Gretna for the year ended September 30, 2017. These items were offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the City's practices and procedures.

**I. CURRENT YEAR RECOMMENDATIONS**

*None.*

**II. STATUS OF PRIOR YEARS' RECOMMENDATIONS**

**2014-01-ML Implement Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s Internal Control Framework**

***Comment and Recommendation***

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) has updated its *Internal Control—Integrated Framework (Framework)* originally released in 1992. The original framework has gained broad acceptance and is widely used around the world. It is recognized as a leading framework for designing, implementing, and conducting internal control and assessing the effectiveness of internal control. COSO believes the *Framework* will enable organizations to effectively and efficiently develop and maintain systems of internal control that can enhance the likelihood of achieving the entity's objectives and adapt to changes in the business and operating environments.

Federal Managers' Financial Integrity Act (FMFIA) requires that federal agency executives periodically review and annually report on the agency's internal control systems. FMFIA requires the Comptroller General to prescribe internal controls standards. These internal control standards, first issued in 1983, present the internal control standards for federal agencies for both program and financial management.

On September 10, 2014 the Government Accountability Office (GAO) issued its revision of *Standards for Internal Control in the Federal Government* described as the "Green Book", which was adopted from the Framework and is now required of federal financial managers.

The Green Book may also be adopted by state, local, and quasi-governmental entities, as well as not-for-profit organizations, as a framework for an internal control system.

This updated Framework is now considered "best practice" for designing, implementing, conducting and assessing internal controls. The American Institute of Certified Public Accountants has issued guidance that can be used for the implementation of COSO (see attached) as well as the Government Finance Officers' Association (GFOA) has issued a publication (available in "E-Book" as well as paper versions) designed to help understand and implement this framework.

We urged the City to consider adopting and implementing this COSO framework.

**CITY OF GRETNA, FLORIDA**  
Management Letter  
Fiscal Year Ended September 30, 2017

**I. CURRENT YEAR RECOMMENDATIONS (Continued)**

**2014-01-ML     Implement Committee of Sponsoring Organizations of the  
Treadway Commission (COSO's) Internal Control Framework  
(continued)**

***Current Year Status***

The condition still exists.

***Management's Response***

The City will consider adopting the updated 2014 COSO Framework and related Green Book as a guide for best practices on internal control environments.

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Independent Accountant's Examination Report

To the Mayor and Members of the City Commission  
City of Gretna, Florida

We have examined the City of Gretna (the "City")'s compliance with 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, 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, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

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

Tallahassee, Florida  
April 30, 2019

*BCA Watson Rice LLP*