

CITY OF ANNA MARIA, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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SEPTEMBER 30, 2018

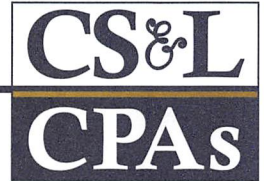
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INDEPENDENT AUDITOR'S REPORT

To the Honorable City Commission
City of Anna Maria, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Anna Maria, Florida, (City), as of and for the year ended September 30, 2018, 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 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 and each major fund of the City of Anna Maria, Florida, as of September 30, 2018, and the respective changes in financial position 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 on pages 3 - 8, budgetary comparison information on page 28 and the schedule of the City's proportionate share of net pension liability, contributions and notes on pages 29 - 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information on page 34 as listed in the table of contents, is presented for additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2019 on our consideration of the City of Anna Maria, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Anna Maria, Florida's internal control over financial reporting and compliance.

*Christopher, Smith, Leonard,
Bristow & Stanell, P.A.*
CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P. A.

May 9, 2019
Bradenton, Florida



City of Anna Maria

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Anna Maria, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. Readers should consider the information presented here in conjunction with the basic financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$7,534,915 (*net position*). A portion of the City's net position \$178,451 represents resources from transportation taxes and trolley contributions that are subject to restrictions on how they may be used. *Unrestricted net position* of \$1,203,994 may be used to meet the City's ongoing obligation to citizens and creditors in accordance with the City's fiscal policies.
- The City's total net position increased by \$1,203,762.
- As of the end of the current fiscal year, the City's governmental fund reported ending fund balance of \$1,774,495 a decrease of \$1,197,776 in comparison with the prior year. The General Fund has restricted fund balance in the amount of \$178,451, for transportation taxes and trolley contributions. The amount of fund balance available for spending at the City's discretion (unassigned fund balance) is \$1,568,334.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Anna Maria, Florida's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by ad valorem taxes, and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The City is engaged in only governmental activities.

The government-wide financial statements can be found on pages 9 and 10 of this report.

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

Governmental funds. Governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual method of accounting and the current financial resources focus. As a result long-term assets and liabilities are not included. The City uses a General fund. The General Fund is the general operating fund. All general tax revenues are accounted for in this fund. From this fund all general operating expenditures, capital and debt services expenditures are paid.

A reconciliation to facilitate the comparison between the governmental fund financial statements and the government-wide financial statements is presented.

The City adopts an annual budget for its general fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 to 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 15 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Anna Maria, Florida, assets exceeded liabilities by \$7,534,915 at the close of the most recent fiscal year.

A large portion of the City’s net position \$6,152,470 reflects its net investment in capital assets (e.g., land, construction in progress, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens within the boundaries of the City; consequently, these assets are *not* available for future spending. The City also had significant assets in cash and investments at year-end. Investments are held in Qualified Public Depositories, or the State Local Government Surplus Trust Fund as allowed by Florida Statutes.

The following table presents a condensed statement of net position as of September 30, 2018, with comparative totals for September 30, 2017.

	Net Position	
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 2,371,895	\$ 3,465,620
Capital assets	7,947,064	5,817,573
Total assets	<u>10,318,959</u>	<u>9,283,193</u>
Deferred outflows of pension resources	382,729	363,893
Long-term liabilities outstanding	2,505,856	2,790,988
Other liabilities	<u>597,400</u>	<u>493,349</u>
Total liabilities	3,103,256	3,284,337
Deferred inflows of pension earnings	63,517	31,596
Net position:		
Net investment in capital assets	6,152,470	3,667,292
Restricted	178,451	313,851
Unrestricted	<u>1,203,994</u>	<u>2,350,010</u>
Total net position	<u>\$ 7,534,915</u>	<u>\$ 6,331,153</u>

The City’s net position increased \$1,203,762 during the current fiscal year. Revenues increased \$742,897 mainly due to taxes and capital grants netted with decreases in other charges for services. Expenses decreased \$153,348 mainly due to public works.

The following table provides a summary of the City's operations for the year ended September 30, 2018 with comparative totals for the year ended September 30, 2017.

Changes in Net Position

	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,265,902	\$ 1,458,789
Operating grants and contributions	-0-	-0-
Capital grants and contributions	<u>828,902</u>	<u>180,967</u>
	2,094,804	1,639,756
General revenues:		
Ad valorem taxes	1,967,833	1,760,948
Franchise fees	211,317	198,852
Communication service tax	102,492	98,710
Stormwater utility fee	154,334	154,400
State revenue sharing	45,750	45,329
Discretionary tax	118,288	70,846
Sales tax	125,993	194,584
Other taxes	247,246	182,164
Interest income	32,576	18,146
Miscellaneous	<u>37,400</u>	<u>31,401</u>
Total general revenues	<u>3,043,229</u>	<u>2,775,380</u>
Total revenues	<u>5,138,033</u>	<u>4,395,136</u>
Expenses:		
General government	597,811	640,402
Public works/building department	2,458,408	2,710,034
Public safety	841,395	694,094
Interest	<u>36,657</u>	<u>43,089</u>
Total expenses	<u>3,934,271</u>	<u>4,087,619</u>
Increase (decrease) in net position	1,203,762	307,517
Net position – Beginning	<u>6,331,153</u>	<u>6,023,636</u>
Net position – Ending	<u>\$ 7,534,915</u>	<u>\$ 6,331,153</u>

Financial Analysis of the City's Funds

The City utilizes only one Governmental Fund which is the General Fund.

