

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
CITY OF ATLANTIC BEACH, FLORIDA
SEPTEMBER 30, 2018**

**FINANCIAL STATEMENTS
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SEPTEMBER 30, 2018

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**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR’S REPORT**

CITY OF ATLANTIC BEACH, FLORIDA

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic 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 Atlantic Beach, Florida, (the 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 City'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 City'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.

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

INDEPENDENT AUDITOR'S REPORT

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 16 to the financial statements, during the current year, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for Other Post-employment Benefits (OPEB). This statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, including the recognition and measurement of liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. In connection with the implementation of this statement, the City decreased its beginning net position in the governmental activities and the business-type activities by \$83,271 and \$60,288, respectively. Our opinion is not modified with respect to this matter.

Correction of an Error

As discussed in Note 16 to the financial statements, the City restated beginning net position of the business-type activities to correct errors related to depreciation expense and accumulated depreciation. The net effect is an increase to beginning net position of business-type activities of \$282,575. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required information on pages iv–xi and 46–54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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.

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

INDEPENDENT AUDITOR'S REPORT

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 supplementary information on pages 55–63 and the other statistical information section on page 64, and the schedule of expenditures of grant funds per City of Jacksonville's Ordinance Code Chapter 118.202(e) on page 65 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and schedule of expenditures of grant funds per the City of Jacksonville's Ordinance Code Chapter 118.202(e) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information and schedule of expenditures of grant funds per the City of Jacksonville's Ordinance Code Chapter 118.202(e) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 6, 2019, 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 the City's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the City's 2017 financial statements, and our report dated June 28, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it was derived.

Purvis, Gray and Company, LLP

December 6, 2019
Gainesville, Florida

**CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

As management of the City of Atlantic Beach, Florida (the City), we offer readers of our financial statements this narrative overview and analysis for the fiscal year ended September 30, 2018.

Overview of the Financial Statements

This management’s 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 financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The purpose of each of the three components of the basic financial statements is described below.

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. They include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between reported as net position. Net position is reported as one of three categories: invested in capital assets net of related debt; restricted; or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted. 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.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues, referred to as “governmental activities,” from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, referred to as “business-type activities.” The governmental activities of the City include public safety, road maintenance and construction, parks and recreation, conservation and resource management, and general government, which include administration and other support functions. The business-type activities of the City include the utility, comprised of the water and sewer systems, the stormwater system, the sanitation service and the building code enforcement enterprise fund. The government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements

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

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

■ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided between the Governmental Funds Balance Sheet and the Statement of Net Position and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The City maintains 11 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is considered to be a major fund. Data from the other 10 governmental funds are combined into a single, aggregated presentation called Non-Major Governmental Funds. Fund data for these non-major governmental funds is provided in the form of combining statements. These combining statements can be found on pages 55-58 of this report.

The City adopts an annual appropriated budget for all funds but is only required to present a budget comparison for its General Fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund budgetary comparison schedule and notes on pages 52-53 of this report has been provided to demonstrate compliance with this budget.

■ **Proprietary Funds**

The City maintains only one type of proprietary fund and that is enterprise funds. The enterprise funds are used to account for the activities of the water and sewer (utility), stormwater, building code enforcement, and sanitation activities.

The proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Separate information of the utility, stormwater, sanitation and building code enforcement activities can be found in the basic proprietary fund financial statements on pages 7-13 of this report.

■ **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the City (i.e., pension beneficiaries). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 14-15 of this report.

**CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes begin on page 16 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and a budgetary comparison schedule for the General Fund. Required supplementary information can be found beginning on page 46 of this report.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a City's financial position. As can be seen in the summarized table below, the City's assets exceeded liabilities by \$79,925,000 at the close of the fiscal year ended September 30, 2018.

By far the largest portion of the City's net position, \$67,702,000 (85%), reflects its investment in capital assets (i.e., land, buildings, equipment, and infrastructure), less any related, outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$5,015,000 (7%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$7,208,000 (8%), is used to meet the government's ongoing obligations to citizens and creditors.

