

# **City of Mexico Beach, Florida**

**Annual Financial Statements  
September 30, 2017**

**Vance CPA LLC**  
**Certified Public Accountants**  
219-B Avenue E • Apalachicola, FL 32320  
Phone (888)531-6408 Fax (866)-406-7422

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**CITY OF MEXICO BEACH, FLORIDA**  
**SEPTEMBER 30, 2017**

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**CITY OF MEXICO BEACH, FLORIDA**  
**SEPTEMBER 30, 2017**

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# Vance CPA LLC

***Certified Public Accountant***

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## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Members  
of the City Council  
City of Mexico Beach, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mexico Beach, 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 as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 the City, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary

comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of net pension liability and the schedule of pension contributions 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 statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The comparative schedules as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Vance CPA LLC*

**Vance CPA LLC**  
June 22, 2018

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

## Management's Discussion and Analysis

Management's discussion and analysis provides an easily readable analysis of the City's financial activities. The analysis provides summary financial information for the City and should be read in conjunction with the City's financial statements.

### Financial Highlights

- Total assets of the City exceeded total liabilities by \$22,142,714 (net position). Of this amount, \$2,791,712 is unrestricted net position for governmental activities and \$806,167 is unrestricted net position for business-type activities, \$230,373 is restricted net position for governmental activities and \$1,454,305 is restricted net position for business-type activities.
- Total net position increased by \$3,034,873. Of this amount, \$2,830,748 is attributable to governmental activities and \$204,125 is attributable to business-type activities.
- As of September 30, 2017, the general fund's unassigned fund balance was \$1,453,524 or 23% of total general fund expenditures.
- Governmental activities revenues increased to \$5,713,054 or 26%, while governmental activities expenditures increased to \$2,882,306. Business-type activities revenues increased to \$3,255,568 or 7%, while business-type activities expenditures increased 2% to \$3,051,443.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components; 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the basic financial statements*. The *government-wide financial statements* present an overall picture of the City's financial position and results of operations. The *fund financial statements* present financial information for the City's major funds. The *notes to basic financial statements* provide additional information concerning the City's finances that are not otherwise disclosed in the government-wide or fund financial statements.

### Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net position* and *statement of activities*. These statements are designed to provide readers with a broad overview of the City's financial position, in a manner similar to that of private-sector companies. Emphasis is placed on the net position of governmental activities and business-type activities, as well as the change in net position. Governmental activities are primarily supported by taxes, utility taxes and franchise fees, and state shared revenues, while business-type activities are supported by charges to the users of those particular activities, such as water, sewer, and sanitation charges.

The *statement of net position* presents information on all assets and liabilities of the City, with the difference between the two reported as *net position*. Assets, liabilities and net position are reported separately for governmental activities and business-type activities. Increases or decreases in net position over time may serve as a useful indicator of the City's improving or declining financial position.

The *statement of activities* presents information on all revenues and expenditures of the City and the change in net position for the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees and earned, but unused vacation/sick leave).

Expenditures are reported by major function, along with program revenues relating to those functions, providing the net cost of all functions provided by the City. In order to better understand the City's operations, governmental activities expenditures include among others, general government services, public safety, highways and streets, physical environment, human services and parks and recreation. Business-type activities expenses, which are financed by user fees and charges, include water and sewer, and sanitation services.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. Individual funds have been established by the City to account for revenues that are restricted to certain uses, or to comply with legal requirements. The two major categories of funds, found in the City's *fund financial statements* include: governmental funds and proprietary funds.

*Fund financial statements* provide financial information for the City's major funds and more detailed information about the City's activities. Governmental fund financial statements provide information on the *current* assets and liabilities of the funds, changes in *current* financial resources (revenues and expenditures), and *current* available resources. The proprietary funds financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenues and expenses), and total economic resources.

*Fund financial statements* for all governmental funds include a *balance sheet* and a *statement of revenues, expenditures, and changes in fund balances*. The City's general fund includes a *statement of revenues, expenditures, and changes in fund balances-budget and actual*. For the proprietary funds, a *statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows* are presented.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the City's financial position. Categorized by governmental activities and business-type activities, the government-wide financial statements provide an overall picture of the City's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the City's overall financial health and present the means used to pay for various activities, or functions provided by the City. All assets of the City, including buildings, land, and infrastructure are reported in the *statement of net position*, as well as all liabilities, including outstanding principal on bonds, capital leases, and future employee benefits obligated but not yet paid by the City. The *statement of activities* includes depreciation on all long lived assets of the City, but all transactions between different functions of the City have been eliminated to avoid "doubling up" the revenues and expenditures.



The *fund financial statements* provide a presentation of the City’s major funds, along with a column for all non-major funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as revenue bonds, are not included in the fund financial statements. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, reconciliation is provided.

The *notes to basic financial statements* provide additional detail concerning the financial activities and financial balances of the City. Additional information about the accounting policies of the City, investments of the City, and long-term debt are just a few of the items included in the notes to basic financial statements.

### Financial Analysis of the City

The following schedule provides a summary of the assets, liabilities and net position of the City at September 30, 2017 and 2016. The City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its governmental and business-type activities.

|                                  | <b>Net Position</b>            |                     |                                 |                     |                     |                     |
|----------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
|                                  | <b>Governmental Activities</b> |                     | <b>Business-type Activities</b> |                     | <b>Total</b>        |                     |
|                                  | <b>2017</b>                    | <b>2016</b>         | <b>2017</b>                     | <b>2016</b>         | <b>2017</b>         | <b>2016</b>         |
| <b>September 30,</b>             |                                |                     |                                 |                     |                     |                     |
| Current/other assets             | \$ 4,748,961                   | \$ 5,311,685        | \$ 2,711,290                    | \$ 2,843,002        | \$ 7,460,251        | \$ 8,154,687        |
| Capital assets                   | <u>10,400,577</u>              | <u>6,927,656</u>    | <u>12,480,434</u>               | <u>12,492,397</u>   | <u>22,881,011</u>   | <u>19,420,053</u>   |
| Total assets                     | <u>15,149,538</u>              | <u>12,239,341</u>   | <u>15,191,724</u>               | <u>15,335,399</u>   | <u>30,341,262</u>   | <u>27,574,740</u>   |
| Deferred Outflows                | <u>789,058</u>                 | <u>671,751</u>      | <u>307,010</u>                  | <u>246,793</u>      | <u>1,096,068</u>    | <u>918,544</u>      |
| Current liabilities              | 138,674                        | 61,732              | 730,617                         | 109,939             | 869,291             | 171,671             |
| Noncurrent liabilities           | <u>1,778,843</u>               | <u>1,710,312</u>    | <u>5,763,547</u>                | <u>6,698,133</u>    | <u>7,542,390</u>    | <u>8,408,445</u>    |
| Total liabilities                | <u>1,917,517</u>               | <u>1,772,044</u>    | <u>6,494,164</u>                | <u>6,808,072</u>    | <u>8,411,681</u>    | <u>8,580,116</u>    |
| Deferred Inflows                 | <u>829,642</u>                 | <u>778,359</u>      | <u>53,293</u>                   | <u>26,968</u>       | <u>882,935</u>      | <u>805,327</u>      |
| Net investment in capital assets | 10,169,352                     | 6,647,057           | 6,690,805                       | 6,243,048           | 16,860,157          | 12,890,105          |
| Net Position - restricted        | 230,373                        | 241,998             | 1,454,305                       | 1,403,863           | 1,684,678           | 1,645,861           |
| Net Position - Unrestricted      | <u>2,791,712</u>               | <u>3,471,634</u>    | <u>806,167</u>                  | <u>1,100,241</u>    | <u>3,597,879</u>    | <u>4,571,875</u>    |
| Total net position               | <u>\$ 13,191,437</u>           | <u>\$10,360,689</u> | <u>\$ 8,951,277</u>             | <u>\$ 8,747,152</u> | <u>\$22,142,714</u> | <u>\$19,107,841</u> |

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the City’s largest portion of net position 76%. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, that although the City’s investment in its capital assets is reported net of related debt, 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.

The *restricted net position*, representing 2% of the City’s net position, are subject to external restrictions, and thus are limited as to how they may be used. The remaining balance of *unrestricted net position* \$3,597,879 may be used to help meet the government’s ongoing obligations to citizens

and creditors. The following schedule provides a summary of the changes in net position for the years ended September 30, 2017 and 2016.

| <b>Changes in Net Position</b>     |                                |                            |                                 |                         |                            |                            |
|------------------------------------|--------------------------------|----------------------------|---------------------------------|-------------------------|----------------------------|----------------------------|
| <b>Year Ended September 30,</b>    | <b>Governmental Activities</b> |                            | <b>Business-type Activities</b> |                         | <b>Total</b>               |                            |
|                                    | <b>2017</b>                    | <b>2016</b>                | <b>2017</b>                     | <b>2016</b>             | <b>2017</b>                | <b>2016</b>                |
| <b>Program Revenues -</b>          |                                |                            |                                 |                         |                            |                            |
| Charges for services               | \$ 160,695                     | \$ 153,913                 | \$ 3,255,568                    | \$ 3,048,668            | \$ 3,416,263               | \$ 3,202,581               |
| Operating grants/<br>contributions | 74,410                         | 355,603                    | —                               | —                       | 74,410                     | 355,603                    |
| Capital grants/<br>contributions   | 2,947,967                      | 1,757,782                  | —                               | —                       | 2,947,967                  | 1,757,782                  |
| <b>General Revenues -</b>          |                                |                            |                                 |                         |                            |                            |
| Taxes                              | 1,832,089                      | 1,666,629                  | —                               | —                       | 1,832,089                  | 1,666,629                  |
| Utility taxes/franchise fees       | 178,088                        | 440,239                    | —                               | —                       | 178,088                    | 440,239                    |
| Occupational and other taxes       | 395,947                        | 61,615                     | —                               | —                       | 395,947                    | 61,615                     |
| Interest                           | 3,739                          | 4,493                      | —                               | —                       | 3,739                      | 4,493                      |
| Other                              | 120,119                        | 61,071                     | —                               | —                       | 120,119                    | 61,071                     |
| <b>Total revenues</b>              | <b><u>5,713,054</u></b>        | <b><u>4,501,345</u></b>    | <b><u>3,255,568</u></b>         | <b><u>3,048,668</u></b> | <b><u>8,968,622</u></b>    | <b><u>7,550,013</u></b>    |
| <b>Expenses</b>                    |                                |                            |                                 |                         |                            |                            |
| General government                 | 556,560                        | 435,224                    | —                               | —                       | 556,560                    | 435,224                    |
| Public safety                      | 958,016                        | 856,807                    | —                               | —                       | 958,016                    | 856,807                    |
| Highways and streets               | 335,166                        | 287,742                    | —                               | —                       | 335,166                    | 287,742                    |
| Economic environment               | 414,993                        | 40,300                     | —                               | —                       | 414,993                    | 40,300                     |
| Human services                     | 141,911                        | 130,472                    | —                               | —                       | 141,911                    | 130,472                    |
| Parks and recreation               | 274,195                        | 249,404                    | —                               | —                       | 274,195                    | 249,404                    |
| Physical environment               | 201,465                        | 166,156                    | —                               | —                       | 201,465                    | 166,156                    |
| Interest on long-term debt         | —                              | —                          | —                               | —                       | —                          | —                          |
| Water                              | —                              | —                          | 979,617                         | 1,170,476               | 979,617                    | 1,170,476                  |
| Sewer                              | —                              | —                          | 1,380,202                       | 1,096,523               | 1,380,202                  | 1,096,523                  |
| Sanitation                         | —                              | —                          | 691,624                         | 732,289                 | 691,624                    | 732,289                    |
| <b>Total expenditures</b>          | <b><u>2,882,306</u></b>        | <b><u>2,166,105</u></b>    | <b><u>3,051,443</u></b>         | <b><u>2,999,288</u></b> | <b><u>5,933,749</u></b>    | <b><u>5,165,393</u></b>    |
| <b>Change in net position</b>      | <b><u>\$ 2,830,748</u></b>     | <b><u>\$ 2,335,240</u></b> | <b><u>\$ 204,125</u></b>        | <b><u>\$ 49,380</u></b> | <b><u>\$ 3,034,873</u></b> | <b><u>\$ 2,384,620</u></b> |

Governmental activities revenues exceeded expenses by \$2,830,748 while business-type activities revenues exceeded expenses by \$204,125. Total revenues increased \$1,186,532 from the previous year. Total expenses increased \$768,356 from the previous year.

37% of the revenues for governmental activities were generated by taxes, while most of the governmental resources were expended for general government 19%, public safety 33%, physical environment 7%, and highways and streets 12%.

100% of the revenues for the business-type activities were generated from charges for services while water costs made up the majority 24% of total business-type expenses.

## Financial Analysis of the City's Funds

### Governmental Funds

#### General Fund

The main operating fund of the City is the general fund. As of September 30, 2017, total assets were \$4,820,516 and total liabilities were \$131,599. At the end of fiscal year 2016, unassigned fund balance of the general fund was \$1,453,524.

The general fund budget was amended during the year to reflect increases in expected revenues and the corresponding expected increases in expenditures resulting from changes in capital outlay expenditure expectations.

#### Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail. All proprietary funds are reported as major funds.

Unrestricted net position of proprietary funds at the end of the year are presented below:

| <u>Fund</u>          | <u>Unrestricted<br/>Net Position</u> |                            |
|----------------------|--------------------------------------|----------------------------|
|                      | <u>2017</u>                          | <u>2016</u>                |
| <i>September 30,</i> |                                      |                            |
| Water                | \$ 311,925                           | \$ 352,689                 |
| Sewer                | 546,601                              | 669,070                    |
| Sanitation           | (52,359)                             | 78,482                     |
| <b>Total</b>         | <b><u>\$ 806,167</u></b>             | <b><u>\$ 1,100,241</u></b> |

The *water fund* is used to account for the operations and maintenance of the City's water system.

The *sewer fund* is used to account for the operations and maintenance of the City's sewer system.

The *sanitation fund* is used to account for the operations and maintenance of the City's sanitation system.

#### Capital Assets Activity

The following schedule provides a summary of the City's capital assets activity. The City's total investment in capital assets for both its governmental and business-type activities as of September 30, 2017, was \$22,826,824 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

**Capital Assets (net of depreciation)**

| <b>Year Ended September 30,</b> | <b>Governmental Activities</b> |                     | <b>Business-type Activities</b> |                      | <b>Total</b>         |                      |
|---------------------------------|--------------------------------|---------------------|---------------------------------|----------------------|----------------------|----------------------|
|                                 | <b>2017</b>                    | <b>2016</b>         | <b>2017</b>                     | <b>2016</b>          | <b>2017</b>          | <b>2016</b>          |
| Land                            | \$ 237,111                     | \$ 237,111          | \$ 288,191                      | \$ 288,191           | \$ 525,302           | \$ 525,302           |
| Construction in progress        | —                              | 2,251,539           | 42,146                          | 5,193,454            | 42,146               | 7,444,993            |
| Buildings                       | 1,495,858                      | 775,274             | —                               | —                    | 1,495,858            | 775,274              |
| Improvements                    | 8,264,506                      | 3,301,293           | 11,604,799                      | 6,673,644            | 19,869,305           | 9,974,937            |
| Machinery & equipment           | 403,102                        | 362,439             | 491,111                         | 282,922              | 894,213              | 645,361              |
| <b>Total</b>                    | <b>\$ 10,400,577</b>           | <b>\$ 6,927,656</b> | <b>\$ 12,426,247</b>            | <b>\$ 12,438,211</b> | <b>\$ 22,826,824</b> | <b>\$ 19,365,867</b> |

Additional information on the City’s capital assets can be found in note 6 of the notes to the basic financial statements.

**Debt Management**

At September 30, 2017 the City had total bond debt outstanding of \$5,218,248. This debt represents bonds secured solely by specified revenue sources (i.e., revenue and capital improvement bonds).