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

As of the end of the current fiscal year, the City's general fund reported an ending fund balance of \$1,774,495, a decrease of \$1,197,776 in comparison with the prior year. Of this total \$178,451 is restricted for transportation taxes and trolley contributions. \$1,568,334 is *unassigned fund balance*, which is available for spending at the City's discretion.

As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unassigned fund balance represents 25% of general fund expenditures.

The fund balance of the City's general fund decreased by \$1,197,776 during the current fiscal year. The significant reasons for the decrease are as follows:

- Total revenues increased \$742,895 from the prior year. This was due primarily to increased taxes and grants offset by decreases in fines and City Pier rent.
- Total expenditures increased \$2,497,493, due mainly to an increase in funds expended for projects incurred for storm water and the City Pier.

General Fund Budgetary Highlights

The City's general fund budget was not amended during the year. Original and final budgeted revenues, excluding the use of reserves were \$4,378,411. Original and final budgeted expenditures were \$5,704,621. Actual revenues exceeded budgeted revenues by \$133,773, mainly due to additional licenses, permits and taxes, offset by decreases in fines and rents. Actual expenditures were \$609,559 less than final budgeted expenditures due mainly to less operating and capital outlay costs than anticipated, on the budget basis.

The General Fund budget is presented as required supplementary information on page 28.

Capital Assets

The City's investment in capital assets for the year ended September 30, 2018 amounts to \$7,947,064 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, machinery and equipment. The City's investment in capital assets for the current fiscal year increased by \$2,129,491; this was comprised of \$2,288,889 of capital additions, and \$159,398 of depreciation expense.

The following is a condensed schedule of capital assets.

	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2018</u>	<u>2017</u>
Land	\$ 2,836,020	\$ 2,836,020
Construction in progress	1,240,747	-0-
Buildings and improvements	238,809	260,726
Infrastructure	3,504,265	2,572,767
Machinery and equipment	<u>127,223</u>	<u>148,060</u>
Total (net of depreciation)	<u>\$ 7,947,064</u>	<u>\$ 5,817,573</u>

See Note 3 of this report for additional information on the City's capital assets.

Long-Term Obligations

At September 30, 2018, the City has existing debt of \$1,794,594. In 2018, the City paid down principal on debt in the amount of \$355,687.

See Note 6 for additional information on the City's long-term debt.

Economic Factors and Next Year's Budgets and Rates

The millage rate in the 2019 budget is 2.05 mills which, is the same as the 2018 budget. The original 2019 budget includes \$10,492,116 of revenues and expenditures.

Requests for Information

This financial report is designed to provide a general overview of the City of Anna Maria, Florida's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City at, City of Anna Maria, Florida, P.O. Box 779, 10005 Gulf Drive, Anna Maria, Florida 34216.

CITY OF ANNA MARIA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 485,589
Investments	1,100,196
Due from other governments	535,056
Prepaid expense	27,710
Other receivables	44,893
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	170,226
Investments	8,225
Capital assets:	
Land	2,836,020
Construction in progress	1,240,747
Other capital assets, net of depreciation	3,870,297
Total Assets	10,318,959
Deferred outflows of pension resources	382,729
LIABILITIES	
Accounts payable	451,244
Accrued expenses	55,177
Unearned revenue	90,979
Non current liabilities	
Due within one year	153,767
Due in more than one year	2,352,089
Total Liabilities	3,103,256
Deferred inflows of pension earnings	63,517
NET POSITION	
Net investment in capital assets	6,152,470
Restricted for:	
Streets and roads	174,401
Restricted contributions	4,050
Unrestricted	1,203,994
TOTAL NET POSITION	\$ 7,534,915

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

CITY OF ANNA MARIA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Change In Net Position Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 597,811	\$ -	\$ -	\$ -	\$ (597,811)
Public Works/Building Department	2,458,408	1,134,200	-	828,902	(495,306)
Public Safety	841,395	131,702	-	-	(709,693)
Interest	36,657	-	-	-	(36,657)
Total Governmental Activities	3,934,271	1,265,902	-	828,902	(1,839,467)
General Revenues:					
					1,967,833
Ad Valorem taxes					211,317
Franchise fees					102,492
Communication service tax					154,334
Stormwater utility fee					45,750
Revenue sharing – State					118,288
Discretionary tax					125,993
Sales tax					247,246
Other taxes					32,576
Interest income					37,400
Miscellaneous					3,043,229
Total general revenues					3,043,229
Change in Net Position					1,203,762
Net Position – Beginning					6,331,153
Net Position – Ending					\$ 7,534,915