**City of Atlantic Beach's Net Position
September 30, 2018 and 2017
(In Thousands)**

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Current and other assets	\$9,610	\$10,264	\$11,851	\$12,074	\$21,461	\$22,338
Capital assets	45,838	44,797	39,787	40,303	85,625	85,100
Total Assets	55,448	55,061	51,638	52,377	107,086	107,438
Deferred Outflow	2,336	2,654	1,547	1,870	3,883	4,524
Long-term liabilities						
outstanding	8,415	7,803	17,806	19,416	26,221	27,219
Other liabilities	861	1,549	3,335	3,661	4,196	5,210
Total Liabilities	9,276	9,352	21,141	23,077	30,417	32,429
Deferred Inflow	447	189	180	28	627	217
Net Position:						
Invested in capital assets, net of related debt	44,438	44,797	23,460	22,582	67,898	67,379
Restricted	2,005	1,634	3,010	2,286	5,015	3,920
Unrestricted	1,618	1,743	5,394	6,274	7,012	8,017
Total Net Position	\$48,061	\$48,174	\$31,864	\$31,142	\$79,925	\$79,316

**CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

As illustrated in the schedule on page vi, the City was able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**City of Atlantic Beach's Change in Net Position
For the Years Ended September 30, 2018 and 2017
(In Thousands)**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$1,786	\$1,784	\$11,779	\$11,717	\$13,565	\$13,501
Operating Grants and Contributions	715	628	22	669	737	1,297
Capital Grants and Contributions	138	777	664	529	802	1,306
General Revenues:						
Property Taxes	5,063	4,730	-	-	5,063	4,730
Sales Taxes	1,693	1,362	-	-	1,693	1,362
Business and Utility Taxes	1,101	1,073	-	-	1,101	1,073
State Revenue Sharing	358	345	-	-	358	345
Discretionary Sales Surtax	901	839	-	-	901	839
Investment Earnings (Loss)	(19)	46	(19)	51	(38)	97
Miscellaneous	59	40	-	-	59	40
Total Revenues	<u>11,795</u>	<u>11,624</u>	<u>12,446</u>	<u>12,966</u>	<u>24,241</u>	<u>24,590</u>
Expenses:						
General Government	2,819	2,488	-	-	2,819	2,488
Public Safety	6,073	5,879	-	-	6,073	5,879
Road Maintenance and Construction	2,062	1,893	-	-	2,062	1,893
Parks and Recreation	1,487	1,408	-	-	1,487	1,408
Conservation and Resource Management	2	19	-	-	2	19
Interest/Fiscal Charges on Long-term Debt	-	-	-	-	-	-
Utility	-	-	7,322	7,613	7,322	7,613
Stormwater	-	-	1,334	1,298	1,334	1,298
Sanitation	-	-	2,152	2,299	2,152	2,299
Building Code Enforcement	-	-	520	427	520	427
Total Expenses	<u>12,443</u>	<u>11,687</u>	<u>11,328</u>	<u>11,637</u>	<u>23,771</u>	<u>23,324</u>
Transfers	<u>618</u>	<u>560</u>	<u>(618)</u>	<u>(560)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(30)	497	500	769	470	1,266
Net Position-Beginning	48,174	47,677	31,142	30,373	79,316	78,050
Prior Period Adjustments	(83)	-	222	-	139	-
Net Position-Beg. Restate	<u>48,091</u>	<u>47,677</u>	<u>31,364</u>	<u>30,373</u>	<u>79,455</u>	<u>78,050</u>
Net Position-Ending	<u>\$48,061</u>	<u>\$48,174</u>	<u>\$31,864</u>	<u>\$31,142</u>	<u>\$79,925</u>	<u>\$79,316</u>

**CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

Fund Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Following is a summary of fund activity financial information for the fiscal year, rounded to the nearest thousand dollars:

■ **Governmental Funds**

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$9,168,460, a decrease of \$154,861 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was \$3,675,559, which equated to 26% of total General Fund expenditures without transfers. The net result of various revenue and expense items resulted in a decrease to the City's General Fund of \$244,000 or 2% during the current fiscal year. Property tax revenues increased by \$332,933 or 7% from the previous year. This was a result of an increase in the taxable values. General Fund transfers in decreased by \$195,200, while transfers out increased by \$248,775. Overall, general fund expenditures increased by \$2,150,066 or 17.77%. A large portion of this increase was due to the purchase of land for the Selva Preserve.

Non-major governmental funds consisting of special revenue funds and the capital projects fund have a combined fund balance of \$2,090,639. The net increase in fund balance after transfers in non-major governmental funds was \$398,859. The increase in the fund was related to the decrease in Capital Outlay Expenditures and a decrease in transfers out.