**Outstanding Bond Debt**

| <b>Year Ended September 30,</b> | <b>Governmental Activities</b> |             | <b>Business-type Activities</b> |              | <b>Total</b> |              |
|---------------------------------|--------------------------------|-------------|---------------------------------|--------------|--------------|--------------|
|                                 | <b>2017</b>                    | <b>2016</b> | <b>2017</b>                     | <b>2016</b>  | <b>2017</b>  | <b>2016</b>  |
| Bonds                           | \$ 231,225                     | \$ 280,599  | \$ 4,987,023                    | \$ 5,300,422 | \$ 5,218,248 | \$ 5,581,021 |

The Florida Constitution and the City of Mexico Beach set no legal debt limits for revenue and capital improvement bonds. More detailed information about the City’s liabilities is presented in notes 7 and 8 of the notes to basic financial statements.

**Other financial Information**

“The economic recession with the national economy and tourism had affected the City’s tourism industry previously but the City seems to have recovered. The City has completed construction of a New City Hall and has made significant investments in infrastructure and equipment. The City plans to continue to stay ahead of the curve providing further investments into infrastructure and equipment and has developed a strategic plan to drive this replacement process.

**Request for Information**

This report was prepared by the City’s finance department. Questions concerning this report or requests for additional information should be addressed to City of Mexico Beach, P.O. Box 13425, Mexico Beach, Florida 32410, attention: Adrian Welle.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF MEXICO BEACH, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

|   | <b>Primary Government</b>          |                                     |                            |
|---|------------------------------------|-------------------------------------|----------------------------|
|   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>               |
| <b>ASSETS</b>                                 |                                    |                                     |                            |
| Current assets,                               |                                    |                                     |                            |
| Cash and cash equivalents                     | \$ 3,401,585                       | \$ 1,095,842                        | \$ 4,497,427               |
| Accounts receivable, net                      | 5,613                              | 258,747                             | 264,360                    |
| Internal balances                             | 97,604                             | (97,604)                            | —                          |
| Due from other governmental units             | 816,303                            | —                                   | 816,303                    |
| Fuel inventory                                | 8,514                              | —                                   | 8,514                      |
| Prepaid expense                               | 129,205                            | —                                   | 129,205                    |
| Total Current Assets (unrestricted)           | <u>4,458,824</u>                   | <u>1,256,985</u>                    | <u>5,715,809</u>           |
| Restricted assets : Cash and cash equivalents | 290,137                            | 1,454,305                           | 1,744,442                  |
| Total Current Assets (restricted)             | <u>290,137</u>                     | <u>1,454,305</u>                    | <u>1,744,442</u>           |
| Total Current Assets                          | <u>4,748,961</u>                   | <u>2,711,290</u>                    | <u>7,460,251</u>           |
| Noncurrent assets                             |                                    |                                     |                            |
| Capacity rights                               | —                                  | 54,187                              | 54,187                     |
| Capital assets                                | 237,111                            | 330,337                             | 567,448                    |
| Nondepreciable                                |                                    |                                     |                            |
| Depreciable, net                              | 10,163,466                         | 12,095,910                          | 22,259,376                 |
| Total Noncurrent Assets                       | <u>10,400,577</u>                  | <u>12,480,434</u>                   | <u>22,881,011</u>          |
| Total Assets                                  | <u>15,149,538</u>                  | <u>15,191,724</u>                   | <u>30,341,262</u>          |
| <b>DEFERRED OUTLOWS OF RESOURCES</b>          |                                    |                                     |                            |
| Employee Pension Contributions                | 789,058                            | 307,010                             | 1,096,068                  |
| Total Deferred outflows of resources          | <u>789,058</u>                     | <u>307,010</u>                      | <u>1,096,068</u>           |
| <b>LIABILITIES</b>                            |                                    |                                     |                            |
| Current liabilities                           |                                    |                                     |                            |
| Accounts payable                              | 22,700                             | 156,194                             | 178,894                    |
| Payroll liabilities                           | 37,344                             | 12,723                              | 50,067                     |
| Accrued interest                              | —                                  | 16,709                              | 16,709                     |
| Total Current Liabilities                     | <u>60,044</u>                      | <u>185,626</u>                      | <u>245,670</u>             |
| Noncurrent liabilities                        |                                    |                                     |                            |
| Due within one year                           |                                    |                                     |                            |
| Accrued compensated absences                  | 14,640                             | 3,608                               | 18,248                     |
| Notes payable within one year                 | —                                  | 150,926                             | 150,926                    |
| Bonds payable within one year                 | 63,990                             | 390,457                             | 454,447                    |
| Due in more than one year                     |                                    |                                     |                            |
| Accrued compensated absences                  | 43,918                             | 10,824                              | 54,742                     |
| Notes payable after one year                  | —                                  | 651,680                             | 651,680                    |
| Bonds payable after one year                  | 167,235                            | 4,596,566                           | 4,763,801                  |
| Pension Liability                             | 1,536,690                          | 504,477                             | 2,072,167                  |
| Total Noncurrent Liabilities                  | <u>1,857,473</u>                   | <u>6,308,538</u>                    | <u>8,166,011</u>           |
| Total Liabilities                             | <u>1,917,517</u>                   | <u>6,494,164</u>                    | <u>8,411,681</u>           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>          |                                    |                                     |                            |
| Insurance proceeds                            | 640,862                            | —                                   | 640,862                    |
| Pension earnings                              | 188,780                            | 53,293                              | 242,073                    |
| Total Deferred Inflows of resources           | <u>829,642</u>                     | <u>53,293</u>                       | <u>882,935</u>             |
| <b>NET POSITION</b>                           |                                    |                                     |                            |
| Net investment in capital assets              | 10,169,352                         | 6,690,805                           | 16,860,157                 |
| Restricted for:                               |                                    |                                     |                            |
| Bond retirement                               | —                                  | 357,358                             | 357,358                    |
| Law enforcement                               | 1,546                              | —                                   | 1,546                      |
| Construction                                  | 105,300                            | —                                   | 105,300                    |
| Impact fees                                   | 123,527                            | 1,096,947                           | 1,220,474                  |
| Unrestricted                                  | 2,791,712                          | 806,167                             | 3,597,879                  |
| <b>Total Net position</b>                     | <b><u>\$13,191,437</u></b>         | <b><u>\$ 8,951,277</u></b>          | <b><u>\$22,142,714</u></b> |

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2017**

|                                     |                            | Net (Expense) Revenue and<br>Changes in Net Position |  |  |                             |                                |                             |
|-------------------------------------|----------------------------|--|--|--|-----------------------------|--------------------------------|-----------------------------|
|                                     |                            | Program Revenues                                     |  |  | Primary Government          |                                |                             |
| Functions/Programs                  | Expenses                   | Charges<br>for<br>Services                           | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities  | Business<br>Type<br>Activities | Total                       |
| <b>Primary government</b>           |                            |  |  |  |                             |                                |                             |
| Governmental activities             |                            |  |  |  |                             |                                |                             |
| General government                  | \$ 556,560                 | \$ 109,948   | \$ 61,978                                | \$ —                                   | \$ (384,634)                | \$ —                           | \$ (384,634)                |
| Public safety                       | 958,016                    | —  | —  | —                                      | (958,016)                   | —                              | (958,016)                   |
| Highways and streets                | 335,166                    | 12,904   | —  | 463,090                                | 140,828                     | —                              | 140,828                     |
| Economic environment                | 414,993                    | —  | —  | —                                      | (414,993)                   | —                              | (414,993)                   |
| Human services                      | 141,911                    | —  | —  | —                                      | (141,911)                   | —                              | (141,911)                   |
| Parks and recreation                | 274,195                    | 37,843   | 12,432                                   | 2,484,877                              | 2,260,957                   | —                              | 2,260,957                   |
| Physical environment                | 201,465                    | —  | —  | —                                      | (201,465)                   | —                              | (201,465)                   |
| Total governmental activities       | <u>2,882,306</u>           | <u>160,695</u>                                       | <u>74,410</u>                            | <u>2,947,967</u>                       | <u>300,766</u>              | <u>—</u>                       | <u>300,766</u>              |
| <b>Business-Type Activities</b>     |                            |  |  |  |                             |                                |                             |
| Water                               | 979,617                    | 1,181,818  | —  | —                                      | —                           | 202,201                        | 202,201                     |
| Sewer                               | 1,380,202                  | 1,401,709  | —  | —                                      | —                           | 21,507                         | 21,507                      |
| Sanitation                          | 691,624                    | 672,041  | —  | —                                      | —                           | (19,583)                       | (19,583)                    |
| Total business-type activities      | <u>3,051,443</u>           | <u>3,255,568</u>                                     | <u>—</u>                                 | <u>—</u>                               | <u>—</u>                    | <u>204,125</u>                 | <u>204,125</u>              |
| <b>Total Primary Government</b>     | <b><u>\$ 5,933,749</u></b> | <b><u>\$3,416,263</u></b>                            | <b><u>\$ 74,410</u></b>                  | <b><u>\$ 2,947,967</u></b>             | <b><u>300,766</u></b>       | <b><u>204,125</u></b>          | <b><u>504,891</u></b>       |
| <b>General Revenues:</b>            |                            |  |  |  |                             |                                |                             |
| Taxes:                              |                            |  |  |  |                             |                                |                             |
| Ad valorem                          |                            |  |  |  | 1,832,089                   | —                              | 1,832,089                   |
| Utility                             |                            |  |  |  | 178,088                     | —                              | 178,088                     |
| Local option gas tax                |                            |  |  |  | 68,289                      | —                              | 68,289                      |
| Occupational and other taxes        |                            |  |  |  | 7,481                       | —                              | 7,481                       |
| Franchise fees                      |                            |  |  |  | 153,374                     | —                              | 153,374                     |
| Sales tax and other shared revenues |                            |  |  |  | 166,803                     | —                              | 166,803                     |
| Miscellaneous                       |                            |  |  |  | 120,119                     | —                              | 120,119                     |
| Interest earnings                   |                            |  |  |  | 3,739                       | —                              | 3,739                       |
| Total General Revenues              |                            |  |  |  | <u>2,529,982</u>            | <u>—</u>                       | <u>2,529,982</u>            |
| Changes in Net Position             |                            |  |  |  | 2,830,748                   | 204,125                        | 3,034,873                   |
| Net Position – Beginning of Year    |                            |  |  |  | <u>10,360,689</u>           | <u>8,747,152</u>               | <u>19,107,841</u>           |
| <b>Net Position – End of Year</b>   |                            |  |  |  | <b><u>\$ 13,191,437</u></b> | <b><u>\$ 8,951,277</u></b>     | <b><u>\$ 22,142,714</u></b> |

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2017**

|   | <b>General<br/>Fund</b> |
|---|-------------------------|
| <b>Assets</b>   |                         |
| Cash and cash equivalents                                 | \$ 3,401,585            |
| Accounts receivable, net                                  | 5,613                   |
| Fuel inventory  | 8,514                   |
| Due from other funds                                      | 169,159                 |
| Due from other governments                                | 816,303                 |
| Prepaid expenses  | 129,205                 |
| Cash and cash equivalents - restricted                    | <u>290,137</u>          |
| <b>Total Assets</b>                                       | <b><u>4,820,516</u></b> |
| <br><b>Liabilities, Deferred Inflows and Fund Balance</b> |                         |
| <b>Liabilities</b>  |                         |
| Accounts payable  | 22,700                  |
| Accrued expenses  | 37,344                  |
| Due to other funds  | <u>71,555</u>           |
| <b>Total Liabilities</b>                                  | <b><u>131,599</u></b>   |
| <br><b>Deferred Inflows</b>                               |                         |
| Deferred inflows – insurance proceeds                     | <u>640,862</u>          |
| <b>Deferred Inflows</b>                                   | <b><u>640,862</u></b>   |
| <br><b>Fund balance</b>                                   |                         |
| Nonspendable  |                         |
| Inventory   | 5,613                   |
| Restricted for:   |                         |
| Impact fees   | 123,527                 |
| Construction  | 105,300                 |
| Law enforcement   | 1,546                   |
| Committed for:  |                         |
| Boat ramp maintenance                                     | 59,531                  |
| Public works  | 736,624                 |
| Canal maintenance   | 848,397                 |
| Assigned for:   |                         |
| Canal maintenance   | 150,000                 |
| Paving and maintenance                                    | 563,993                 |
| Unassigned  | <u>1,453,524</u>        |
| <b>Total Fund Balance</b>                                 | <b><u>4,048,055</u></b> |

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

|  |                            |
|--|----------------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.  | 10,400,577                 |
| Pension liabilities are not due and payable in the current period and therefore, are not reported as liabilities in government funds, nor are related deferred outflows and inflows. | (967,412)                  |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.   | <u>(289,783)</u>           |
| <b>Net Position of Governmental Activities</b>   | <b><u>\$13,191,437</u></b> |

See accompanying notes to the basic financial statements



**CITY OF MEXICO BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2017**

|                                 | <b>General<br/>Fund</b>    |
|---------------------------------|----------------------------|
| <b>Revenues</b>                 |                            |
| Taxes                           | \$ 2,085,947               |
| Franchise fees                  | 153,374                    |
| Licenses and permits            | 104,047                    |
| Intergovernmental               | 3,122,852                  |
| Fines and forfeitures           | 5,901                      |
| Charges for services            | 82,971                     |
| Rental income                   | 37,843                     |
| Miscellaneous revenues          | 120,119                    |
| <b>Total revenues</b>           | <b><u>5,713,054</u></b>    |
| <b>Expenditures</b>             |                            |
| Current operating               |                            |
| General government              | 486,674                    |
| Public safety                   | 840,618                    |
| Highways and streets            | 304,127                    |
| Economic environment            | 414,993                    |
| Physical environment            | 169,029                    |
| Human services                  | 134,711                    |
| Parks and recreation            | 161,063                    |
| Capital outlay                  | 3,688,888                  |
| Debt service                    | 73,987                     |
| <b>Total expenditures</b>       | <b><u>6,274,090</u></b>    |
| Net change in fund balance      | (561,036)                  |
| <b>Fund balance – beginning</b> | <b><u>4,609,091</u></b>    |
| <b>Fund balance - ending</b>    | <b><u>\$ 4,048,055</u></b> |

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2017**

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

|   |                            |
|---|----------------------------|
| Net change in fund balances – total governmental funds.   | \$ (561,036)               |
| Governmental funds report capital outlays as expenditures. However in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation. This is the amount by which depreciation is exceeded by capital outlays in the current period.  | 3,472,921                  |
| Some expenses reported in the statement of activities do not require the current financial resources and, therefore, are not reported as expenditures in governmental funds.  | (13,986)                   |
| Pension contributions are reported as expenditures in the funds while pension expense is reported in the government-wide statements.  | (116,525)                  |
| The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of the issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | <u>49,374</u>              |
| <b>Change in net position of governmental activities</b>  | <b><u>\$ 2,830,748</u></b> |