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

CITY OF ANNA MARIA, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUND
SEPTEMBER 30, 2018

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 485,589
Investments	1,100,196
Cash – restricted	170,226
Investments–restricted	8,225
Due from other governments	535,056
Prepaid expense	27,710
Other receivables	44,893
	<hr/>
TOTAL ASSETS	<u>\$ 2,371,895</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 451,244
Accrued expenses	18,259
Accrued wages	36,918
Unearned revenue	90,979
	<hr/>
TOTAL LIABILITIES	<u>597,400</u>
Fund Balances:	
Nonspendable	27,710
Spendable:	
Restricted	178,451
Unassigned	1,568,334
	<hr/>
TOTAL FUND BALANCE	<u>1,774,495</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,371,895</u>

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

**CITY OF ANNA MARIA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

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

Fund Balance – Governmental Fund	\$ 1,774,495
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	7,947,064
Deferred outflows of pension resources are not recognized in the governmental funds, however, they are recorded in the statement of net position under full accrual accounting.	382,729
Deferred inflows of pension earnings are not recognized in the governmental funds, however, they are recorded in the statement of net position under full accrual accounting.	(63,517)
Long-term liabilities, which includes notes payable and net pension liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Long term Debt	(1,794,594)
Net Pension Liability	<u>(711,262)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 7,534,915</u></u>

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

CITY OF ANNA MARIA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	GENERAL FUND
REVENUES	
Ad valorem taxes	\$ 1,967,833
State revenue and other taxes	639,769
Franchise fees	211,317
Stormwater utility fees	154,334
Licenses and permits	1,134,200
Grants	828,902
Fines	131,702
Interest	32,576
Rents	-
Other sources	37,400
Total Revenues	5,138,033
EXPENDITURES	
General government:	
Personal services	294,390
Operating	254,730
Capital outlay	18,828
Total General Government	567,948
Public works/building department:	
Personal services	821,620
Operating	523,836
Capital outlay	2,751,867
Total Public Works	4,097,323
Code Enforcement	
Personal services	211,892
Operating	188,938
Capital outlay	37,121
Total Code Enforcement	437,951
Public safety	840,243
Debt service:	
Principal	355,687
Interest	36,657
Total Debt Service	392,344
Total Expenditures	6,335,809
NET CHANGE IN FUND BALANCE	(1,197,776)
FUND BALANCE, October 1, 2017	2,972,271
FUND BALANCE, September 30, 2018	\$ 1,774,495

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

**CITY OF ANNA MARIA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

Net change in fund balance – total governmental fund	\$ (1,197,776)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which additions exceed depreciation expense and any loss on disposal of assets.	2,129,491
Amount of debt principal payments reported as an expenditure in the fund statements, but considered a reduction of a liability in the government-wide statements, and, therefore, not included as an expense item in the statement of activities.	355,687
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in:	
Net pension liability	(70,555)
Deferred outflows of pension resources	18,837
Deferred inflows of pension earnings	(31,922)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,203,762</u>

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

CITY OF ANNA MARIA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the City of Anna Maria, Florida:

- A. REPORTING ENTITY – The City of Anna Maria was created with the power to exercise all necessary municipal services. The present charter has been revised periodically and currently provides for an elected Mayor and a five-member commission. The following services are authorized by the present charter: public safety, streets and roads, sanitation, health and social service, culture/recreation, public improvements, planning and zoning, and general administrative services. No potential component units exist.

The official title of the entity is the City of Anna Maria. The City was established in 1923 under the Laws of Florida Chapter 9675 and operates under a charter, which was last revised in February of 1978 and amended in 1994 and 2003. The legal authority for the City is in Chapter 165 of the Florida Statutes.

- B. BASIS OF PRESENTATION – The City’s basic financial statements include Government-wide (which reports the City as a whole) and Fund financial statements (which report only on the General Fund). The basic financial statements present only governmental activities, as the City conducts no business type activities.

BASIS OF ACCOUNTING: BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS– The Government-Wide Financial Statements (Statement of Net Position and Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting.

The City has no interfund activity. The City’s net position is reported in three parts (as applicable): net investment in capital assets; restricted net position, and unrestricted net position. 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 1) charges for services including licenses and permits, fines and other related revenues and 2) 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.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS – The City’s accounts are organized on the basis of funds, which are self-balancing set of accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures. The City utilizes Governmental funds, which follow the modified accrual basis of accounting. Under this method, revenues are recorded when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

CITY OF ANNA MARIA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. BASIS OF PRESENTATION – CONTINUED

The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a fund liability is incurred. The City reports the following governmental fund, which is a major fund:

GOVERNMENTAL FUND

GENERAL FUND – The General Fund is the general operating fund of the City. All general tax revenues are accounted for in this Fund. From the Fund are paid the general operating expenditures, capital expenditures and debt service expenditures of the City.