■ **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. During the fiscal year the proprietary funds recorded revenues of \$11,656,659, expenses of \$10,789,416, net non-operating revenue of \$453,575 and net capital contributions, grants and transfers of \$45,960. The net position in the proprietary funds increased \$499,535 as a result of the fiscal year's activities. The unrestricted net position of the enterprise funds amounted to \$5,589,530 at the end of fiscal year 2018.

Stormwater rates stayed constant in fiscal year 2018 as there were no rate changes. The \$8.39 per ERU is approximately 69%, compared to 71% for the prior year, of the total operating expenses of \$1,287,083 needed to fully fund the operation with charges for service.

During fiscal year 2018, the Sanitation Fund netted a decrease in net position of \$468,713. This decrease was due to an increase in contract expenditures related to debris pickup, which is expected to be recovered in fiscal year 2019.

General Fund Budgetary Highlights

Net Budget

The overall net difference from the final budgeted revenues and adjusted final budgeted expenses was a deficit of \$527,000. The actual decrease in fund balance was \$244,000. This resulted in a \$283,000 excess variance below what was budgeted.

**CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

Capital Assets and Debt Administration

Capital Assets—The City's investment in capital assets, net of related depreciation, for its governmental and business-type activities as of September 30, 2018, amounted to \$85,624,000. This investment in capital assets includes land, land improvements, land easements, buildings and infrastructure improvements, equipment, and construction in progress.

The total change in the City's capital assets, net of related depreciation, for the current fiscal year was an increase of \$1,041,000 or 2.32% for governmental activities and a decrease of \$(799,018) or 1.97% for business-type activities.

Capital asset events during the current fiscal year included the following:

■ **Governmental Activities**

Land reflected a \$1,350,000 increase due to the purchase of the Selva Preserve land.

Buildings reflected a net decrease of \$167,000 as a result of depreciation.

Intangible Assets reflected a net decrease of \$13,000 as a result of depreciation. This asset category includes land easements and computer software.

Improvements Other Than Buildings reflected a net decrease of \$241,000. This represents capital asset increase of \$479,000 offset by depreciation of \$719,000.

Equipment reflected a net increase of \$10,000. This represents capital asset increase of \$444,000, offset by depreciation of \$434,000.

Construction in progress increased by \$103,000.

■ **Business-Type Activities**

Buildings reflected a net decrease in asset value of \$9,000 from depreciation.

Improvements Other Than Buildings reflected a net decrease of \$1,161,529. This represents capital asset increases of \$1,261,759, offset by depreciation of \$2,423,288.

Equipment reflected a net increase of \$293,000. This represents capital asset increase of \$487,000, offset by depreciation of \$194,000.

Construction in Progress had a net increase of \$78,000.

**CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

**City of Atlantic Beach's Capital Assets
(Net of Depreciation)
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$11,914	\$10,564	\$1,656	\$1,656	\$13,570	\$12,220
Intangibles	48	62	214	214	262	276
Buildings	7,047	7,215	44	52	7,091	7,267
Improvements-Other	24,812	25,052	35,407	36,286	60,219	61,338
Equipment	1,275	1,265	980	687	2,255	1,952
Construction in Progress	741	639	1,486	1,408	2,227	2,047
Total	<u>\$45,837</u>	<u>\$44,797</u>	<u>\$39,787</u>	<u>\$40,303</u>	<u>\$85,624</u>	<u>\$85,100</u>

Additional information on the City's capital assets can be found in Note 5 on pages 27-28 of this report.

Long-Term Debt

At the end of the 2018 fiscal year, the City had total bonded debt outstanding of \$18,215,000. In 2018, the City secured \$1,400,000 in bonds for the purchase of land. The amount of \$16,814,449 represents the City's debt related to its business type activities. This amount was comprised of debt secured solely by specified revenue sources. A detailed listing of the City's debt can be found in the table below.

**City of Atlantic Beach's Outstanding Debt
September 30, 2018
(In Thousands)**

Capital Improvement Revenue Bonds, Series 2018	<u>\$1,400</u>
Utilities System Revenue Bond, Series 2014	10,525
F.D.E.P. State Revolving Funds Loan, 2010	526
F.D.E.P. State Revolving Funds Loan, 2009	5,764
Total	<u>\$18,215</u>

Debt service coverage calculations can be found on page 62. Additional information on the City's long-term debt can be found in Note 6 on pages 28-32 of this report.

**CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

Revenue Highlights:

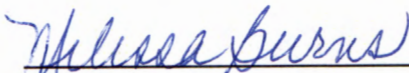
- Total General Revenues for 2018 were \$650,000 higher than 2017 revenue (page 2). Increases in property taxes of \$333,000, the receipt of Insurance Premium Tax in the amount of \$237,000 made up the majority of this increase.
- The 2018 taxable property values were about 7.82% higher than the 2017 values. The City Commission voted to use the same millage rate of 3.2285 mills. The purpose for adopting the millage rate of 3.2285 was to maintain a level of ad valorem tax revenue sufficient to maintain adequate funding for the existing level of services at the estimated cost and to continue to maintain the City's infrastructure and adequate reserves. The final gross taxable property value was \$1,617,621,987. Ad valorem taxes of \$5,063,409 represent 43% of the General Fund revenues for 2018.
- The 2018 Intergovernmental revenues of \$2,071,174 make up 17.56% of general fund revenues. This is an decrease of \$446,000 over 2017.
- The City's investment portfolio is valued at approximately \$16,214,000 as of September 30, 2018. The investments showed a loss of \$38,998 for the year.

Expenditure Highlights:

- Total Governmental Fund Expenditures increased in current year by \$2,150,000 when compared to prior year. Capital expenditures increased from \$496,000 in 2017 to \$1,862,000 in 2018. This increase was a result the purchase of land.

Requests for Information

The financial report is designed to provide a general overview of the City'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 of Atlantic Beach, Finance Director, 800 Seminole Road, Atlantic Beach, Florida 32233.



Melissa Burns
Director of Finance

BASIC FINANCIAL STATEMENTS

These basic financial statements contain Government-wide Financial Statements, Fund Financial Statements, and Notes to Financial Statements.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2017

	2018			2017
	Governmental Activities	Business-Type Activities	Totals	
Assets				
Equity in Pooled Cash and Investments	\$ 8,086,548	\$ 6,623,795	\$ 14,710,343	\$ 17,534,392
Cash Held with Fiscal Agent	-	1,337,616	1,337,616	-
Receivables - Net	350	668,914	669,264	665,537
Internal Balances	367,030	(367,030)	-	-
Due from Other Governments	1,114,979	154,115	1,269,094	1,412,547
Inventories	33,862	60,763	94,625	35,925
Notes Receivable - Current	760	15,759	16,519	16,519
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	-	3,236,620	3,236,620	2,548,752
Capital Assets:				
Land	11,913,572	1,656,018	13,569,590	12,219,590
Buildings	9,450,124	4,356,384	13,806,508	13,806,508
Improvements Other Than Buildings	41,817,798	85,317,678	127,135,476	125,395,055
Equipment	5,117,155	3,127,810	8,244,965	7,441,808
Intangibles - Easements and Computer Software	428,352	244,709	673,061	673,061
(Accumulated Depreciation and Amortization)	(23,630,411)	(56,402,423)	(80,032,834)	(76,482,989)
Construction in Progress	741,396	1,486,408	2,227,804	2,046,568
Prepaid Items	4,956	-	4,956	4,141
Notes Receivable - Non-Current	1,520	121,023	122,543	120,841
Total Assets	55,447,991	51,638,159	107,086,150	107,438,255
Deferred Outflows of Resources				
Unamortized Refunding Loss	-	755,602	755,602	863,546
OPEB Related	16,170	7,286	23,456	-
Pension Related	2,319,375	784,131	3,103,506	3,660,566
Total Deferred Outflows of Resources	2,335,545	1,547,019	3,882,564	4,524,112
Liabilities				
Accounts Payable and Other Current Liabilities	328,224	452,638	780,862	1,857,143
Construction Retainages Payable	21,129	-	21,129	21,978
Due to Other Governments	-	25,973	25,973	23,381
Unearned Revenue	85,092	181,993	267,085	218,275
Deposits	7,101	-	7,101	5,034
Compensated Absences - Current	349,760	139,588	489,348	509,028
Payable from Restricted Assets:				
Current Portion of Bonds Payable	-	1,215,000	1,215,000	1,185,000
Current Portion of Loan Payable	70,000	369,444	439,444	358,258
Current Portion of Leases Payable	-	63,060	63,060	-
Accrued Interest Payable	-	195,826	195,826	227,364
Customer Deposits	-	691,244	691,244	653,012
Non-Current Liabilities:				
Due in More Than One Year	1,330,000	15,434,595	16,764,595	16,814,450
Compensated Absences - Non-Current	393,023	95,386	488,409	423,092
Other Postemployment Benefits Obligation	313,894	141,445	455,339	299,557
Net Pension Liability	6,377,619	2,134,761	8,512,380	9,833,585
Total Liabilities	9,275,842	21,140,953	30,416,795	32,429,157
Deferred Inflow of Resources				
OPEB Related	12,824	5,778	18,602	-
Pension Related	434,220	174,599	608,819	217,306
Total Deferred Inflow of Resources	447,044	180,377	627,421	217,306
Net Position				
Net Investment in Capital Assets	44,437,986	23,460,087	67,898,073	67,378,075
Restricted for:				
Renewal and Replacement	-	250,000	250,000	250,000
Debt Service	-	394,939	394,939	401,046
Public Safety	141,524	-	141,524	137,287
Road Maintenance and Construction	1,162,321	-	1,162,321	1,078,005
System Development Fees	-	1,900,438	1,900,438	1,244,694
Other Capital Projects	443,666	-	443,666	141,328
Other Purposes	257,310	-	257,310	277,248
Building Code Enforcement	-	464,680	464,680	390,605
Unrestricted	1,617,843	5,393,704	7,011,547	8,017,616
Total Net Position	\$ 48,060,650	\$ 31,863,848	\$ 79,924,498	\$ 79,315,904