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – BUDGET AND ACTUAL – GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2017**

|                                   | <b>Budget Amounts</b>      |                            | <b>Actual<br/>Amounts</b>  | <b>Variance with Final</b>            |
|-----------------------------------|----------------------------|----------------------------|----------------------------|---------------------------------------|
|                                   | <b>Original</b>            | <b>Final</b>               |                            | <b>Budget Positive<br/>(Negative)</b> |
| <b>Revenues:</b>                  |                            |                            |                            |                                       |
| Taxes                             | \$ 2,013,661               | \$ 2,013,661               | \$ 2,085,947               | \$ 72,286                             |
| Franchise fees                    | 160,037                    | 160,037                    | 153,374                    | (6,663)                               |
| License and permits               | 38,318                     | 38,318                     | 104,047                    | 65,729                                |
| Intergovernmental                 | 248,478                    | 3,102,340                  | 3,122,852                  | 20,512                                |
| Fines                             | 2,000                      | 2,000                      | 5,901                      | 3,901                                 |
| Charges for services              | 82,000                     | 82,000                     | 82,971                     | 971                                   |
| Rental Income                     | 27,000                     | 27,000                     | 37,843                     | 10,843                                |
| Miscellaneous revenues            | <u>96,533</u>              | <u>96,533</u>              | <u>120,119</u>             | <u>23,586</u>                         |
| <b>Total revenues</b>             | <u>2,668,027</u>           | <u>5,521,889</u>           | <u>5,713,054</u>           | <u>191,165</u>                        |
| <b>Expenditures:</b>              |                            |                            |                            |                                       |
| Current                           |                            |                            |                            |                                       |
| General government                | 459,182                    | 459,182                    | 486,674                    | (27,492)                              |
| Public safety                     | 887,414                    | 887,414                    | 840,618                    | 46,796                                |
| Highways and streets              | 382,854                    | 400,254                    | 304,127                    | 96,127                                |
| Economic environment              | —                          | 560,000                    | 414,993                    | 145,007                               |
| Physical environment              | 218,464                    | 218,464                    | 169,029                    | 49,435                                |
| Human services                    | 131,795                    | 131,795                    | 134,711                    | (2,916)                               |
| Culture and recreation            | 149,597                    | 150,847                    | 161,063                    | (10,216)                              |
| Capital outlay                    | 787,700                    | 4,159,562                  | 3,688,888                  | 470,674                               |
| Debt service                      | <u>118,017</u>             | <u>118,017</u>             | <u>73,987</u>              | <u>44,030</u>                         |
| <b>Total expenditures</b>         | <u>3,135,023</u>           | <u>7,085,535</u>           | <u>6,274,090</u>           | <u>811,445</u>                        |
| <b>Net change in fund balance</b> | (466,996)                  | (1,563,646)                | (561,036)                  | (620,280)                             |
| <b>Fund balance - beginning</b>   | <u>4,609,091</u>           | <u>4,609,091</u>           | <u>4,609,091</u>           | <u>—</u>                              |
| <b>Fund balance - ending</b>      | <u><b>\$ 4,142,095</b></u> | <u><b>\$ 3,045,445</b></u> | <u><b>\$ 4,048,055</b></u> | <u><b>\$ (620,280)</b></u>            |

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2017**

| <b>Business-type Activities/Enterprise Funds</b> |                     |                     |                   |                      |
|--|---------------------|---------------------|-------------------|----------------------|
|  | <b>Water</b>        | <b>Sewer</b>        | <b>Sanitation</b> | <b>Total</b>         |
| <b>Assets</b>                                    |                     |                     |                   |                      |
| Current assets                                   |                     |                     |                   |                      |
| Cash and cash equivalents                        | \$ 411,479          | \$ 669,757          | \$ 14,606         | \$ 1,095,842         |
| Accounts receivable (net)                        | 114,239             | 96,797              | 47,711            | 258,747              |
| Due from other funds                             | <u>—</u>            | <u>42,982</u>       | <u>71,555</u>     | <u>114,537</u>       |
| Total current assets                             | <u>525,718</u>      | <u>809,536</u>      | <u>133,872</u>    | <u>1,469,126</u>     |
| Restricted assets - cash                         |                     |                     |                   |                      |
| Bond and interest sinking                        | 82,286              | 275,072             | —                 | 357,358              |
| Impact fees                                      | <u>226,270</u>      | <u>870,677</u>      | <u>—</u>          | <u>1,096,947</u>     |
| Total restricted assets - cash                   | <u>308,556</u>      | <u>1,145,749</u>    | <u>—</u>          | <u>1,454,305</u>     |
| Noncurrent assets                                |                     |                     |                   |                      |
| Capacity rights                                  | —                   | 54,187              | —                 | 54,187               |
| Land   | 17,765              | 270,426             | —                 | 288,191              |
| Property, plant, and equipment                   | 11,409,774          | 7,136,679           | 544,678           | 19,091,131           |
| Less accumulated depreciation                    | <u>(3,282,945)</u>  | <u>(3,407,923)</u>  | <u>(262,207)</u>  | <u>(6,953,075)</u>   |
| Total noncurrent assets                          | <u>8,144,594</u>    | <u>4,053,369</u>    | <u>282,471</u>    | <u>12,480,434</u>    |
| Total assets                                     | <u>\$ 8,978,868</u> | <u>\$ 6,008,654</u> | <u>\$ 416,343</u> | <u>\$ 15,403,865</u> |
| <b>Deferred Outflows of Resources</b>            |                     |                     |                   |                      |
| Employee pension contributions                   | 89,243              | 112,866             | 104,901           | 307,010              |
| Total Deferred Outflows of Resources             | <u>\$ 89,243</u>    | <u>\$ 112,866</u>   | <u>\$ 104,901</u> | <u>\$ 307,010</u>    |

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2017**

| <b>Business-type Activities/Enterprise Funds</b>         |                     |                     |                   |                     |
|--|---------------------|---------------------|-------------------|---------------------|
|  | <b>Water</b>        | <b>Sewer</b>        | <b>Sanitation</b> | <b>Total</b>        |
| <b>Liabilities</b>                                       |                     |                     |                   |                     |
| Current liabilities                                      |                     |                     |                   |                     |
| Accounts payable   | \$ 25,034           | \$ 127,379          | \$ 3,781          | \$ 156,194          |
| Accrued expenses   | 2,189               | 4,354               | 6,180             | 12,723              |
| Accrued compensated absences                             | 1,935               | 213                 | 1,460             | 3,608               |
| Due to other funds                                       | 95,833              | 43,692              | 72,616            | 212,141             |
| Notes payable, current portion                           | 150,926             | —                   | —                 | 150,926             |
| Bonds payable, current portion                           | <u>178,837</u>      | <u>211,620</u>      | <u>—</u>          | <u>390,457</u>      |
| Total current liabilities                                | <u>454,754</u>      | <u>387,258</u>      | <u>84,037</u>     | <u>926,049</u>      |
| Current liabilities payable from restricted assets       |                     |                     |                   |                     |
| Accrued interest   | <u>9,756</u>        | <u>6,953</u>        | <u>—</u>          | <u>16,709</u>       |
| Total current liabilities payable from restricted assets | <u>9,756</u>        | <u>6,953</u>        | <u>—</u>          | <u>16,709</u>       |
| Noncurrent liabilities                                   |                     |                     |                   |                     |
| Accrued compensated absences                             | 5,805               | 638                 | 4,381             | 10,824              |
| Notes payable – due after one year                       | 651,680             | —                   | —                 | 651,680             |
| Bond payable – due after one year                        | 2,414,757           | 2,181,809           | —                 | 4,596,566           |
| Net pension liability                                    | <u>147,123</u>      | <u>176,478</u>      | <u>180,876</u>    | <u>504,477</u>      |
| Total noncurrent liabilities                             | <u>3,219,365</u>    | <u>2,358,925</u>    | <u>185,257</u>    | <u>5,763,547</u>    |
| Total Liabilities  | <u>3,683,875</u>    | <u>2,753,136</u>    | <u>269,294</u>    | <u>6,706,305</u>    |
| <b>Deferred Inflows of Resources</b>                     |                     |                     |                   |                     |
| Deferred inflows – utility prepayments                   | <u>15,361</u>       | <u>16,094</u>       | <u>21,838</u>     | <u>53,293</u>       |
| Total Deferred Inflows of Resources                      | <u>15,361</u>       | <u>16,094</u>       | <u>21,838</u>     | <u>53,293</u>       |
| <b>Net Position</b>                                      |                     |                     |                   |                     |
| Net investment in capital assets                         | 4,748,394           | 1,659,940           | 282,471           | 6,690,805           |
| Restricted for   |                     |                     |                   |                     |
| Bond retirement  | 82,286              | 275,072             | —                 | 357,358             |
| Impact fees  | 226,270             | 870,677             | —                 | 1,096,947           |
| Unrestricted   | <u>311,925</u>      | <u>546,601</u>      | <u>(52,359)</u>   | <u>806,167</u>      |
| Total Net Position                                       | <u>\$ 5,368,875</u> | <u>\$ 3,352,290</u> | <u>\$ 230,112</u> | <u>\$ 8,951,277</u> |

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2017**

| <b>Business-type Activities/Enterprise Funds</b> |                            |                            |                          |                            |
|--|----------------------------|----------------------------|--------------------------|----------------------------|
|  | <b>Water</b>               | <b>Sewer</b>               | <b>Sanitation</b>        | <b>Total</b>               |
| <b>Operating revenues</b>                        |                            |                            |                          |                            |
| Charges for services                             | \$ 1,093,390               | \$ 1,254,393               | \$ 656,050               | \$ 3,003,833               |
| New installations                                | 24,325                     | 25,480                     | —                        | 49,805                     |
| Reconnections                                    | 7,595                      | 9,347                      | —                        | 16,942                     |
| Impact fees                                      | 51,450                     | 110,500                    | —                        | 161,950                    |
| Other utility income                             | 4,221                      | —                          | 15,843                   | 20,064                     |
| Total operating revenue                          | <u>1,180,981</u>           | <u>1,399,720</u>           | <u>671,893</u>           | <u>3,252,594</u>           |
| <b>Operating expenses</b>                        |                            |                            |                          |                            |
| Personnel services                               | 227,414                    | 268,148                    | 477,929                  | 973,491                    |
| Office   | 31                         | —                          | —                        | 31                         |
| Utilities  | 1,713                      | 185,794                    | —                        | 187,507                    |
| Insurance  | 34,464                     | 28,375                     | 13,885                   | 76,724                     |
| Repairs and maintenance                          | 41,528                     | 68,092                     | 21,988                   | 131,608                    |
| Operating supplies                               | 7,605                      | 112,819                    | 81,578                   | 202,002                    |
| Communication services                           | 6,059                      | 350                        | 978                      | 7,387                      |
| Public utility services                          | 284,449                    | 370,574                    | —                        | 655,023                    |
| Tipping fees                                     | —                          | —                          | 48,346                   | 48,346                     |
| Transportation                                   | —                          | 254                        | 7,368                    | 7,622                      |
| Rentals  | 1,827                      | 1,041                      | —                        | 2,868                      |
| Miscellaneous                                    | 21,925                     | 9,756                      | 16,846                   | 48,527                     |
| Depreciation                                     | <u>174,469</u>             | <u>207,317</u>             | <u>22,706</u>            | <u>404,492</u>             |
| Total operating expenses                         | <u>801,484</u>             | <u>1,252,520</u>           | <u>691,624</u>           | <u>2,745,628</u>           |
| Operating income                                 | <u>379,497</u>             | <u>147,200</u>             | <u>(19,731)</u>          | <u>506,966</u>             |
| <b>Nonoperating revenues (expenses)</b>          |                            |                            |                          |                            |
| Interest income                                  | 837                        | 1,989                      | 148                      | 2,974                      |
| Interest expense                                 | <u>(178,133)</u>           | <u>(127,682)</u>           | <u>—</u>                 | <u>(305,815)</u>           |
| Total non operating revenues (expenses)          | <u>(177,296)</u>           | <u>(125,693)</u>           | <u>148</u>               | <u>(302,841)</u>           |
| Change in net position                           | 202,201                    | 21,507                     | (19,583)                 | 204,125                    |
| <b>Net position - beginning</b>                  | <u>5,166,674</u>           | <u>3,330,783</u>           | <u>249,695</u>           | <u>8,747,152</u>           |
| <b>Net position - ending</b>                     | <u><b>\$ 5,368,875</b></u> | <u><b>\$ 3,352,290</b></u> | <u><b>\$ 230,112</b></u> | <u><b>\$ 8,951,277</b></u> |

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2017**

| <b>Business-type Activities/Enterprise Funds</b>          |                   |                     |                   |                     |
|---|-------------------|---------------------|-------------------|---------------------|
|   | <u>Water</u>      | <u>Sewer</u>        | <u>Sanitation</u> | <u>Total</u>        |
| <b>Operating Activities</b>                               |                   |                     |                   |                     |
| Receipts from customers and users                         | \$ 1,141,558      | \$ 1,413,100        | \$ 681,991        | \$ 3,236,649        |
| Payments to suppliers and others                          | (327,172)         | (629,548)           | (179,408)         | (1,136,128)         |
| Payments for personnel services                           | <u>(231,553)</u>  | <u>(277,812)</u>    | <u>(490,554)</u>  | <u>(999,919)</u>    |
| Net cash provided by operating activities                 | <u>582,833</u>    | <u>505,740</u>      | <u>12,029</u>     | <u>1,100,602</u>    |
| <b>Capital and Related Financing Activities</b>           |                   |                     |                   |                     |
| Principal paid on bonds                                   | (143,347)         | (170,053)           | —                 | (313,400)           |
| Principal paid on notes and leases                        | (146,320)         | —                   | —                 | (146,320)           |
| Interest paid on bonds, notes and leases                  | (174,543)         | (126,837)           | —                 | (301,380)           |
| Purchase of capital assets                                | <u>(76,132)</u>   | <u>(182,433)</u>    | <u>(133,964)</u>  | <u>(392,529)</u>    |
| Net cash used in capital and related financing activities | <u>(540,342)</u>  | <u>(479,323)</u>    | <u>(133,964)</u>  | <u>(1,153,629)</u>  |
| <b>Investing Activities</b>                               |                   |                     |                   |                     |
| Interest received   | <u>837</u>        | <u>1,989</u>        | <u>148</u>        | <u>2,974</u>        |
| Net cash provided by investing activities                 | <u>837</u>        | <u>1,989</u>        | <u>148</u>        | <u>2,974</u>        |
| <b>Net change in cash and cash equivalents</b>            | <u>43,328</u>     | <u>28,406</u>       | <u>(121,787)</u>  | <u>(50,053)</u>     |
| <b>Cash and cash equivalents - beginning</b>              | <u>676,707</u>    | <u>1,787,100</u>    | <u>136,393</u>    | <u>2,600,200</u>    |
| <b>Cash and cash equivalents ending</b>                   | <u>\$ 720,035</u> | <u>\$ 1,815,506</u> | <u>\$ 14,606</u>  | <u>\$ 2,550,147</u> |

(continued)

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (continued)**  
**YEAR ENDED SEPTEMBER 30, 2017**

| <b>Business-type Activities/Enterprise Funds</b>                                       |                          |                          |                         |                            |
|--|--------------------------|--------------------------|-------------------------|----------------------------|
|  | <b>Water</b>             | <b>Sewer</b>             | <b>Sanitation</b>       | <b>Total</b>               |
| <b>Reconciliation of operating income to net cash provided by operating activities</b> |                          |                          |                         |                            |
| Operating Income   | <u>\$ 379,497</u>        | <u>\$ 147,200</u>        | <u>\$ (19,731)</u>      | <u>\$ 506,966</u>          |
| Adjustments to reconcile operating income to net cash provided by operating activities |                          |                          |                         |                            |
| Depreciation   | 174,469                  | 207,317                  | 22,706                  | 404,492                    |
| (Increase) decrease in assets  |                          |                          |                         |                            |
| Accounts receivable, net   | (39,423)                 | 13,380                   | 10,098                  | (15,945)                   |
| Due from other funds   | —                        | (42,982)                 | (71,555)                | (114,537)                  |
| Deferred outflows  | (16,811)                 | (18,345)                 | (25,061)                | (60,217)                   |
| (Increase) decrease in liabilities   |                          |                          |                         |                            |
| Accounts payable   | (39,676)                 | 126,605                  | (16,051)                | 70,878                     |
| Accrued expenses   | (427)                    | 1,969                    | 1,677                   | 3,219                      |
| Due to other funds   | 95,833                   | 43,692                   | 72,616                  | 212,141                    |
| Deferred inflows   | 7,349                    | 8,020                    | 10,956                  | 26,325                     |
| Accrued compensated absences   | (4,139)                  | (9,664)                  | (12,625)                | (26,428)                   |
| Net pension  | <u>26,161</u>            | <u>28,548</u>            | <u>38,999</u>           | <u>93,708</u>              |
| Total adjustments  | <u>203,336</u>           | <u>358,540</u>           | <u>31,760</u>           | <u>593,636</u>             |
| <b>Net cash provided by operating activities</b>                                       | <u><u>\$ 582,833</u></u> | <u><u>\$ 505,740</u></u> | <u><u>\$ 12,029</u></u> | <u><u>\$ 1,100,602</u></u> |

See accompanying notes to the basic financial statements



**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

The financial statements of the City of Mexico Beach (The City) have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard-setting body that establishes governmental accounting and financial reporting principles.