- C. CAPITAL ASSETS** – Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an estimated useful life of longer than one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal repair and maintenance that do not add to the value of the asset or extend the useful life of the asset are expensed as incurred. The City has elected to report general infrastructure assets on a prospective basis only.

Property, plant and equipment of the City are depreciated on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Building	40
Infrastructure	15 – 40
Improvements	20
Vehicles	5
Furniture, fixtures and equipment	5 – 10

- D. LONG-TERM OBLIGATIONS** – The City's long-term debt, is recorded in the government-wide financial statements. In the fund financial statements, long-term obligations are not reported as they are not due to be paid from current financial resources. Bond issuance costs are expensed as incurred in the government-wide financial statements pursuant to the adoption of GASB Statement No. 65.
- E. BUDGETARY INFORMATION** – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles except for certain grant revenues and expenditures related to the City Pier for the governmental fund. Expenditures should not exceed total appropriations. All annual appropriations lapse at fiscal year end. Budget amendments are approved by the City Commission.

CITY OF ANNA MARIA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- F. PROPERTY TAXES – Property taxes become due and payable on November 1st of each year. The County tax collector remits the City’s portion as such revenues are received. The City collects nearly all of its tax revenue during the period from November 1 through April 1, at which time the property taxes become delinquent. The key dates in the property tax cycle are as follows:

Assessment roll validated	July 1
Millage resolution approved	September 30
Beginning of fiscal year for which taxes have been levied	October 1
Tax bills rendered and due	November 1
Property taxes payable: Maximum discount	November 30
Delinquent	April 1
Tax certificates sold	May 31

Property taxes are recognized as revenue in the fiscal year for which the taxes have been levied to the extent they result in current receivables. Under the system outlined above, no material amount of taxes is receivable after the end of the fiscal year.

- G. ESTIMATES – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- H. ACCRUED VACATION AND SICK PAY – The City records a liability for accrued vacation and sick leave in the general fund, as the amounts are considered current obligations.
- I. FUND BALANCE – The City follows Governmental Accounting Standards Board (GASB) Statement No. 54. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are Nonspendable and Spendable. Spendable is then further classified as Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance.

CITY OF ANNA MARIA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. FUND BALANCE – CONTINUED

In accordance with GASB Statement 54, the City classified governmental fund balances as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Spendable Fund Balance:

Restricted – includes amounts that can be spent only for specific purposes because of State or Federal laws or enabling legislation, or which are externally restricted by providers, such as creditors or grantors.

Committed – includes amounts that can be spent only for specific purposes that are approved by a formal action of the City Commissioners through a resolution or the budget process.

Assigned – includes amounts designated for a specific purpose by the City Commissioners through a resolution or the budget process, which are neither restricted or committed.

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

The City uses restricted amounts first when both restricted and unrestricted fund balance is available, unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The City does not have a formal minimum fund balance policy.

	<u>General Fund</u>
<u>Nonspendable:</u>	
Prepaid expenses	\$ 27,710
<u>Spendable:</u>	
Restricted:	
Local gas tax and right of way fees for road maintenance	174,401
Trolley	4,050
	178,451
Unassigned	1,568,334
Total Fund Balances	\$ 1,774,495

CITY OF ANNA MARIA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- J. INTERFUND RECEIVABLES/PAYABLES – The City has no interfund receivables or payables.
- K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES – In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. One item qualifies for reporting in this category. A deferred outflow of pension resources is reflected in the government-wide statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. A deferred inflow of pension earnings is reported in the government-wide statement of net position.

NOTE 2 – CASH AND INVESTMENTS

The City's investment policies are governed by Florida Statutes in addition to its own investment policies. City monies are authorized to be invested in the following:

- Local Government Surplus Funds Trust Fund (LGSF) or any intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act.
- S.E.C. registered money market funds with the highest credit quality rating from a certified qualified public depository.
- Direct Obligations of the U.S. Treasury.
- Interest bearing time deposits or savings accounts in State Certified Qualified Public Depositories as defined in Section 280.02 Florida Statutes.

City bank accounts are with banking institutions that post collateral as required by state statutes (Qualified Public Depositories). The City's policy minimizes credit risk by limiting investments to the safest types. The City's policy minimizes interest rate risk by structuring investments to meet cash requirements for ongoing operations and investing operating funds in shorter term investments.

Local Government Surplus Trust Funds Investment Pool

The City has investments with the State Board of Administration Florida PRIME Fund (Florida PRIME), which are administered by the Florida State Board of Administration (SBA). The City's investments in the Pool are through shares owned in the fund and not the underlying investments. The Florida PRIME is considered a 2a7-like pool and recognized at amortized cost. The account balance in the Florida PRIME approximates its fair value. The Florida PRIME investments are subject to overnight withdrawal. There is a risk of loss of interest on the investments if there are changes in the underlying indexed base.