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2017

	2018			2017 Totals
	General	Non-Major Governmental Funds	Totals Governmental Funds	
Assets				
Equity in Pooled Cash and Investments	\$ 6,090,081	\$ 1,996,467	\$ 8,086,548	\$ 9,173,017
Receivables - Net	350	-	350	651
Due from Other Funds	567,826	-	567,826	170,515
Due from Other Governments	801,900	313,079	1,114,979	1,061,705
Inventories	33,862	-	33,862	23,098
Notes Receivable - Current	760	-	760	760
Prepaid Items	4,956	-	4,956	4,141
Notes Receivable - Non-Current	1,520	-	1,520	1,520
Total Assets	7,501,255	2,309,546	9,810,801	10,435,407
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Liabilities	328,224	-	328,224	1,145,490
Construction Retainages Payable	4,783	16,346	21,129	4,340
Due to Other Funds	-	200,795	200,795	170,515
Due to Pension Trust Funds	-	-	-	8,500
Deposits	5,335	1,766	7,101	5,034
Unearned Revenue	85,092	-	85,092	22,990
Total Liabilities	423,434	218,907	642,341	1,356,869
Deferred Inflows of Resources	-	-	-	64,939
Fund Balances				
Non-Spendable:				
Inventories	33,862	-	33,862	23,098
Prepays	4,956	-	4,956	4,141
Restricted for:				
Public Safety	-	141,524	141,524	137,287
Road Maintenance and Construction	-	1,162,321	1,162,321	1,078,005
Other Capital Projects	-	443,666	443,666	141,328
Other Purposes	-	257,310	257,310	277,248
Committed to:				
Conservation and Resource Management	-	86,638	86,638	58,732
Assigned to:				
Community Redevelopment Fund	50,000	-	50,000	50,000
Operating Reserves	3,313,444	-	3,313,444	3,176,334
Unassigned	3,675,559	(820)	3,674,739	4,067,426
Total Fund Balances	7,077,821	2,090,639	9,168,460	9,013,599
Total Liabilities and Fund Balances	\$ 7,501,255	\$ 2,309,546	\$ 9,810,801	\$ 10,435,407

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2017

	2018	2017
Total Fund Balances of Governmental Funds	\$ 9,168,460	\$ 9,013,599
 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:		
Total Capital Assets	\$ 69,468,397	\$ 67,193,744
(Accumulated Depreciation)	(23,630,411)	(22,397,170)
	45,837,986	44,796,574
Non-exchange receivables that do not provide current financial resources and are not reported revenues in the funds.		
	-	64,939
Certain pension and OPEB related amounts are being deferred and amortized over a period of years or are being deferred as contributions to the pension plan made after the measurement date:		
Deferred Outflows Related to Pensions	2,319,375	2,653,701
Deferred Outflows Related to OPEB	16,170	-
Deferred Inflows Related to OPEB	(12,824)	-
Deferred Inflows Related to Pensions	(434,220)	(188,855)
	1,888,501	2,464,846
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Compensated Absences	(742,784)	(685,458)
Other Postemployment Benefits Obligation	(313,894)	(222,196)
Bonds Payable	(1,400,000)	-
Net Pension Liability	(6,377,619)	(7,258,426)
	(8,834,297)	(8,166,080)
Total Net Position of Governmental Activities	\$ 48,060,650	\$ 48,173,878