This summary of the City's significant accounting policies is presented to assist the reader in interpreting the financial statements and other information in this report. These policies are essential and should be read in conjunction with the accompanying financial statements.

**Reporting Entity**

The City is located in eastern Bay County in northwest Florida along the Gulf of Mexico. The City operates under an elected Mayor-Council and a four-member City Council, and serves approximately 1,500 residents by providing human services, community enrichment and development, law enforcement and fire safety, and general administrative services. In addition, the City operates water, sewer and sanitation utilities.

This report includes financial statements of the funds of the City. The reporting entity for the City consists of the primary government, organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and, (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities are, in substance, part of the government's operations and are reported with similar funds of the primary government (see note below for description). Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

The City has one component unit as defined by GASB Statement 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34* or in publications cited in the State of Florida, Office of the Auditor General Rules, Rule 10.553. A nonprofit corporation formed by the City's volunteer fire department is considered a component unit of the City. However, its operations and assets are not material to the City's financial statements. Accordingly, the volunteer fire department's operations and financial position are not included in the City's financial statements.

There were no entities for which there were positive responses to specific criteria used for establishing oversight responsibility that were excluded from the City's financial statements. The City did not participate in any joint ventures during the year.

The City has issued certain revenue bonds for the purpose of financing of healthcare facilities owned by nonprofit organizations as discussed in note 10. The City is not liable for the repayment of such debt and accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units, if any, for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

The City reports the following major governmental fund:

- General Fund- the general fund is the City's primary operating fund. It is used to account for all resources traditionally associated with governments except those required to be accounted for in other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the general fund.

The City reports the following major proprietary funds:

- The water fund is used to account for the revenues and costs of collection, treatment and distribution of water services.
- The sewer fund is used to account for the revenues and costs of providing wastewater and sanitary sewer services.
- The sanitation fund is used to account for the revenues and costs of providing sanitation services.

**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 is 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.

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

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

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

**Budgets and Budgetary Accounting**

Annual budgets are legally adopted for all governmental funds and all proprietary funds. Budgets are prepared and adopted on a basis of accounting consistent with U.S. generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Chapter 166 Florida Statutes governs the manner in which the budget may be legally amended once it has been approved. Therefore, the fund level is the legal level of control for budget considerations according to Florida Statutes.

The City budgets expenditures at the department level. Only the City Council can approve budget amendments that change the total approved budget appropriation of an individual department. Department managers can transfer appropriations within the departmental budget, but cannot change the total appropriation of an individual department without the approval of the City Council.

If during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the Council by resolution may make supplemental appropriations for the year up to the amount of such excess. During the current fiscal year, various supplemental appropriations were approved by the Council in accordance with Florida Statutes.

Budgetary data presented in the accompanying basic financial statements in the final budgeted amounts column represents the final budgetary data. In this column the effects of budget amendments have been applied to original budgetary data.

***Encumbrances***

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is used in the governmental funds. However, all encumbrances lapse at year end and, accordingly, a reserve for encumbrances is not reported in the accompanying basic financial statements.

Encumbrances are reestablished at the beginning of the fiscal year if funds are appropriated in the annual budget. Encumbrances do not constitute expenditures or liabilities.

***Cash and Temporary Cash Investment***

The City considers certificates of deposit and highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

***Accounts Receivable***

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The City estimates there are no uncollectible accounts. Therefore, the City is of the opinion an allowance for doubtful accounts are not necessary. Unbilled amounts are not recorded.

***Due From (To) Other Funds***

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

***Inventories***

Inventory items of materials and supplies, which are not significant in amount, are considered expenditures when purchased in the governmental funds and the proprietary funds. Inventory in the governmental funds consists of fuel held for use by all departments and funds. Inventory is valued at the lower of cost using the first-in, first-out (FIFO) method or market.

***Capital Assets***

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

Property, plant and equipment with initial individual costs that exceed \$750 and estimated useful lives in excess of one year are recorded as capital assets. Infrastructure such as roads, bridges and sidewalks are capitalized when their initial costs exceed \$25,000 and possess estimated useful lives in excess of one year. Capital assets are recorded at historical cost whether purchases or constructed or estimated cost if historical cost is unknown. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend its useful life are not capitalized.

Depreciation is recorded on the straight-line basis over the estimated useful lives of assets generally as follows:

|                                   |             |
|-----------------------------------|-------------|
| Buildings                         | 20-50 Years |
| Improvements other than buildings | 20-50 Years |
| Equipment                         | 3-15 Years  |
| Infrastructure                    | 10-50 Years |

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

***Long-term Obligations***

In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

***Unamortized Discounts***

Bond discounts associated with the issuance of proprietary fund bonds are amortized over the life of the bonds using the straight-line method for financial reporting, unamortized bond discounts are netted against the applicable long-term debt.

***Accrued Compensated Absences***

All full-time employees earn two weeks vacation per year (which cannot be taken until 6 months of probationary service are completed), 14 days after 5 years, 18 days after 11 years, and 20 days after 15 years. Annual leave may be accumulated at a maximum of 25 days per calendar year. Employees who have completed their probationary period are eligible for payment of accumulated annual leave not to exceed a maximum of 25 days upon their separation from the City. Employees with one year of service may request payment of their hourly rate times a maximum of 50 percent of the employee's annually accrued vacation time up to sixty hours per year.

Six hours of sick leave is earned for each month of employment and is cumulative. Sick leave cannot be used until the probationary status is completed and regular status is attained. Sick leave is only eligible for permanent employees. Employees who have worked for the City more than ten years are eligible for payment of unused sick leave and shall be compensated at the employee's current regular hourly rate of pay for one-fifth (1/5) of all unused sick leave credits accrued. Employees with less than ten years of service shall not be compensated upon termination.

Both the current and long-term portion of compensated absences are accrued and reported in the government-wide financial statements. No expenditure is reported in the government fund level statements for these amounts until payment is made. Proprietary fund types accrue sick leave and vacation benefits in the period they are earned. Compensated absences liability is based on current rates of pay. This is accounted for pursuant to GASB Statement 16, *Accounting for Compensated Absences*.

***Property Taxes***

Property taxes consist of ad valorem taxes on real and personal property within the City. Property values are determined by the Bay County Property Appraiser. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mills for general operations. The City's millage rate for the year ended September 30, 2017, was 5.184 mills. The tax levy of the City is established by the City Council prior to October 1 of each year.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

Property tax revenue is recognized when taxes are received by the City. Because any delinquent taxes collected after September 30 would not be material, delinquent taxes due are not accrued at year end. The City's tax calendar is as follows:

|                   |                                      |
|-------------------|--------------------------------------|
| Lien date:        | January 1                            |
| Levy date:        | Not later than October 1             |
| Delinquent date:  | April 1 of year following assessment |
| Discount periods: | November through February (up to 4%) |
| Collection dates: | November 1 through March 31          |

Property taxes are collected by the Bay County Tax Collector. State Law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes and for enforcement of collection of real property taxes by the sale of interest bearing tax certificates.

***Deferred Inflows***

Deferred inflows reported in the government-wide, and proprietary funds financial statements represent unearned revenues. The deferred inflows will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred inflows reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available, and in accordance with the modified accrual basis of accounting.

***Deferred Outflows***

Deferred outflows of resources represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The deferred outflows of resources reported in the City's Statement of Net Position represent pension related balances for changes in actuarial assumptions, the net difference between projected and actual earnings on Health Insurance Subsidy differences between the City's contributions and proportionate share of contributions, and the City's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as increases in pension expense in future years.

***Fund Balance***

The City has implemented GASB Statement 54 employing the following terminology and classifications for fund balance.

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council, the City’s highest level of decision-making authority. Commitments may only be modified or removed by formal resolution of the City Council.

Assigned Fund Balance – includes amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official.

Unassigned Fund Balance – is represented by the residual classification of the General Fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

***Restricted Assets***

Certain assets of the various funds are required by resolutions and ordinances to be set aside and used for specific purposes; thus, they are not available to be used for general operations. When both restricted and unrestricted resources are available for use it is the government’s policy to use externally restricted resources first, then unrestricted resources, committed, assigned, and unassigned – in order as needed.

**Net Position**

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was implemented in the current year. This standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and this standard renames the components of net position which were previously considered net assets.

Net position is classified in three categories. The general meaning of each is as follows:

- a. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of restricted or net investment in capital assets.



**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principle requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Subsequent events***

The City evaluated subsequent events through June 22, 2018, the date which the financial statements were available to be issued. The City did not have any subsequent events requiring disclosure or recording in these financial statements.

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

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

The governmental funds balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.” The details of this difference are as follows:

|   |                     |
|---|---------------------|
| Cost of capital assets  | \$13,191,092        |
| Less: accumulated depreciation  | <u>(2,790,515)</u>  |
| Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i> | <u>\$10,400,577</u> |

Another element of that reconciliation states, “long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.” The details of this difference are as follows:

|   |                   |
|---|-------------------|
| Bonds payable   | \$ 231,225        |
| Compensated absences  | <u>58,558</u>     |
| Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i> | <u>\$ 289,783</u> |

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)**

Explanation of certain differences between the governmental funds statements of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation.” The details of this difference are as follows:

|  |                     |
|--|---------------------|
| Capital outlay   | \$ 3,688,888        |
| Depreciation expense   | <u>(215,967)</u>    |
| Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i> | <u>\$ 3,472,921</u> |

Another element of that reconciliation states, “some expenses reported in the statement of activities do not require the use of current financial resource and, therefore, are not reported as expenditures in governmental funds.” The details of these differences are as follows:

|  |                    |
|--|--------------------|
| Compensated absences   | <u>\$ (13,986)</u> |
| Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i> | <u>\$ (13,986)</u> |

Another element of that reconciliation states, “the issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)**

The details of these differences are as follows:

|  |                  |
|--|------------------|
| Principal repayments   |                  |
| Bonds  | \$ 49,374        |
| Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i> | <u>\$ 49,374</u> |

**NOTE 3 – CASH AND INVESTMENTS**

The City’s cash and cash equivalents include cash on hand, demand deposits, and highly liquid debt instruments with original maturities of three months or less.

***Investment Policies***

Florida Statutes, Section 218.415, authorizes the City to invest surplus funds in the following:

- The local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02.
- Direct obligations of the U.S. Treasury.

Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss.80a-1 et. seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

The City had no investments at September 30, 2017

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CASH AND INVESTMENTS (continued)**

***Interest Rate Risk***

At September 30, 2017, the City did not hold any deposits or investments other than those disclosed below that were considered to be an interest rate risk.

***Credit Risk***

At September 30, 2017, the City did not hold any deposits or investments other than those disclosed below that were considered to be a credit risk.

***Custodial Risk***

At September 30, 2017, the City did not hold any deposits or investments that were considered to be a custodial risk.

***Concentration of Credit Risk***

As September 30, 2017, the City did not hold any investments that were considered to be a concentration of credit risk.

**NOTE 4- ACCOUNTS RECEIVABLE, NET**

At September 30, 2017, accounts receivable in the governmental funds are summarized as follows:

|  |           |              |
|--|-----------|--------------|
| Total accounts receivable                    | \$        | 5,613        |
| <u>Less: allowance for doubtful accounts</u> |           | <u>—</u>     |
| <u>Net accounts receivable</u>               | <u>\$</u> | <u>5,613</u> |

At September 30, 2017, accounts receivable in the proprietary funds are summarized as follows:

|  |           |                |
|--|-----------|----------------|
| Accounts receivable                          | \$        | 258,747        |
| <u>Less: allowance for doubtful accounts</u> |           | <u>—</u>       |
| <u>Net accounts receivable</u>               | <u>\$</u> | <u>258,747</u> |

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6- CAPITAL ASSETS**

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

|   | <u>September 30,<br/>2016</u> | <u>Increases</u>           | <u>Decreases</u>             | <u>September 30,<br/>2017</u> |
|---|-------------------------------|----------------------------|------------------------------|-------------------------------|
| <b>Governmental Activities:</b>   |                               |                            |                              |                               |
| Capital assets not being depreciated:   |                               |                            |                              |                               |
| Land  | \$ 237,111                    | \$ —                       | \$ —                         | \$ 237,111                    |
| Construction in progress  | <u>2,251,539</u>              | <u>74,942</u>              | <u>(2,326,481)</u>           | <u>—</u>                      |
| Total capital assets, not being depreciated   | <u>2,488,650</u>              | <u>74,942</u>              | <u>(2,326,481)</u>           | <u>237,111</u>                |
| Capital assets being depreciated:   |                               |                            |                              |                               |
| Buildings   | 990,270                       | 748,559                    | —                            | 1,738,829                     |
| Improvements  | 4,088,471                     | 5,065,239                  | —                            | 9,153,710                     |
| Machinery and equipment   | <u>1,934,813</u>              | <u>126,629</u>             | <u>—</u>                     | <u>2,061,442</u>              |
| Total capital assets being depreciated  | <u>7,013,554</u>              | <u>5,940,427</u>           | <u>—</u>                     | <u>12,953,981</u>             |
| Less accumulated depreciation for:  |                               |                            |                              |                               |
| Buildings   | (214,996)                     | (27,975)                   | —                            | (242,971)                     |
| Improvements  | (787,178)                     | (102,026)                  | —                            | (889,204)                     |
| Machinery and equipment   | <u>(1,572,374)</u>            | <u>(85,966)</u>            | <u>—</u>                     | <u>(1,658,340)</u>            |
| Total accumulated depreciation  | <u>(2,574,548)</u>            | <u>(215,967)</u>           | <u>—</u>                     | <u>(2,790,515)</u>            |
| Capital assets, being depreciated<br>(net of accumulated depreciation)                        | <u>4,439,006</u>              | <u>5,724,460</u>           | <u>—</u>                     | <u>10,163,466</u>             |
| <b>Total Governmental activities, capital assets,<br/>(net of accumulated depreciation)</b>   | <b><u>\$ 6,927,656</u></b>    | <b><u>\$ 5,799,402</u></b> | <b><u>\$ (2,326,481)</u></b> | <b><u>\$ 10,400,577</u></b>   |
| <b>Business-Type Activities:</b>  |                               |                            |                              |                               |
| Capital assets not being depreciated:   |                               |                            |                              |                               |
| Land  | \$ 288,191                    | \$ —                       | \$ —                         | \$ 288,191                    |
| Construction in progress  | <u>5,193,454</u>              | <u>42,146</u>              | <u>(5,193,454)</u>           | <u>42,146</u>                 |
| Total capital assets, not being depreciated   | <u>5,481,645</u>              | <u>42,146</u>              | <u>(5,193,454)</u>           | <u>330,337</u>                |
| Capital assets being depreciated:   |                               |                            |                              |                               |
| Buildings   | 10,606                        | —                          | —                            | 10,606                        |
| Improvements  | 12,568,753                    | 5,273,205                  | —                            | 17,841,958                    |
| Machinery and equipment   | <u>925,789</u>                | <u>270,807</u>             | <u>—</u>                     | <u>1,196,596</u>              |
| Total capital assets being depreciated  | <u>13,505,148</u>             | <u>5,444,012</u>           | <u>—</u>                     | <u>19,049,160</u>             |
| Less accumulated depreciation   |                               |                            |                              |                               |
| Buildings   | (10,606)                      | —                          | —                            | (10,606)                      |
| Improvements  | (5,895,109)                   | (342,050)                  | —                            | (6,237,159)                   |
| Machinery and equipment   | <u>(642,867)</u>              | <u>(62,442)</u>            | <u>—</u>                     | <u>(705,309)</u>              |
| Total accumulated depreciation  | <u>(6,548,582)</u>            | <u>(404,492)</u>           | <u>—</u>                     | <u>(6,953,074)</u>            |
| Total capital assets being depreciated, net   | <u>6,956,566</u>              | <u>5,139,520</u>           | <u>—</u>                     | <u>12,096,086</u>             |
| <b>Total business-type activities', capital<br/>assets, (net of accumulated depreciation)</b> | <b><u>\$ 12,438,211</u></b>   | <b><u>\$ 5,181,666</u></b> | <b><u>\$ (5,193,454)</u></b> | <b><u>\$ 12,426,247</u></b>   |