CITY OF ANNA MARIA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2 – CASH AND INVESTMENTS– CONTINUED

Interest Rate Risks

The City does not have a specific policy concerning interest rate risk. The City primarily invests in certificates of deposit and other insured deposits and similar investment pools as a means of managing fair value losses arising from increasing interest rates. The Florida PRIME dollar weighted average days to maturity (WAM) is 33 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life of Florida PRIME at September 30, 2018 is 72 days.

Credit Risks

Credit risk is the possibility that an issuer of a fixed income security held by the Florida PRIME will default on the security by failing to pay interest or principal when due. If an issuer defaults, the Florida PRIME will lose money.

Florida PRIME invests in top-tier, money market assets of the highest quality and has a Standard and Poors rating of AAAM.

Foreign Currency Risk

Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2017 through September 30, 2018.

With regards to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. Through September 30, 2018, no such disclosure has been made.

**CITY OF ANNA MARIA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 2 – CASH AND INVESTMENTS– CONTINUED

As of September 30, 2018, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

At September 30, 2018, the City had investments in the Florida PRIME in the amount of \$1,108,421. For further information regarding the Local Government Surplus Trust Funds Investment Pool, readers should refer to the financial statements and disclosures of the Florida State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool.

NOTE 3 –CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclass</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 2,836,020	\$ -0-	\$ -0-	\$ -0-	\$ 2,836,020
Construction in progress	<u>-0-</u>	<u>1,240,747</u>	<u>-0-</u>	<u>-0-</u>	<u>1,240,747</u>
Total capital assets, not being depreciated	2,836,020	1,240,747	-0-	-0-	4,076,767
Capital assets being depreciated:					
Buildings and improvements	709,687	-0-	-0-	-0-	709,687
Infrastructure	3,301,469	1,033,137	-0-	-0-	4,334,606
Machinery and equipment	<u>600,480</u>	<u>15,005</u>	<u>-0-</u>	<u>-0-</u>	<u>615,485</u>
Total capital assets being depreciated	4,611,636	1,048,142	-0-	-0-	5,659,778
Less accumulated depreciation for:					
Buildings and improvements	448,961	21,917	-0-	-0-	470,878
Infrastructure	728,702	101,639	-0-	-0-	830,341
Machinery and equipment	<u>452,420</u>	<u>35,842</u>	<u>-0-</u>	<u>-0-</u>	<u>488,262</u>
Total accumulated depreciation	<u>1,630,083</u>	<u>159,398</u>	<u>-0-</u>	<u>-0-</u>	<u>1,789,481</u>
Total capital assets, being depreciated, net	<u>2,981,553</u>	<u>888,744</u>	<u>-0-</u>	<u>-0-</u>	<u>3,870,297</u>
Governmental activities capital assets, net	<u>\$ 5,817,573</u>	<u>\$ 2,129,491</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,947,064</u>

Depreciation expense was allocated \$20,629 to general government, \$137,617 to public works and \$1,152 to public safety.

NOTE 4 – RECONCILIATION OF GOVERNMENT -WIDE AND FUND FINANCIAL STATEMENTS

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

The reconciliation between the net changes in fund balances – total governmental funds as reported in the statement of revenues, expenditures and changes in fund balances,

CITY OF ANNA MARIA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 4 – RECONCILIATION OF GOVERNMENT -WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED

and the changes in net position as reported in the statement of activities is included on page 14 of the basic financial statements. One line in that reconciliation explains that “Governmental Funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The detail is shown below:

Capital additions reported as expenditures in the General Fund	\$ 2,288,889
Depreciation Expense	<u>(159,398)</u>
	<u>\$ 2,129,491</u>

NOTE 5 – RETIREMENT PLAN

Plan Description

Employees of the City are provided with pensions through the Florida Retirement System which is administered by the Florida Department of Management Services, Division of Retirement. The State of Florida issues a publicly available comprehensive annual financial report that can be obtained at <http://myfloridacfo.com/Division/AA/Reports/default.htm>.

Under this system, there are two defined benefit pension plans: The Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program:

- The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes.
- The Retiree Health Insurance Subsidy Program (HIS) is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes.

Benefits Provided

The FRS provides retirees a lifetime pension benefit with joint and survivor payment options. Benefits under FRS are computed on the basis of age and/or years of service, average final compensation and service credit. Credit for each year of service is expressed as a percentage of the average final compensation.

If first employed prior to July 1, 2011: Normal retirement age for “regular” employees is 62 or 30 years of service and vesting occurs after 6 years of creditable service. Normal retirement age for “special risk” employees is 55 or 25 years of service and vesting occurs after 6 years of creditable service. The average final compensation is the average of the five highest fiscal years’ earnings.

CITY OF ANNA MARIA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – RETIREMENT PLAN – CONTINUED

If first employed on or after July 1, 2011: Normal retirement age for “regular” employees is 65 or 33 years of service and vesting occurs after 8 years of creditable service. Normal retirement age for “special risk” employees is 60 or 30 years of service and vesting occurs after 8 years of creditable service. The average final compensation is the average of the eight highest fiscal years’ earnings.