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - CAPITAL ASSETS (continued)**

|   | <u>September 30,</u><br><u>2016</u> | <u>Increases</u>           | <u>Decreases</u>           | <u>September 30,</u><br><u>2017</u> |
|---|-------------------------------------|----------------------------|----------------------------|-------------------------------------|
|   | <u>Sanitation Fund</u>              | <u>Sewer Fund</u>          | <u>Water Fund</u>          | <u>Total</u>                        |
| Land  | \$ —                                | \$ 270,426                 | \$ 17,765                  | \$ 288,191                          |
| Construction in progress  | —                                   | —                          | 5,193,454                  | 5,193,454                           |
| Buildings   | —                                   | —                          | 10,606                     | 10,606                              |
| Improvements  | —                                   | 6,887,774                  | 5,680,979                  | 12,568,753                          |
| Machinery and equipment   | <u>410,714</u>                      | <u>66,472</u>              | <u>448,603</u>             | <u>925,789</u>                      |
| Total   | <u>410,714</u>                      | <u>7,224,672</u>           | <u>11,351,407</u>          | <u>18,986,793</u>                   |
| Less accumulated depreciation   |                                     |                            |                            |                                     |
| Buildings   | —                                   | —                          | (10,606)                   | (10,606)                            |
| Improvements  | —                                   | (3,166,761)                | (3,070,398)                | (6,237,159)                         |
| Machinery and equipment   | <u>(239,500)</u>                    | <u>(33,844)</u>            | <u>(369,523)</u>           | <u>(642,867)</u>                    |
| Total accumulated depreciation  | <u>(239,500)</u>                    | <u>(3,200,605)</u>         | <u>(3,450,527)</u>         | <u>(6,890,632)</u>                  |
| <b>Total business-type activities', capital assets, (net of accumulated depreciation)</b> | <b><u>\$ 171,214</u></b>            | <b><u>\$ 4,024,067</u></b> | <b><u>\$ 7,900,880</u></b> | <b><u>\$ 12,096,161</u></b>         |

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

|   |                          |
|---|--------------------------|
| General government  | \$ 25,698                |
| Public safety   | 37,508                   |
| Highways and streets                                      | 21,831                   |
| Physical environment                                      | 24,645                   |
| Parks and recreation                                      | <u>106,285</u>           |
| <b>Total depreciation expense-governmental activities</b> | <b><u>\$ 215,967</u></b> |

Depreciation expense was charged to business-type activities functions/programs of the primary government as follows:

|  |                          |
|--|--------------------------|
| Water  | \$ 174,469               |
| Sewer  | 207,317                  |
| Sanitation   | <u>22,706</u>            |
| <b>Total depreciation expense-business-type activities</b> | <b><u>\$ 404,492</u></b> |

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7- LONG - TERM DEBT – GOVERNMENTAL ACTIVITIES**

Long-term obligations and debt at September 30, 2017, are as follows:

|   | <b>Balance<br/>September 30,<br/>2016</b> | <b>Additions</b> | <b>Deductions</b>  | <b>Balance<br/>September 30,<br/>2017</b> | <b>Due<br/>Within<br/>One Year</b> |
|---|---|------------------|--------------------|---|------------------------------------|
| <b>Bonds Payable</b>  |   |                  |                    |   |                                    |
| 2009 Utility Systems Refunding Bonds, to refund note payable to City of Gulf Breeze, Florida Capital funding loan program. Payable in quarterly payments including interest at 4.48% and maturing in April 2021. (See (B) in note 8). | 208,893                                   | —                | (34,079)           | 174,814                                   | 47,820                             |
| 2009 Capital improvement Bonds, to refund note payable to City of Gulf Breeze, Florida Capital funding loan program. Payable in quarterly payments including interest at 4.48% and maturing in April 2021. (See (C) in note 8).       | 71,706                                    | —                | (15,295)           | 56,411                                    | 16,170                             |
| <b>Total bonds payable</b>  | <b>280,599</b>                            | <b>—</b>         | <b>(49,374)</b>    | <b>231,225</b>                            | <b>63,990</b>                      |
| Liability for compensated absences  | 44,572                                    | 13,986           | —                  | 58,558                                    | 14,640                             |
| <b>Total governmental activities</b>  |   |                  |                    |   |                                    |
| <b>Long-term obligations</b>  | <b>\$ 325,171</b>                         | <b>\$ 13,986</b> | <b>\$ (49,374)</b> | <b>\$ 289,783</b>                         | <b>\$ 78,630</b>                   |

Debt service requirements to maturity for the governmental funds at September 30, 2017 are as follows:

| <b>Year Ending<br/>September 30,</b> | <b>Governmental Funds</b> |                  |                   |
|--------------------------------------|---------------------------|------------------|-------------------|
|                                      | <b>Principal</b>          | <b>Interest</b>  | <b>Total</b>      |
| 2018                                 | \$ 63,990                 | \$ 9,271         | \$ 73,260         |
| 2019                                 | 66,897                    | 6,363            | 73,260            |
| 2020                                 | 69,936                    | 3,324            | 73,260            |
| 2021                                 | 30,402                    | 477              | 30,880            |
| <b>Total</b>                         | <b>\$ 231,225</b>         | <b>\$ 19,435</b> | <b>\$ 250,660</b> |

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8- LONG - TERM DEBT – BUSINESS-TYPE ACTIVITIES**

|   | <b>Original<br/>Issue</b> | <b>Balance<br/>September<br/>30, 2016</b> | <b>Additions</b> | <b>Reduction</b>    | <b>Balance<br/>September<br/>30, 2017</b> | <b>Due Within<br/>One Year</b> |
|---|---------------------------|---|------------------|---------------------|---|--------------------------------|
| 2013 USDA Bonds<br>See (D) below.   | \$ 2,153,000              | \$ 2,092,560                              | \$ —             | \$ (29,560)         | \$ 2,063,000                              | \$ 32,000                      |
| 2009 Utility System<br>Refunding Bonds.<br>See (B) below.   | 2,490,000                 | 1,020,818                                 | —                | (167,316)           | 853,502                                   | 233,475                        |
| 2009 Capital Improvement<br>Bonds. See (C) below.   | 830,001                   | 350,206                                   | —                | (74,785)            | 275,421                                   | 78,945                         |
| 4.875% Sewer System<br>Junior Lien Revenue<br>Bonds, Series 2000,<br>to improve sewer<br>system. See (A) below. | 2,303,100                 | 1,836,838                                 | —                | (41,738)            | 1,795,100                                 | 46,037                         |
| <b>Total bonds payable<br/>business-type activities</b>   |                           | <b>\$ 5,300,422</b>                       | <b>\$ —</b>      | <b>\$ (313,399)</b> | <b>\$ 4,987,023</b>                       | <b>\$ 390,457</b>              |

A synopsis of long-term debt covenants for the water and sewer bonds follows:

- A. Water and Sewer Revenue Bonds, Series 2000 - The bonds are secured by a junior and subordinate pledge of gross revenues of the system. The bonds are due in annual installments each through September 1, 2039; interest at 4.875% per annum is payable annually on September 1.
- B. 2009 Utility Refunding Bond, Series 2009 - These bonds were issued to refund the Series 1979, 1980, 1982, and 1995 bonds and the note payable to City of Gulf Breeze, Florida. The bonds mature annually through April 1, 2021. Interest at 4.48% per annum is payable each July 1. The bonds are secured by pledged revenue consisting of net revenue of the water and sewer system, such amounts of non-advalorem revenues as shall be budgeted and appropriated for the payment of the 2009 Utility Note, and any proceeds from the 2009 Utility Note held in any of the funds and accounts created.
- C. 2009 Capital Improvements Bond, Series 2009 - These bonds were issued to refund the Series 1979, 1980, 1982, and 1995 bonds and the note payable to City of Gulf Breeze, Florida. The bonds mature annually through April 1, 2021. Interest at 4.48% per annum is payable each July 1. The bonds are secured by pledged revenue consisting of such amounts of non-advalorem revenues as shall be budgeted and appropriated for the payment of the 2009 Capital Improvements Bond, and any proceeds from the 2009 Capital Improvements Bond held in any of the funds and accounts created.



**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8- LONG - TERM DEBT – BUSINESS-TYPE ACTIVITIES**

D. 2013 USDA Bond, Series 2013 - These bonds were issued to construct a (water) (waste) system. The bonds mature annually through September 1, 2052. Interest at 2.75% per annum is payable each September 1. The bonds are secured by pledged revenue consisting of net revenue of the water and sewer system.

There are a number of limitations and restrictions contained in the various bond indentures, including the establishment of specified debt service sinking and reserve accounts. The City is in compliance with all significant limitations and restrictions.

Debt service requirements to maturity on revenue and capital improvement bonds payable at September 30, 2017.

| <b>Year Ending<br/>September 30,</b> | <b>Principal</b>           | <b>Interest</b>            | <b>Total</b>               |
|--------------------------------------|----------------------------|----------------------------|----------------------------|
| 2018                                 | \$ 390,457                 | \$ 189,654                 | \$ 580,112                 |
| 2019                                 | 407,325                    | 172,333                    | 579,658                    |
| 2020                                 | 426,092                    | 154,230                    | 580,322                    |
| 2021                                 | 236,546                    | 136,924                    | 373,470                    |
| 2022                                 | 91,701                     | 131,039                    | 222,740                    |
| 2023-2027                            | 523,027                    | 596,097                    | 1,119,124                  |
| 2028-2032                            | 647,645                    | 479,707                    | 1,127,352                  |
| 2033-2037                            | 798,558                    | 334,787                    | 1,133,345                  |
| 2038-2042                            | 622,672                    | 168,871                    | 791,543                    |
| 2043-2047                            | 386,000                    | 95,435                     | 481,435                    |
| 2048-2052                            | 457,000                    | 38,746                     | 495,746                    |
| <b>Total</b>                         | <b><u>\$ 4,987,023</u></b> | <b><u>\$ 2,497,823</u></b> | <b><u>\$ 7,484,846</u></b> |

**Notes Payable**

|  | <b>Balance<br/>September 30,<br/>2016</b> | <b>Additions</b>   | <b>Deductions</b>          | <b>Balance<br/>September 30,<br/>2017</b> | <b>Due<br/>Within<br/>One Year</b> |
|--|---|--------------------|----------------------------|---|------------------------------------|
| Florida Department of<br>Environmental Protection<br>state revolving fund loan.<br>Repayable over 20 years<br>upon completion of<br>water system improvements.<br>See (A) below. | \$ 948,926                                | \$ —               | \$ (146,320)               | \$ 802,606                                | \$ 150,926                         |
| <b>Total notes payable</b>   |   |                    |                            |   |                                    |
| <b>Enterprise -</b>  | <b><u>\$ 948,926</u></b>                  | <b><u>\$ —</u></b> | <b><u>\$ (146,320)</u></b> | <b><u>\$ 802,606</u></b>                  | <b><u>\$ 150,926</u></b>           |

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8- LONG - TERM DEBT – BUSINESS-TYPE ACTIVITIES**

A synopsis of significant enterprise fund notes payable follows:

- A. The note payable to the State Revolving Fund was made to the City for the purpose of financing the cost of replacing public water system lines. The loan is repayable over 20 years in semiannual installments each January 15 and July 15 of \$87,214 including interest at 3.08%. The loan is secured by pledged revenues of water charges by the utility fund.

Business-type debt service requirements to maturity on notes payable at September 30, 2017 are as follows:

| <b>Year Ending<br/>September 30,</b> | <b>Principal</b>         | <b>Interest</b>         | <b>Total</b>             |
|--------------------------------------|--------------------------|-------------------------|--------------------------|
| 2018                                 | \$ 150,926               | \$ 23,502               | \$ 174,428               |
| 2019                                 | 155,599                  | 18,831                  | 174,430                  |
| 2020                                 | 160,414                  | 14,015                  | 174,429                  |
| 2021                                 | 165,379                  | 9,050                   | 174,429                  |
| 2022                                 | 170,288                  | 3,931                   | 174,219                  |
| <b>Total</b>                         | <b><u>\$ 802,606</u></b> | <b><u>\$ 69,329</u></b> | <b><u>\$ 871,935</u></b> |

**Compensated absences**

|                                    | <b>Balance<br/>September 30,<br/>2016</b> | <b>Additions</b> | <b>Deductions</b> | <b>Balance<br/>September 30,<br/>2017</b> | <b>Due<br/>Within<br/>One Year</b> |
|------------------------------------|---|------------------|-------------------|---|------------------------------------|
| Liability for compensated absences | \$ 38,015                                 | \$ —             | \$ (23,583)       | \$ 14,432                                 | \$ 3,608                           |

**NOTE 9 – FUND EQUITY**

***Net Asset Restrictions***

The government-wide statement of net position for governmental activities reports \$230,373 of restricted net position, all of which is restricted by enabling legislation. Business-type activities reports \$1,454,305 of restricted net position, of which, \$1,096,947 is restricted by enabling legislation.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – FUND EQUITY (continued)**

***Restricted Fund Equity***

Reservations of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses. The purpose for each is indicated as follows:

| <b>Funds</b>                        | <b>Purpose</b>  | <b>Amount</b>       |
|-------------------------------------|-----------------|---------------------|
| General fund                        | Impact fees     | \$ 123,527          |
| General fund                        | Law enforcement | 1,546               |
| General fund                        | Construction    | 105,300             |
| Water fund                          | Debt service    | 82,286              |
| Water fund                          | Impact fees     | 226,270             |
| Sewer fund                          | Debt service    | 275,072             |
| Sewer fund                          | Impact fees     | 870,677             |
| <u>Total restricted fund equity</u> |                 | <u>\$ 1,684,678</u> |

**NOTE 10- COMMITMENTS AND CONTINGENCIES**

***Litigation***

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City’s attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City of Mexico Beach.

***Contingent Liability***

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

***Conduit Debt Obligations***

The City is authorized by the provisions of Chapter 159, Part II, Florida Statutes to make and execute financing agreements which provide assistance to qualified nonprofit corporations to finance and refinance healthcare facilities and other projects described in Section 159.27, Florida Statutes. In December 1997, the City sponsored a \$150,000,000 local government floating rate bond issue from which the proceeds were used to make variable rate loans to those entities described above. Any loans issued for financing these projects are secured by a pledge of the revenue derived from the projects and security interests in such projects.

The bonds are secured by the property finances and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11- PENSION PLAN**

**A. Florida Retirement System**

*Plan Description* – The County contributes to the Florida Retirement System (the FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The FRS provides retirement, disability or death benefits to retirees or their designated beneficiaries along with an annual cost-of-living adjustment. Employees are classified in either the regular service class or the senior management service class. Currently, the active participants for Port St. Joe, Florida are 173 out of total of 512,909 active FRS participants.

The Florida Legislature created the Florida Retirement Investment Plan (the “investment Plan”), a defined contribution plan qualified under Section 401 (a) of the Internal Revenue Code. The Investment Plan is administered by the Department of Management Services and is an alternative available to members of the Florida Retirement System in lieu of participation in the defined benefit retirement plan (“the Pension Plan”). If the Investment Plan is elected, active membership in the Pension Plan is terminated. Eligible members of the Investment Plan are vested at one year of service and receive a contribution in an investment product with a third party administrator selected by the State Board of Administration.

Chapter 121, *Florida Statutes*, establishes the authority for benefit provisions and contribution requirements. Changes to the law can only occur through an act of the Florida Legislature. There are uniform contribution rates as discussed on the following page that cover both the defined benefit and defined contribution plans. Information for the required employer contributions made to the Investment Plan were unavailable from FRS.

*Additional Financial and Actuarial Information* – Additional audited financial information supporting the Schedules of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the Florida Comprehensive Annual Financial Report (CAFR) and in the Florida Retirement System Pension Plan, and Other State-Administered Systems CAFR.

See <http://www.myfloridacfo.com/Division/AA/Reports/default.htm> for an available copy of the Florida CAFR online.

The FRS CAFR and actuarial valuation reports as of July 1, 2016 are available online at [http://ww.dms.myflorida.com/workforce\\_operations/retirement/publications/annual\\_reports](http://ww.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports).

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11- PENSION PLAN (continued)**

Reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services  
Division of Retirement  
Bureau of Research and Member Communications  
P O Box 9000  
Tallahassee, Florida 32315-900  
850-488-4706 or toll free at 877-377-1737

*Funding Policy* – Prior to July 1, 2011, the FRS was employee noncontributory. Beginning July 1, 2011, employees who are not participating in the Deferred Retirement Option Plan (DROP) are required to contribute 3% of their salary to the FRS. The County is required to contribute at an actuarially-determined rate.

The FRS relies upon contributions from employees and employers, along with investment income, to meet the funding requirements of an actuarially determined accrued liability. As of July 1, 2016, the date of the latest valuation, the FRS funded ratio was 86.50% on the valuation funding basis and 89.70% on a Market Value of Assets basis.

The County also participates in the Retiree Health Insurance Subsidy (HIS) Program, a cost sharing, multiple-employer defined benefit pension plan established under Section 112.363, *Florida Statutes*. The benefit is a monthly cash payment to assist retirees of state-administered retirement systems in paying their health insurance costs.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (“DROP”). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a Florida Retirement System employer for a period not to exceed 60 months after electing to participate. DROP benefits are held in the FRS Trust Fund and accrue interest.

The HIS Program is funded by required contributions from FRS participating employers as set by the State Legislature. Employer contributions are a percentage of gross compensation for all active FRS employees and are reported by employers with monthly payroll reports and included with the amount submitted for retirement contributions. For the fiscal year ended September 30, 2017, the contribution rate was 1.66% of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions required for the years ended September 30, 2017, 2016, and 2015 were \$210,118, \$172,086 and \$169,027, respectively, which is equal to 100% of the required contribution for each year.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11- PENSION PLAN (continued)**

*Contributions*

The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The City's contribution rates as of September 30, 2017 were as follows:

|                                 | <u>FRS</u> | <u>HIS</u> |
|---------------------------------|------------|------------|
| Regular Class                   | 7.92%      | 1.66%      |
| Special Risk Class              | 28.27%     | 1.66%      |
| Senior Management Service Class | 22.71%     | 1.66%      |
| Elected Officials               | 39.64%     | 1.66%      |
| DROP                            | 13.26%     | 1.66%      |

*Net Pension Liability* – At September 30, 2017, the City reported for its share of the FRS and HIS plans the amount for the net pension liability as shown below:

|               | <u>FRS</u>  | <u>HIS</u> | <u>Total</u> |
|---------------|-------------|------------|--------------|
| June 30, 2017 | \$1,567,500 | \$ 504,666 | \$2,072,166  |
| June 30, 2016 | \$1,269,994 | \$ 525,915 | \$1,795,909  |

The net pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2017 and July 1, 2016 for the net pension liability as of June 30, 2017 and 2016, respectively.

At September 30, 2017, the City reported for its proportionate share of the employer portion for the FRS and HIS net pension liability the percentages below:

|                            | <u>FRS</u>   | <u>HIS</u>   |
|----------------------------|--------------|--------------|
| June 30, 2017              | 0.005299310% | 0.004719828% |
| June 30, 2016              | 0.005029665% | 0.004512518% |
| Increase in Share for 2017 | 0.000269645% | 0.002079310% |

The City's proportionate share of the net pension liability was based on the City's 2016-2017 fiscal year contributions relative to the 2016-2017 fiscal year contributions of all participating members of FRS.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11- PENSION PLAN (continued)**

*Actuarial Assumptions*

The total pension liability for each of the defined benefit plans, measured as of June 30, 2017, was determined by an actuarial valuation dated July 1, 2017, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

|                           | FRS   | HIS   |
|---------------------------|-------|-------|
| Inflation                 | 2.60% | 2.60% |
| Salary increases          | 3.25% | 3.25% |
| Investment rate of return | 7.10% | N/A   |
| Discount rate             | 7.10% | 2.85% |

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

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

The following changes in key actuarial assumptions occurred in 2017:

FRS: The long-term expected rate of return was decreased from 7.6% to 7.1%, and the active member mortality assumption was updated.

HIS: The municipal rate used to determine total pension liability was increased from 2.85% to 3.28%.

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

| <u>Asset Class</u>     | <u>Target<br/>Allocation (1)</u> | <u>Annual<br/>Arithmetic<br/>Return</u> | <u>Compound<br/>Annual<br/>(Geometric)<br/>Return</u> |
|------------------------|----------------------------------|---|---|
| Cash                   | 1.00%                            | 3.0%                                    | 3.0%  |
| Fixed Income           | 18.00%                           | 4.5%                                    | 4.4%  |
| Real Estate (Property) | 10.00%                           | 6.6%                                    | 6.6%  |
| Private Equity         | 6.00%                            | 11.5%                                   | 5.9%  |
| Strategic Investments  | 12.00%                           | 6.1%                                    | 5.6%  |
| Total                  | <u>100.00%</u>                   |   |   |

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11- PENSION PLAN (continued)**

*Discount Rate*

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.1%. FRS fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 2.85% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

*Sensitivity Analysis* – the tables below represent the sensitivity of the net pension liability to changes in the discount rate for Port St. Joe, Florida. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate shows as 1.00% higher or 1.00% lower than the current discounted rate at June 30, 2017.

| FRS Net Pension Liability |                          |                |
|---------------------------|--------------------------|----------------|
| 1%<br>Decrease            | Current<br>Discount Rate | 1%<br>Increase |
| 6.1%                      | 7.1%                     | 8.1%           |
| \$2,837,081               | \$ 1,567,500             | \$ 513,458     |
| HIS Net Pension Liability |                          |                |
| 1%<br>Decrease            | Current<br>Discount Rate | 1%<br>Increase |
| 2.58%                     | 3.58%                    | 4.58%          |
| \$ 575,890                | \$ 504,666               | \$ 445,340     |

*Pension Expense and Deferred Outflows (Inflows) of Resources* – In accordance with GASB 68, paragraph 71, changes in the net pension liability are recognized as pension expense in the current measurement period with the following exceptions shown below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or inflows of resources using rational method over a time period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Changes of Assumptions or other inputs which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Differences between expected and actual earnings on pension plan investments are amortized over five years.



**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11- PENSION PLAN (continued)**

For the fiscal year ended September 30, 2017, the County recognized pension expense of \$174,888 for the FRS plan. In addition the County reported deferred outflows of resources and deferred inflows of resources relate to pensions from the following sources:

| <b>Description</b>   | <b>Deferred Outflows<br/>of Resources<br/>for the FRS Plan</b> | <b>Deferred Inflows<br/>of Resources<br/>for the FRS Plan</b> |
|--|--|---|
| Differences between expected and actual experience   | \$ 143,859   | \$ (1,051)  |
| Change of assumptions  | 526,791  | —   |
| Net difference between projected and actual earnings on FRS Plan investments                                       | —  | (38,847)  |
| Changes in proportion and differences between City FRS Plan contributions and proportionate share of contributions | 121,860  | (3,655)   |
| City FRS Plan contributions subsequent to the measurement date   | <u>36,934</u>  | <u>—</u>  |
| Total  | <u>\$ 829,444</u>  | <u>\$ (43,553)</u>  |

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>Reporting<br/>Period Ending June 30</b> | <b>FRS Expense</b> |
|--|--------------------|
| 2018                                       | \$ 81,333          |
| 2019                                       | 216,178            |
| 2020                                       | 151,152            |
| 2021                                       | 30,884             |
| 2022                                       | 104,456            |
| Thereafter                                 | 39,118             |

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11- PENSION PLAN (continued)**

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$31,580 for the HIS plan. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <b>Description</b>   | <b>Deferred Outflows<br/>of Resources<br/>for the HIS Plan</b> | <b>Deferred Inflows<br/>of Resources<br/>for the HIS Plan</b> |
|--|--|---|
| Differences between expected and actual experience   | \$ —   | \$ 1,051  |
| Change of assumptions  | 70,939   | 43,639  |
| Net difference between projected and actual earnings on HIS Plan investments                                       | 280  | —   |
| Changes in proportion and differences between City HIS Plan contributions and proportionate share of contributions | 45,344   | —   |
| City HIS Plan contributions subsequent to the measurement date   | <u>6,412</u>   | <u>—</u>  |
| Total  | <u>\$ 122,975</u>  | <u>\$ 44,690</u>  |

Other amounts reported by the County as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

| <b>Reporting<br/>Period Ending June 30</b> | <b>FRS Expense</b> |
|--|--------------------|
| 2018                                       | \$ 8,270           |
| 2019                                       | 8,217              |
| 2020                                       | 8,192              |
| 2021                                       | 6,141              |
| 2022                                       | 2,422              |
| Thereafter                                 | (6,714)            |

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12- OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The City provides health insurance to its active and retired employees (the OPEB Plan). Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Currently, the City funds the OPEB Plan on a pay-as-you-go basis as a current operating expense, and reflects the expense in its financial statements in the fiscal year in which the payments are made. Pursuant to the provisions of GASB 43, *Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*, governments who provide postemployment benefits other than pensions are required to show all or a portion of the liabilities associated with their OPEB Plans in their financial statements and whether, and to what extent, progress is being made in funding those liabilities. The City has no related expense or liability at September 30, 2017.

**NOTE 13- RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Insurance against losses are provided for the following types of risk:

- Workers' compensation and employer's liability
- General and automobile liability
- Real and personal property damage
- Public officials' liability
- Accidental death and dismemberment

The City's coverage of workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to-date of the City's experience for this type of risk.

**NOTE 14- INTERLOCAL AGREEMENT**

The City entered into a wastewater treatment contract with Bay County in May 1997, whereby Bay County will exclusively reserve for the City 323,000 gallons per day of allocated wastewater treatment capacity of the Military Point Advanced Wastewater Treatment Facility. The City has agreed to pay for such capacity and treatment services for wastewater collected from City customers.

The City has entered into a memorandum of agreement with the Mexico Beach Community Development Council, Inc. (the Council) for the maintenance of the City's municipal canal and beaches. The agreements which are renewable annually provide for the Council to pay the City \$18,000 and \$15,000 annually respectively, for canal and beach maintenance. Additionally, the City has entered into an agreement with the Council for the maintenance and operation of the City's public television station granted by franchise agreement, at no cost to the Council.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MEXICO BEACH, FLORIDA**  
**PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**Last Ten Years\***  
**SEPTEMBER 30, 2017**

**Florida Retirement System**

|  | <u>2017</u>   | <u>206</u>   | <u>2015</u>  |
|--|---------------|--------------|--------------|
| Mexico Beach, Florida's proportion of the net pension liability  | 0.0052993106% | 0.004719828% | 0.004740202% |
| Mexico Beach, Florida's proportionate share of the net pension liability   | \$ 1,567,500  | \$ 1,191,760 | \$ 612,261   |
| Mexico Beach, Florida's covered-employee payroll   | \$ 1,397,900  | 1,427,727    | \$ 1,194,506 |
| Mexico Beach, Florida's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 112.13%       | 83.47%       | 51.26%       |
| Plan fiduciary net position as a percentage of the total pension liability   | 83.89%        | 84.94%       | 92.00%       |

**Health Insurance Subsidy Programs**

|  | <u>2017</u>  | <u>2015</u>  | <u>2015</u>  |
|--|--------------|--------------|--------------|
| Mexico Beach, Florida's proportion of the net pension liability  | 0.004719828% | 0.004512518% | 0.004841030% |
| Mexico Beach, Florida's proportionate share of the net pension liability   | \$ 504,666   | \$ 525,915   | \$ 442,717   |
| Mexico Beach, Florida's covered-employee payroll   | \$ 1,397,900 | \$ 1,427,729 | \$ 1,194,506 |
| Mexico Beach, Florida's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 36.10%       | 36.84%       | 37.06%       |
| Plan fiduciary net position as a percentage of the total pension liability   | 83.89%       | 84.94%       | 92%          |

Notes to schedules:

\*The amounts presented for each fiscal year were determined as of the measurement date, which was June 30<sup>th</sup> of the current fiscal year

\*GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

\*\*Covered employee payroll includes defined benefit plan actives, investment plan members, and members in DROP for the measurement period ending June 30, 2017.

**CITY OF MEXICO BEACH, FLORIDA**  
**SCHEDULE OF CONTRIBUTIONS**  
**Last Ten Fiscal Years\***  
**SEPTEMBER 30, 2017**

**Florida Retirement System**

|  | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      |
|--|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 174,888       | \$ 158,839       | \$ 146,644       |
| Contributions in relation to the contractually required contribution | <u>(174,888)</u> | <u>(158,839)</u> | <u>(146,644)</u> |
| Contribution deficiency (excess)                                     | <u>\$ _____</u>  | <u>\$ _____</u>  | <u>\$ _____</u>  |
| Mexico Beach, Florida's covered-employee payroll                     | \$ 1,397,900     | \$ 1,427,727     | \$ 1,194,506     |
| Contribution as a percentage of covered-employee payroll             | 12.51%           | 11.13%           | 12.28%           |

**Health Insurance Subsidy Programs**

|  | <u>2017</u>     | <u>2016</u>     | <u>2015</u>     |
|--|-----------------|-----------------|-----------------|
| Contractually required contribution                                  | \$ 31,580       | \$ 33,408       | \$ 24,398       |
| Contributions in relation to the contractually required contribution | <u>(31,580)</u> | <u>(33,408)</u> | <u>(24,398)</u> |
| _____  |                 |                 |                 |
| Mexico Beach Florida's covered-employee payroll                      | \$ 1,397,900    | \$ 1,427,727    | \$ 1,194,506    |
| Contribution as a percentage of covered-employee payroll             | 2.26%           | 2.34%           | 2.04%           |

Notes to schedules:

\*Covered employee payroll includes defined benefit plan actives, investment plan members, and members in DROP for the fiscal year ended September 30, 2017.