The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Under the HIS Plan, the benefit is a monthly payment to assist retirees in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree must provide proof of eligible health insurance coverage, which can include Medicare.

Contributions Required and Made

Per Chapter 121, Florida Statutes, contribution requirements of the active employees and the participating employers are established and may be amended by the Florida Department of Management Services, Division of Retirement. Effective July 1, 2011, both employee and employers of the FRS are required to make contributions to establish service credit for work performed in a regularly established position. The Florida Legislature established a uniform contribution rate system for the FRS. The uniform rates are based on the class an employee is placed into which requires employees to contribute 3% and employers to contribute a specified percentage based on class. The City’s contractually required contribution rate for the year ended September 30, 2018, ranged from 7.92% – 8.26% for regular employees and 45.50% – 48.70% for elected officials of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$68,581 for the year ended September 30, 2018.

The HIS Program is funded by required contributions of 1.66% and is included in the contribution rates noted above.

CITY OF ANNA MARIA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – RETIREMENT PLAN – CONTINUED

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

At September 30, 2018, the City reported a liability of \$711,262 for its proportionate share of the net pension liability which includes both FRS and HIS. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportion of the net pension liability was based on a long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion was .001579931% for FRS and .002223888% for HIS was consistent with its proportion measured as of June 30, 2018.

For the year ended September 30, 2018, the City recognized pension expense of \$140,431. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 40,314	\$ (1,463)	\$ 3,604	\$ (400)
Changes in assumptions	155,496	-0-	26,177	(24,886)
Net difference between projected and actual earnings on pension plan investments	-0-	(36,768)	142	-0-
Changes in proportion and differences between contributions and proportionate share of contributions	81,800	-0-	62,583	-0-
City contributions subsequent to the June 30, 2018 measurement date	<u>9,965</u>	<u>-0-</u>	<u>2,648</u>	<u>-0-</u>
	<u>\$ 287,575</u>	<u>\$ (38,231)</u>	<u>\$ 95,154</u>	<u>\$ (25,286)</u>

Total deferred outflows were \$382,729 and total deferred inflows were \$63,517. \$9,965 (FRS) and \$2,648 (HIS) were reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending September 30:</u>	<u>FRS</u>	<u>HIS</u>
2019	\$ 35,793	\$ 9,344
2020	35,793	9,344
2021	35,793	9,344
2022	35,793	9,344
2023	35,795	9,346
Thereafter	<u>60,412</u>	<u>20,498</u>
	<u>\$ 239,379</u>	<u>\$ 67,220</u>

CITY OF ANNA MARIA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 5 – RETIREMENT PLAN – CONTINUED

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation (June 30, 2018 measurement date) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, including inflation
Investment rate of return	7.00 percent, including inflation at 2.60%

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 – June 30, 2013. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed for that Plan, but were based on certain results of the most recent experience study for the FRS Plan.

The long-term expected rate of return on pension plan investments was determined in October 2018 at the FRS Actuarial Assumptions conference based on a review of long-term assumptions developed both by Milliman’s capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults with the Florida State Board of Administration. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption, (2.60%). These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>
Cash	1%	2.90%
Fixed income	18%	4.40%
Global equity	54%	7.60%
Real estate (property)	11%	6.60%
Private equity	10%	10.70%
Strategic investments	6%	6.00%

CITY OF ANNA MARIA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 5 – RETIREMENT PLAN – CONTINUED

Discount Rate

The discount rate used to measure the total FRS pension liability was 7.00%, (7.10% in the prior year) and the HIS pension liability was 3.87%. The HIS rate increased from 3.58% in the prior year, based on the most recent actuarial study. The HIS rate is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the FRS net pension liability calculated using the discount rate of 7.00%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City’s proportionate share of the FRS net pension liability	\$ 868,507	\$ 475,883	\$ 149,786

The following presents the City’s proportionate share of the HIS net pension liability calculated using the discount rate of 3.87%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
City’s proportionate share of the HIS net pension liability	\$ 268,083	\$ 235,379	\$ 208,118

Pension Plan Fiduciary Net Position

The City’s proportion of net position has been determined on the same basis of each Plan. Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of Florida comprehensive annual financial report.

**CITY OF ANNA MARIA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 – LONG-TERM DEBT

Governmental Activities

On August 22, 2016, the City refinanced the remaining balance of the 2011 revenue bonds with a \$2,411,746 Public Improvement Revenue Note, Series 2016. The note bears interest of 1.90%, with monthly installments of principal and interest commencing on September 22, 2016. The note is secured by pledged revenues including certain franchise fees, half-cent sales taxes and communication services taxes.

Future maturities are as follows:

<u>Year ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 153,767	\$ 38,577	\$ 192,344
2020	156,714	35,630	192,344
2021	159,717	32,627	192,344
2022	162,779	29,565	192,344
2023	165,898	26,446	192,344
2024-2028	878,424	83,296	961,720
2029-2031	117,295	6,430	123,725
Total	<u>\$ 1,794,594</u>	<u>\$ 252,571</u>	<u>\$ 2,047,165</u>

Long-term liabilities changed as follows for the year ended September 30, 2018:

Governmental Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2016 Revenue Note	\$2,150,281	\$ -0-	\$(355,687)	\$1,794,594	\$ 153,767
Net pension liability	640,707	304,443	(233,888)	711,262	-0-
	<u>\$2,790,988</u>	<u>\$304,443</u>	<u>\$(589,575)</u>	<u>\$2,505,856</u>	<u>\$ 153,767</u>

NOTE 7 – 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 City carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year, and there have been no settlements or claims in excess of coverage.

NOTE 8 – CONTINGENCIES

The City is currently involved in litigation with various parties. The outcome of these matters and potential losses to the City cannot be determined. As a result, no liability has been recorded in these financial statements. It is at least reasonably possible that additional liabilities could result in the near term.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANNA MARIA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NON-GAAP BUDGET BASIS
BUDGET AND ACTUAL GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES				
Ad valorem taxes	\$ 2,037,798	\$ 2,037,798	\$ 1,967,833	\$ (69,965)
State shared revenue and other taxes	549,102	549,102	639,769	90,667
Franchise fees	155,000	155,000	211,317	56,317
Stormwater utility fee	155,931	155,931	154,334	(1,597)
Licenses and permits	867,300	867,300	1,134,200	266,900
Grants	201,280	201,280	203,053	1,773
Fines and forfeitures	204,500	204,500	131,702	(72,798)
Interest	20,000	20,000	32,576	12,576
Rents	150,000	150,000	-	(150,000)
Other sources	37,500	37,500	37,400	(100)
Total Revenues	<u>4,378,411</u>	<u>4,378,411</u>	<u>4,512,184</u>	<u>133,773</u>
EXPENDITURES				
General government				
Personal services	288,591	288,591	294,390	(5,799)
Operating	749,933	749,933	254,730	495,203
Capital outlay	45,000	45,000	18,828	26,172
Public Works/Building				
Personal services	635,325	635,325	821,620	(186,295)
Operating	474,003	474,003	523,836	(49,833)
Capital outlay	1,816,207	1,816,207	1,511,120	305,087
Code Enforcement				
Personal services	228,605	228,605	211,892	16,713
Operating	204,500	204,500	188,938	15,562
Capital outlay	15,000	15,000	37,121	(22,121)
Public Safety				
Operating	855,113	855,113	840,243	14,870
Debt Service	392,344	392,344	392,344	-
Total Expenditures	<u>5,704,621</u>	<u>5,704,621</u>	<u>5,095,062</u>	<u>609,559</u>
NET CHANGE IN FUND BALANCE	(1,326,210)	(1,326,210)	(582,878)	743,332
FUND BALANCE, October 1, 2017	<u>2,972,271</u>	<u>2,972,271</u>	<u>2,972,271</u>	<u>-</u>
FUND BALANCE, September 30, 2018	<u>\$ 1,646,061</u>	<u>\$ 1,646,061</u>	<u>\$ 2,389,393</u>	<u>\$ 743,332</u>

Note 1–Budget Basis

The general fund budget is presented on a basis consistent with U.S. generally accepted accounting principles, except for grant revenues and expenditures related to the City Pier.

Note 2–Reconciliation between Non-GAAP budgetary basis and GAAP basis

The City's budget did not include grant revenues and related expenditures for the City Pier.

	Actual on GAAP Basis	To Budgetary Basis	Actual on Budget Basis
Grant revenue	\$ 828,902	\$ (625,849)	\$ 203,053
Total revenues	<u>\$ 5,138,033</u>	<u>\$ (625,849)</u>	<u>\$ 4,512,184</u>
Capital outlay–PW/Building	\$ 2,751,867	\$ (1,240,747)	\$ 1,511,120
Total expenditures	<u>\$ 6,335,809</u>	<u>\$ (1,240,747)</u>	<u>\$ 5,095,062</u>
Net Change in fund balance	<u>\$ (1,197,776)</u>	<u>\$ 614,898</u>	<u>\$ (582,878)</u>

**CITY OF ANNA MARIA, FLORIDA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY – FRS
AVAILABLE FISCAL YEARS***

FLORIDA RETIREMENT SYSTEM (FRS)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability	0.000757165%	0.001068746%	0.001258397%	0.001459582%	0.001579931%
City's proportionate share of the net pension liability	\$ 46,198	\$ 138,043	\$ 317,746	\$ 431,735	\$ 475,883
City's covered-employee payroll	\$ 414,018	\$ 486,275	\$ 545,165	\$ 627,108	\$ 726,477
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	11%	28%	58%	69%	66%
Plan fiduciary net position as a percentage of total pension liability	96.09%	92.00%	84.88%	83.89%	84.26%

* – GASB No. 68 and 71 were adopted in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