\*The amounts presented for each fiscal year were determined as of 6/30 except for the covered payroll determined as of 9/30. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**SUPPLEMENTARY INFORMATION**

**CITY OF MEXICO BEACH, FLORIDA  
COMPARATIVE SCHEDULE OF NET POSITON  
WATER FUND – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2017**

|  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| Current assets   |                     |                     |
| Cash and cash equivalents                                | \$ 411,479          | \$ 419,786          |
| Accounts receivable, net                                 | 114,239             | 74,816              |
| Due from other funds                                     | —                   | —                   |
| Due from other governments                               | —                   | —                   |
| Total Current Assets                                     | <u>525,718</u>      | <u>494,602</u>      |
| Restricted assets - cash                                 |                     |                     |
| Bond and interest sinking                                | 82,286              | 82,294              |
| Impact fees  | <u>226,270</u>      | <u>174,627</u>      |
| Total restricted assets - cash                           | <u>308,556</u>      | <u>256,921</u>      |
| Noncurrent assets  |                     |                     |
| Capacity rights  | —                   | —                   |
| Land   | 17,765              | 17,765              |
| Property, plant, and equipment                           | 11,409,774          | 11,333,642          |
| Less accumulated depreciation                            | <u>(3,282,945)</u>  | <u>(3,108,476)</u>  |
| Total non-current Assets                                 | <u>8,144,594</u>    | <u>8,242,931</u>    |
| Total Assets   | <u>8,978,868</u>    | <u>8,994,454</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                    |                     |                     |
| Employee Pension Contributions                           | <u>89,243</u>       | <u>72,432</u>       |
| Total deferred outflows of resources                     | <u>89,243</u>       | <u>72,432</u>       |
| Current Liabilities                                      |                     |                     |
| Accounts payable   | 25,034              | 64,710              |
| Accrued expenses   | 2,189               | 4,033               |
| Accrued compensated absences                             | 1,935               | 2,616               |
| Due to other funds                                       | 95,833              | —                   |
| Notes payable, current portion                           | 150,926             | 146,397             |
| Bonds payable, current portion                           | <u>178,837</u>      | <u>173,653</u>      |
| Total current liabilities                                | <u>454,754</u>      | <u>391,409</u>      |
| Current liabilities payable from restricted assets       |                     |                     |
| Accrued interest   | <u>9,756</u>        | <u>6,166</u>        |
| Total current liabilities payable from restricted assets | <u>9,756</u>        | <u>6,166</u>        |
| Non-current Liabilities                                  |                     |                     |
| Accrued compensated absences                             | 5,805               | 7,846               |
| Notes payable – due after one year                       | 651,680             | 802,529             |
| Bonds payable, due after one year                        | 2,414,757           | 2,563,288           |
| Net pension liability                                    | <u>147,123</u>      | <u>120,962</u>      |
| Total non-current liabilities                            | <u>3,219,365</u>    | <u>3,494,625</u>    |
| Total Liabilities  | <u>3,683,875</u>    | <u>3,892,200</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                     |                     |                     |
| Pension earnings   | <u>15,361</u>       | <u>8,012</u>        |
| Total Deferred Inflows of resources                      | <u>15,361</u>       | <u>8,012</u>        |
| <b>NET POSITION</b>                                      |                     |                     |
| Net investment in capital assets                         | 4,748,394           | 4,557,064           |
| Restricted for:  |                     |                     |
| Bond retirement  | 82,286              | 82,294              |
| Impact fees  | 226,270             | 174,627             |
| Unrestricted   | <u>311,925</u>      | <u>352,689</u>      |
| Total Net Position                                       | <u>\$ 5,368,875</u> | <u>\$ 5,166,674</u> |



**CITY OF MEXICO BEACH, FLORIDA  
COMPARATIVE SCHEDULE OF NET POSITION  
SEWER FUND – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2017**

|  | <u>2017</u>                | <u>2016</u>                |
|--|----------------------------|----------------------------|
| <b>ASSETS</b>  |                            |                            |
| Current assets   |                            |                            |
| Cash and cash equivalents                                | \$ 669,757                 | \$ 640,158                 |
| Accounts receivable, net                                 | 96,797                     | 110,177                    |
| Due from other funds                                     | <u>42,982</u>              | <u>—</u>                   |
| Total current assets                                     | <u>809,536</u>             | <u>750,335</u>             |
| Restricted assets - cash                                 |                            |                            |
| Bond and interest sinking                                | 275,072                    | 257,694                    |
| Impact fees  | <u>870,677</u>             | <u>889,248</u>             |
| Total restricted assets - cash                           | <u>1,145,749</u>           | <u>1,146,942</u>           |
| Noncurrent assets  |                            |                            |
| Capacity rights  | 54,187                     | 54,187                     |
| Land   | 270,426                    | 270,426                    |
| Property, plant, and equipment                           | 7,136,679                  | 6,954,246                  |
| Less accumulated depreciation                            | <u>(3,407,923)</u>         | <u>(3,200,606)</u>         |
| Total non-current Assets                                 | <u>4,053,369</u>           | <u>4,078,253</u>           |
| Total Assets   | <u>6,008,654</u>           | <u>5,975,530</u>           |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                    |                            |                            |
| Employee Pension Contributions                           | <u>112,866</u>             | <u>94,521</u>              |
| Total deferred outflows of resources                     | <u>112,866</u>             | <u>94,521</u>              |
| <b>LIABILITIES</b>                                       |                            |                            |
| Current Liabilities                                      |                            |                            |
| Accounts payable   | 127,379                    | 774                        |
| Accrued expenses   | 4,354                      | 3,360                      |
| Accrued compensated absences                             | 213                        | 2,385                      |
| Due to other funds                                       | 43,692                     | —                          |
| Bonds payable, current portion                           | <u>211,620</u>             | <u>206,626</u>             |
| Total current liabilities                                | <u>387,258</u>             | <u>213,145</u>             |
| Current liabilities payable from restricted assets       |                            |                            |
| Accrued interest   | <u>6,953</u>               | <u>6,108</u>               |
| Total current liabilities payable from restricted assets | <u>6,953</u>               | <u>6,108</u>               |
| Non-current Liabilities                                  |                            |                            |
| Accrued compensated absences                             | 638                        | 7,155                      |
| Bonds payable, due after one year                        | 2,181,809                  | 2,356,856                  |
| Net pension liability                                    | <u>176,478</u>             | <u>147,930</u>             |
| Total non-current liabilities                            | <u>2,358,925</u>           | <u>2,511,941</u>           |
| Total Liabilities  | <u>2,753,136</u>           | <u>2,731,194</u>           |
| <b>DEFERRED INFLOWS</b>                                  |                            |                            |
| Deferred utility income                                  | <u>16,094</u>              | <u>8,074</u>               |
| Total Deferred Inflows of resources                      | <u>16,094</u>              | <u>8,074</u>               |
| <b>NET POSITION</b>                                      |                            |                            |
| Net investment in capital assets                         | 1,659,940                  | 1,514,771                  |
| Restricted for:  |                            |                            |
| Bond retirement  | 275,072                    | 257,694                    |
| Impact fees  | 870,677                    | 889,248                    |
| Unrestricted   | <u>546,601</u>             | <u>669,070</u>             |
| <b>Total Net Position</b>                                | <b><u>\$ 3,352,290</u></b> | <b><u>\$ 3,330,783</u></b> |

**CITY OF MEXICO BEACH, FLORIDA  
COMPARATIVE SCHEDULE OF NET POSITION –  
SANITATION FUND – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2017**

|                                       | <u>2017</u>              | <u>2016</u>              |
|---------------------------------------|--------------------------|--------------------------|
| <b>ASSETS</b>                         |                          |                          |
| Current assets                        |                          |                          |
| Cash and cash equivalents             | \$ 14,606                | \$ 136,393               |
| Accounts receivable, net              | 47,711                   | 57,809                   |
| Due from other funds                  | <u>71,555</u>            | <u>—</u>                 |
| Total current assets                  | <u>133,872</u>           | <u>194,202</u>           |
| Noncurrent assets                     |                          |                          |
| Property, plant, and equipment        | 544,678                  | 410,714                  |
| Less accumulated depreciation         | <u>(262,207)</u>         | <u>(239,501)</u>         |
| Total non-current Assets              | <u>282,471</u>           | <u>171,213</u>           |
| Total assets                          | <u>416,343</u>           | <u>365,415</u>           |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                          |                          |
| Employee Pension Contributions        | <u>104,901</u>           | <u>79,840</u>            |
| Total deferred outflows of resources  | <u>104,901</u>           | <u>79,840</u>            |
| <b>LIABILITIES</b>                    |                          |                          |
| Current Liabilities                   |                          |                          |
| Accounts payable                      | 3,781                    | 19,832                   |
| Accrued expenses                      | 6,180                    | 4,956                    |
| Accrued compensated absences          | 1,460                    | 4,503                    |
| Due to other funds                    | <u>72,616</u>            | <u>—</u>                 |
| Total current liabilities             | <u>84,037</u>            | <u>29,291</u>            |
| Non-current Liabilities               |                          |                          |
| Accrued compensated absences          | 4,381                    | 13,510                   |
| Net pension liability                 | <u>180,876</u>           | <u>141,877</u>           |
| Total non-current liabilities         | <u>185,257</u>           | <u>155,387</u>           |
| Total Liabilities                     | <u>269,294</u>           | <u>184,678</u>           |
| <b>DEFERRED INFLOWS</b>               |                          |                          |
| Deferred utility income               | <u>21,838</u>            | <u>10,882</u>            |
| Total Deferred Inflows                | <u>21,838</u>            | <u>10,882</u>            |
| <b>NET POSITION</b>                   |                          |                          |
| Net investment in capital assets      | 282,471                  | 171,213                  |
| Unrestricted                          | <u>(52,359)</u>          | <u>78,482</u>            |
| <b>Total Net Position</b>             | <b><u>\$ 230,112</u></b> | <b><u>\$ 249,695</u></b> |

**CITY OF MEXICO BEACH, FLORIDA  
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION – WATER FUND – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2017**

|   | <u>2017</u>                | <u>2016</u>                |
|---|----------------------------|----------------------------|
| <b>OPERATING REVENUES</b>               |                            |                            |
| Charges for services                    | \$ 1,093,390               | \$ 1,024,320               |
| New installations                       | 24,325                     | 10,920                     |
| Reconnections                           | 7,595                      | 9,175                      |
| Impact fees                             | 51,450                     | 22,050                     |
| Other utility income                    | 4,221                      | 7,556                      |
| Total operating revenues                | <u>1,180,981</u>           | <u>1,074,021</u>           |
| <b>OPERATING EXPENSES</b>               |                            |                            |
| Personnel services                      | 227,414                    | 255,655                    |
| Professional services                   | —                          | 11,170                     |
| Office                                  | 31                         | —                          |
| Utilities                               | 1,713                      | 4,601                      |
| Insurance                               | 34,464                     | 30,770                     |
| Repairs and maintenance                 | 41,528                     | 34,863                     |
| Operating supplies                      | 7,605                      | 344,554                    |
| Communication services                  | 6,059                      | 9,595                      |
| Public utility services                 | 284,449                    | 211,117                    |
| Rentals                                 | 1,827                      | 1,402                      |
| Miscellaneous                           | 21,925                     | 11,828                     |
| Depreciation and amortization           | 174,469                    | 169,995                    |
| Total operating expenses                | <u>801,484</u>             | <u>1,085,550</u>           |
| Operating income                        | <u>379,497</u>             | <u>(11,529)</u>            |
| <b>NONOPERATING REVENUES (expenses)</b> |                            |                            |
| Interest income                         | 837                        | 760                        |
| Interest expense                        | (178,133)                  | (84,926)                   |
| Total nonoperating revenues (expenses)  | <u>(177,296)</u>           | <u>(84,166)</u>            |
| Change in net position                  | 202,201                    | (95,695)                   |
| <b>Net position - beginning</b>         | <u>5,166,674</u>           | <u>5,262,369</u>           |
| <b>Net position - ending</b>            | <u><b>\$ 5,368,875</b></u> | <u><b>\$ 5,166,674</b></u> |

**CITY OF MEXICO BEACH, FLORIDA  
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION – SEWER FUND – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2017**

|   | <u>2017</u>         | <u>2016</u>         |
|---|---------------------|---------------------|
| <b>OPERATING REVENUES</b>               |                     |                     |
| Charges for services                    | \$ 1,254,393        | \$ 1,234,471        |
| New installations                       | 25,480              | 12,495              |
| Reconnections                           | 9,347               | —                   |
| Impact fees                             | 110,500             | 8,205               |
| Other utility income                    | —                   | 54,186              |
| Total operating revenues                | <u>1,399,720</u>    | <u>1,309,357</u>    |
| <b>OPERATING EXPENSES</b>               |                     |                     |
| Personnel services                      | 268,148             | 322,655             |
| Professional services                   | —                   | 11,170              |
| Utilities                               | 185,794             | 47,819              |
| Insurance                               | 28,375              | 18,260              |
| Repairs and maintenance                 | 68,092              | 41,045              |
| Operating supplies                      | 112,819             | 61,932              |
| Communication services                  | 350                 | 675                 |
| Public utility services                 | 370,574             | 312,845             |
| Tipping fees                            | —                   | 259                 |
| Transportation                          | 254                 | —                   |
| Rentals                                 | 1,041               | 1,201               |
| Miscellaneous                           | 9,756               | 6,327               |
| Depreciation and amortization           | <u>207,317</u>      | <u>199,295</u>      |
| Total operating expenses                | <u>1,252,520</u>    | <u>1,023,483</u>    |
| Operating income                        | <u>147,200</u>      | <u>285,874</u>      |
| <b>NONOPERATING REVENUES (expenses)</b> |                     |                     |
| Interest income                         | 1,989               | 2,111               |
| Interest expense                        | <u>(127,682)</u>    | <u>(73,040)</u>     |
| Total nonoperating revenues (expenses)  | <u>(125,693)</u>    | <u>(70,929)</u>     |
| Change in net position                  | 21,507              | 214,945             |
| <b>Net position - beginning</b>         | <u>3,330,783</u>    | <u>3,115,838</u>    |
| <b>Net position - ending</b>            | <u>\$ 3,352,290</u> | <u>\$ 3,330,783</u> |

**CITY OF MEXICO BEACH, FLORIDA  
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION – SANITATION FUND – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2017**

|   | <u>2017</u>              | <u>2016</u>              |
|---|--------------------------|--------------------------|
| <b>OPERATING REVENUES</b>               |                          |                          |
| Charges for services                    | \$ 656,050               | \$ 659,892               |
| Other utility income                    | <u>15,843</u>            | <u>2,527</u>             |
| Total operating revenues                | <u>671,893</u>           | <u>662,419</u>           |
| <b>OPERATING EXPENSES</b>               |                          |                          |
| Personnel services                      | 477,929                  | 447,859                  |
| Professional services                   | —                        | 7,149                    |
| Utilities                               | —                        | 104,601                  |
| Insurance                               | 13,885                   | 8,935                    |
| Repairs and maintenance                 | 21,988                   | 17,069                   |
| Operating supplies                      | 81,578                   | 44,842                   |
| Communication services                  | 978                      | 1,127                    |
| Tipping fees                            | 48,346                   | 68,502                   |
| Transportation                          | 7,368                    | —                        |
| Miscellaneous                           | 16,846                   | 13,952                   |
| Depreciation                            | <u>22,706</u>            | <u>18,253</u>            |
| Total operating expenses                | <u>691,624</u>           | <u>732,289</u>           |
| Operating income                        | <u>(19,731)</u>          | <u>(69,870)</u>          |
| <b>NONOPERATING REVENUES (expenses)</b> |                          |                          |
| Interest income                         | <u>148</u>               | <u>—</u>                 |
| Total nonoperating revenues (expenses)  | <u>148</u>               | <u>—</u>                 |
| Change in net position                  | (19,583)                 | (69,870)                 |
| <b>Net position - beginning</b>         | <u>249,695</u>           | <u>319,565</u>           |
| <b>Net position - ending</b>            | <u><b>\$ 230,112</b></u> | <u><b>\$ 249,695</b></u> |