**CITY OF ANNA MARIA, FLORIDA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY – HIS
AVAILABLE FISCAL YEARS***

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (HIS)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability	0.001328868%	0.001455577%	0.001708915%	0.001954387%	0.002223888%
City's proportionate share of the net pension liability	\$ 124,252	\$ 148,446	\$ 199,167	\$ 208,972	\$ 235,379
City's covered-employee payroll	\$ 414,018	\$ 486,275	\$ 545,165	\$ 627,108	\$ 726,477
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	30%	31%	37%	33%	32%
Plan fiduciary net position as a percentage of total pension liability	99.00%	50.00%	97.00%	1.64%	2.15%

* – GASB No. 68 and 71 were adopted in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

**CITY OF ANNA MARIA, FLORIDA
SCHEDULE OF THE CITY'S CONTRIBUTIONS – FRS
AVAILABLE FISCAL YEARS***

FLORIDA RETIREMENT SYSTEM (FRS)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 16,585	\$ 26,057	\$ 30,688	\$ 37,997	\$ 45,027
Contributions in relation to the contractually required contribution	<u>16,585</u>	<u>26,057</u>	<u>30,688</u>	<u>37,997</u>	<u>45,027</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 414,018	\$ 486,275	\$ 545,165	\$ 627,108	\$ 726,477
Contributions as a percentage of covered employee payroll	4.01%	5.36%	5.63%	6.06%	6.20%

* – GASB No. 68 and 71 were adopted in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

**CITY OF ANNA MARIA, FLORIDA
SCHEDULE OF THE CITY'S CONTRIBUTIONS – HIS
AVAILABLE FISCAL YEARS"**

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (HIS)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 4,552	\$ 5,564	\$ 8,759	\$ 10,343	\$ 12,060
Contributions in relation to the contractually required contribution	<u>4,552</u>	<u>5,564</u>	<u>8,759</u>	<u>10,343</u>	<u>12,060</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 414,018	\$ 486,275	\$ 545,165	\$ 627,108	\$ 726,477
Contributions as a percentage of covered employee payroll	1.10%	1.14%	1.61%	1.65%	1.66%

* – GASB No. 68 and 71 were adopted in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

CITY OF ANNA MARIA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – FRS/HIS
SEPTEMBER 30, 2018

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial assumptions for both defined benefit plans (FRS and HIS) are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. This HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program.

The total pension liability for the FRS and HIS plan was determined by an actuarial valuation as of July 1, 2018. Both plans used the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.87% (based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index) was used to determine the total pension liability for the program. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2018:

- FRS: The long-term expected rate of return was decreased from 7.10% to 7.00% and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability increased from 3.58% to 3.87%.

OTHER SUPPLEMENTAL INFORMATION

CITY OF ANNA MARIA, FLORIDA
SCHEDULE OF RECEIPTS AND EXPENDITURES OF
FUNDS RELATED TO THE DEEPWATER HORIZON OIL SPILL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Amount Received the 2017-18 Fiscal Year</u>	<u>Amount Expended the 2017-18 Fiscal Year</u>
British Petroleum:		
Case Number: 2:10-md-02179-CJB-SS	<u>\$ -</u>	<u>\$ 38,558</u>

Note: This does not include funds related to the Deepwater Horizon Oil Spill that are considered Federal awards or State financial assistance. The City did not receive or expend any BP Oil funds that were considered to be Federal awards or State financial assistance during the year ended September 30, 2018.

The independent auditor's report should be read in conjunction with this supplemental schedule.

OTHER AUDITOR'S REPORTS



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*

To the Honorable City Commission
City of Anna Maria, 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 and each major fund of the City of Anna Maria, Florida (City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 9, 2019.

Internal Control over Financial Reporting

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

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City'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's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a

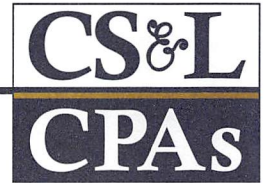
direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

*Christopher, Smith, Leonard,
Bristow + Stanell, P.A.*
CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

May 9, 2019
Bradenton, Florida



MANAGEMENT LETTER

To the Honorable City Commission
City of Anna Maria, Florida

Report on the Financial Statements

We have audited the financial statements of City of Anna Maria, Florida (City) as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 9, 2019.

Auditor's Responsibility

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

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 9, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.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 financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Additional Matters

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

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 Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than those specified parties.

*Christopher, Smith, Leonard,
Bristow & Stanell, P.A.*
CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

May 9, 2019
Bradenton, Florida



INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE

To the Honorable City Commission
City of Anna Maria, Florida

We have examined the City of Anna Maria's (City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds and Section 288.8018(1), Florida Statutes, regarding funds related to the Deepwater Horizon oil spill during the year ended September 30, 2018. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

In our opinion, the City complied in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds and Section 288.8018(1), Florida Statutes, regarding funds related to the Deepwater Horizon oil spill for the year ended September 30, 2018.

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.

*Christopher, Smith, Leonard,
Bristow & Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

May 9, 2019
Bradenton, Florida