**CITY OF MEXICO BEACH, FLORIDA  
COMPARATIVE SCHEDULE OF CASH FLOWS  
WATER FUND – PROPRIETARY FUND**

|  | <u>2017</u>              | <u>2016</u>              |
|--|--------------------------|--------------------------|
| <b>Operating Activities</b>  |                          |                          |
| Receipts from customer and users   | \$ 1,141,558             | \$ 1,089,651             |
| Payments to suppliers and others   | (327,172)                | (458,083)                |
| Payments for personnel services  | <u>(231,553)</u>         | <u>(252,669)</u>         |
| Net cash provided by operating activities  | <u>582,833</u>           | <u>378,899</u>           |
| <b>Capital and related financing activities</b>  |                          |                          |
| Principal paid on bonds  | (143,347)                | (202,904)                |
| Principal paid on notes and leases   | (146,320)                | (141,915)                |
| Interest paid on notes and leases  | (174,543)                | (90,489)                 |
| Purchase of capital assets   | <u>(76,132)</u>          | <u>—</u>                 |
| Net cash used in capital and related financing activities                              | <u>(540,342)</u>         | <u>(435,308)</u>         |
| <b>Investing activities</b>  |                          |                          |
| Interest received  | <u>837</u>               | <u>760</u>               |
| Net cash provided by investing activities  | <u>837</u>               | <u>760</u>               |
| <b>Net change in cash and cash equivalents</b>   | 43,328                   | (55,649)                 |
| <b>Cash and cash equivalents, beginning</b>  | <u>676,707</u>           | <u>732,356</u>           |
| <b>Cash and cash equivalents, ending</b>   | <u><b>\$ 720,035</b></u> | <u><b>\$ 676,707</b></u> |
| <b>Reconciliation of operating income to net cash provided by operating activities</b> |                          |                          |
| Operating income   | <u>379,497</u>           | <u>(11,529)</u>          |
| Adjustment to reconcile operating income to net cash provided by operating activities  |                          |                          |
| Depreciation   | 174,469                  | 169,995                  |
| (Increase) decrease in assets  |                          |                          |
| Accounts receivable, net   | (39,423)                 | 15,630                   |
| Due from other funds   | —                        | 193,681                  |
| Due from governmental funds  | —                        | 70,830                   |
| Deferred outflows  | (16,811)                 | (57,815)                 |
| (Increase) decrease in liabilities   |                          |                          |
| Accounts payable   | (39,676)                 | 40,524                   |
| Accrued expenses   | (427)                    | 2,210                    |
| Due to other funds   | 95,833                   | (116,344)                |
| Deferred inflows   | 7,349                    | (286)                    |
| Accrued compensated absences   | (4,139)                  | 3,290                    |
| Net Pension  | <u>26,161</u>            | <u>68,713</u>            |
| Total adjustments  | <u>203,336</u>           | <u>390,428</u>           |
| <b>Net cash provided by operating activities</b>                                       | <u><b>\$ 582,833</b></u> | <u><b>\$ 378,899</b></u> |

**CITY OF MEXICO BEACH, FLORIDA  
COMPARATIVE SCHEDULE OF CASH FLOWS  
SEWER FUND – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2017**

|  | <u>2017</u>                | <u>2016</u>                |
|--|----------------------------|----------------------------|
| <b>Operating Activities</b>  |                            |                            |
| Receipts from customer and users   | \$ 1,413,100               | \$ 1,296,542               |
| Payments to suppliers and others   | (629,548)                  | (830,999)                  |
| Payments for personnel services  | <u>(277,812)</u>           | <u>(319,197)</u>           |
| Net cash provided by operating activities  | <u>505,740</u>             | <u>146,346</u>             |
| <b>Capital and related financing activities</b>  |                            |                            |
| Principal paid on bonds  | (170,053)                  | (240,126)                  |
| Interest paid on bonds, notes, and leases  | (126,837)                  | (74,220)                   |
| Purchase of capital assets   | <u>(182,433)</u>           | <u>(13,500)</u>            |
| Net cash used in capital and related financing activities                              | <u>(479,323)</u>           | <u>(327,846)</u>           |
| <b>Investing activities</b>  |                            |                            |
| Interest received  | <u>1,989</u>               | <u>2,111</u>               |
| Net cash provided by investing activities  | <u>1,989</u>               | <u>2,111</u>               |
| <b>Net change in cash and cash equivalents</b>   | 28,406                     | (179,389)                  |
| <b>Cash and cash equivalents, beginning</b>  | <u>1,787,100</u>           | <u>1,966,489</u>           |
| <b>Cash and cash equivalents, ending</b>   | <u><b>\$ 1,815,506</b></u> | <u><b>\$ 1,787,100</b></u> |
| <b>Reconciliation of operating income to net cash provided by operating activities</b> |                            |                            |
| Operating income   | <u>147,200</u>             | <u>285,874</u>             |
| Adjustment to reconcile operating income to net cash provided by operating activities  |                            |                            |
| Depreciation   | 207,317                    | 199,295                    |
| (Increase) decrease in assets  |                            |                            |
| Accounts receivable, net   | 13,380                     | (12,815)                   |
| Due from other funds   | (42,982)                   | 3,864                      |
| Deferred outflows  | (18,345)                   | (79,605)                   |
| (Increase) decrease in liabilities   |                            |                            |
| Accounts payable   | 126,605                    | (108,557)                  |
| Accrued expenses   | 1,969                      | 1,700                      |
| Due to other funds   | 43,692                     | (241,727)                  |
| Deferred inflows   | 8,020                      | (394)                      |
| Accrued compensated absences   | (9,664)                    | 4,100                      |
| Net Pension  | <u>28,548</u>              | <u>94,611</u>              |
| Total adjustments  | <u>358,540</u>             | <u>(139,528)</u>           |
| Net cash provided by operating activities  | <u><b>\$ 505,740</b></u>   | <u><b>\$ 146,346</b></u>   |

**CITY OF MEXICO BEACH, FLORIDA  
COMPARATIVE SCHEDULE OF CASH FLOWS  
SANITATION FUND – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2017**

|  | <u>2017</u>             | <u>2016</u>                |
|--|-------------------------|----------------------------|
| <b>Operating Activities</b>  |                         |                            |
| Receipts from customer and users   | \$ 681,991              | \$ 648,271                 |
| Payments to suppliers and others   | (179,408)               | (394,799)                  |
| Payments for personnel services  | <u>(490,554)</u>        | <u>(447,859)</u>           |
| Net cash provided by operating activities  | <u>12,029</u>           | <u>(194,387)</u>           |
| <b>Capital and related financing activities</b>  |                         |                            |
| Purchase of capital assets   | <u>(133,964)</u>        | <u>(14,718)</u>            |
| Net cash used in capital and related financing activities                              | <u>(133,964)</u>        | <u>(14,718)</u>            |
| <b>Investing activities</b>  |                         |                            |
| Interest received  | <u>148</u>              | <u>—</u>                   |
| Net cash provided by investing activities  | <u>148</u>              | <u>—</u>                   |
| <b>Net increase (decrease) in cash and cash equivalents</b>                            | (121,787)               | (209,105)                  |
| <b>Cash and cash equivalents, beginning</b>  | <u>136,393</u>          | <u>345,498</u>             |
| <b>Cash and cash equivalents, ending</b>   | <u><b>\$ 14,606</b></u> | <u><b>\$ 136,393</b></u>   |
| <b>Reconciliation of operating income to net cash provided by operating activities</b> |                         |                            |
| Operating income   | <u>(19,731)</u>         | <u>(69,870)</u>            |
| Adjustment to reconcile operating income to net cash provided by operating activities  |                         |                            |
| Depreciation   | 22,706                  | 18,253                     |
| (Increase) decrease in assets  |                         |                            |
| Accounts receivable, net   | 10,098                  | (14,148)                   |
| Due from other funds   | (71,555)                | 736                        |
| Deferred outflows  | (25,061)                | (60,140)                   |
| (Increase) decrease in liabilities   |                         |                            |
| Accounts payable, net  | (16,051)                | 8,616                      |
| Accrued expenses   | 1,677                   | 2,992                      |
| Due to other funds   | 72,616                  | (159,673)                  |
| Deferred inflows   | 10,956                  | (298)                      |
| Accrued compensated absences   | (12,625)                | 7,667                      |
| Net Pension  | <u>38,999</u>           | <u>71,478</u>              |
| Total adjustments  | <u>31,760</u>           | <u>(124,517)</u>           |
| <b>Net cash provided by operating activities</b>                                       | <u><b>\$ 12,029</b></u> | <u><b>\$ (194,387)</b></u> |



## **COMPLIANCE SECTION**

# Vance CPA LLC

***Certified Public Accountant***

219-B Avenue E • Apalachicola, FL 32320  
Phone (888)531-6408 Fax (866)-406-7422

## **INDEPENDENT AUDITOR'S REPORT ON INVESTMENT COMPLIANCE**

Honorable Mayor and Members of the  
Of the City Commission  
City of Mexico Beach, Florida

We have examined the City of Mexico Beach, Florida's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds 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 the City and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*Vance CPA LLC*

**Vance CPA LLC**  
June 22, 2018

# Vance CPA LLC

***Certified Public Accountant***

219-B Avenue E • Apalachicola, FL 32320  
Phone (888)531-6408 Fax (866)-406-7422

## **INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

Honorable Mayor and Members of the  
Of the City Commission  
City of Mexico Beach, Florida

We have audited the financial statements of the City of Mexico, Florida as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 22, 2018.

### **Auditor's Responsibility**

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

### **Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance; Schedule of Findings and Responses; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 22, 2018, should be considered in conjunction with this management letter.

### **Prior Audit Findings:**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No prior year findings existed.

### **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 statement. This information is disclosed in the notes to the financial statements.

**Financial Condition**

Section 10.554(1)(i)5.a., and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City of Mexico Beach, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City of Mexico Beach, Florida was not in a state of financial emergency, as it 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. It is management's responsibility to monitor the City of Mexico Beach's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

**Annual Financial Report**

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

**Other Matters**

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

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

**Purpose of this Letter**

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



**Vance CPA LLC**

June 22, 2018

# Vance CPA LLC

***Certified Public Accountant***

219-B Avenue E • Apalachicola, FL 32320  
Phone (888)531-6408 Fax (866)-406-7422

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

Honorable Mayor and Members  
of the City Council  
City of Mexico Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Mexico Beach, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Mexico Beach, Florida's basic financial statements, and have issued our report thereon dated June 22, 2018.

### **Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Vance CPA LLC*

**Vance CPA LLC**  
June 22, 2018

# Vance CPA, LLC

*Certified Public Accountant*

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Apalachicola, FL 32320

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS FOR EACH MAJOR PROGRAM, STATE PROJECT, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550 RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Honorable Mayor and Members  
of the City Council  
City of Mexico Beach, Florida

### **Report on Compliance for Each State Program**

We have audited Mexico Beach, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and Florida Department of Financial Services *State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2017. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits and contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*; and Chapter 10.550 Rules of the Auditor General. Those standards, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of Mexico Beach, Florida's compliance.

### **Opinion on Each Federal Program and State Project**

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

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintain effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



**Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mexico Beach, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 22, 2018, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for the purposes of additional analysis as required by Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information 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.

The information has been subjected to the auditing procedures applied in the audit of the 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 Schedule of Expenditures of Federal Awards and State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Vance CPA LLC*

**Vance CPA LLC**  
June 22, 2018

**MEXICO BEACH, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2017**

| <b>Federal Awards Program</b>                                    | <b>CSFA #</b> | <b>Contract/Grant<br/>Number</b> | <b>Expenditures</b> |
|--|---------------|----------------------------------|---------------------|
| <b>U.S. Department of Housing and Urban Development</b>          |               |                                  |                     |
| Passed through Florida Department of Economic Opportunity        |               |                                  |                     |
| Florida Small Cities Community Development Block Grant           | 14.228        | DB-015-01-13-02-H                | \$ <u>389,174</u>   |
| Total U.S. Department of Housing and Urban Development           |               |                                  | <u>389,174</u>      |
| <b>U. S Department of the Interior</b>                           |               |                                  |                     |
| Passed through Florida Fish and Wildlife Conservation Commission |               |                                  |                     |
| Sport Fish Restoration Program                                   | 15.605        | FWC-15081                        | <u>711,625</u>      |
| Total U.S. Department of the Interiors                           |               |                                  | <u>711,625</u>      |
| Total Expenditures of Federal Awards                             |               |                                  | <u>\$ 1,100,799</u> |

**MEXICO BEACH, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2017**

| <b>State Financial Assistance Projects</b>                             | <b>CSFA #</b> | <b>Contract/Grant<br/>Number</b> | <b>Expenditures</b> |
|--|---------------|----------------------------------|---------------------|
| <b>Florida Fish &amp; Wildlife Conservation Commission</b>             |               |                                  |                     |
| Florida Boating Improvement Grant                                      | 77.006        | FWC-15081                        | \$ 693,536          |
| Artificial Reefs Grants Program  | 77.007        | SAJ-1988-60104                   | <u>1,166,014</u>    |
| Total Florida Fish & Wildlife Conservation Commission                  |               |                                  | <u>1,859,550</u>    |
| <b>Florida Department of Environmental Protection</b>                  |               |                                  |                     |
| Florida Recreation Development Assistance Program<br>Mexico Beach Park | 37.017        | LP40010                          | 11,514              |
| Mexico Beach Marina Improvements                                       | 35.128        | NA14OAR4170108                   | <u>30,000</u>       |
| Total Florida Department of Environmental Protection                   |               |                                  | <u>41,514</u>       |
| Total State of Florida Financial Assistance                            |               |                                  | <u>\$ 1,901,064</u> |

**MEXICO BEACH, FLORIDA  
NOTES TO SCHEDULE OF EXPENDITURES  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2017**

**Note 1 – General**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) presents the activity of all state financial assistance programs of Mexico Beach, Florida (the City). The City reporting entity is defined in Note 1 to the City's basic financial statements for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance and Chapter 10.550, Rules of the Auditor General. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows for the county.

**Note 2 – Basis of Accounting**

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements for the year ended September 30, 2017.

**MEXICO BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2017**

**Section 1 – Summary of Auditor’s Results**

Financial Statements

|  |            |                        |
|--|------------|------------------------|
| Type of auditor’s report issued  | Unmodified |                        |
| Internal control over financial reporting  |            |                        |
| Material weakness(es) identified?  | ___yes     | <u>X</u> no            |
| Significant deficiency(ies) identified not considered to be material weaknesses? | ___yes     | <u>X</u> none reported |
| Noncompliance material to financial statements noted:                            | ___yes     | <u>X</u> no            |

Federal Awards and State Financial Assistance

|   |            |                        |
|---|------------|------------------------|
| Internal control over major programs material weakness(es) identified?  | ___yes     | <u>X</u> no            |
| Significant deficiency (ies) identified not considered to be material weaknesses?   | ___yes     | <u>X</u> none Reported |
| Type of auditor’s report issued on compliance for major programs  | Unmodified |                        |
| Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a) or Rules of the Auditor General? | ___yes     | <u>X</u> no            |

Identification of major federal awards/state financial assistance projects:

| <u>CFDA/CSFA Number</u> | <u>Name of Federal Award or State Financial Assistance Project</u> |
|-------------------------|--|
| 77.006                  | Florida Boating Improvement Grant                                  |
| 77.007                  | NRDA Artificial Reef Construction Project                          |
| 15.605                  | Sport Fish Restoration Program                                     |

(continued)

**MEXICO BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
YEAR ENDED SEPTEMBER 30, 2017**

Dollar threshold used to distinguish  
between Type A and Type B programs \$750,000 Federal/\$300,000 State

Auditee qualified as low-risk auditee?  yes  none

**Section II – Financial Statement Findings**

No findings or questioned costs in the current year

**Section III – Findings and Questioned Costs – Major Federal Award Programs**

No findings or questioned costs in the current year.

**Section IV – Findings and Questioned Costs – Major State Financial Assistance Projects**

No findings or questioned costs in the current year.

**Section V – Other Issues**

No Corrective Action Plan is required because there were no findings required to be reported under 2 CFR 200.516(a) or the Florida single Audit Act.

**MEXICO BEACH, FLORIDA  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
SEPTEMBER 30, 2017**

No prior year audit findings.