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	2018			2017 Totals
	General	Non-Major Governmental Funds	Totals Governmental Funds	
Revenues				
Property Taxes	\$ 5,063,409	\$ -	\$ 5,063,409	\$ 4,730,476
Non-Property Taxes	1,337,310	1,514,459	2,851,769	2,487,547
Permits, Fees, and Special Assessments	868,477	-	868,477	811,871
Intergovernmental Revenues	2,071,174	42,000	2,113,174	2,559,549
Fines and Forfeitures	90,781	33,585	124,366	139,956
Charges for Services	793,482	-	793,482	774,764
Investment Earnings (Loss)	(18,294)	(1,102)	(19,396)	46,057
Miscellaneous Revenues	3,997	52,977	56,974	111,079
Inter-Fund Charges	1,581,091	-	1,581,091	1,522,863
Total Revenues	<u>11,791,427</u>	<u>1,641,919</u>	<u>13,433,346</u>	<u>13,184,162</u>
Expenditures				
General Government	3,737,331	-	3,737,331	3,363,862
Public Safety	6,033,639	96,134	6,129,773	5,838,089
Road Maintenance and Construction	1,486,869	386,854	1,873,723	1,799,598
Parks and Recreation	1,130,211	31,648	1,161,859	1,170,861
Conservation and Resource Management	-	151	151	18,765
Capital Outlay	1,861,812	513,973	2,375,785	3,470,464
(Total Expenditures)	<u>(14,249,862)</u>	<u>(1,028,760)</u>	<u>(15,278,622)</u>	<u>(15,661,639)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,458,435)</u>	<u>613,159</u>	<u>(1,845,276)</u>	<u>(2,477,477)</u>
Other Financing Sources (Uses)				
Debt Proceeds	1,400,000	-	1,400,000	-
Debt Issuance Costs	(50,000)	-	(50,000)	-
Gain on Disposal of Fixed Assets	32,192	-	32,192	-
Transfers in	1,135,245	303,000	1,438,245	1,679,670
Transfers (out)	(303,000)	(517,300)	(820,300)	(1,119,225)
Total Other Financing Sources (Uses)	<u>2,214,437</u>	<u>(214,300)</u>	<u>2,000,137</u>	<u>560,445</u>
Net Change in Fund Balances	(243,998)	398,859	154,861	(1,917,032)
Fund Balances, Beginning of Year	<u>7,321,819</u>	<u>1,691,780</u>	<u>9,013,599</u>	<u>10,930,631</u>
Fund Balances, End of Year	<u>\$ 7,077,821</u>	<u>\$ 2,090,639</u>	<u>\$ 9,168,460</u>	<u>\$ 9,013,599</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, 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,
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	2018	2017
Net Change in Fund Balances - Total Governmental Funds	\$ 154,861	\$ (1,917,032)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense:		
Expenditures for Capital Assets (Current Year Depreciation)	\$ 2,375,785 <u>(1,334,374)</u>	\$ 3,470,464 <u>(1,133,555)</u>
	1,041,411	2,336,909
Certain non-exchange revenues reported in the statement of activities are not considered current financial resources and, therefore, are not reported as revenue in the governmental funds.	(64,939)	(37,784)
The issuance of bonds and similar long-term debt provides current financial resources to governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities.	(1,400,000)	-
The changes in net pension liability and pension related deferred outflows and inflows of resources result in an adjustment to pension expense in the statement of activities, but not in the governmental fund statements.	301,116	141,034
Some expenses/revenues reported in the statement of activities do not require the use of or provide current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated Absences	(57,325)	(7,992)
Other Postemployment Benefits Obligation	(5,081)	(18,494)
	<u>(62,406)</u>	<u>(26,486)</u>
Change in Net Position - Governmental Activities	\$ (29,957)	\$ 496,641

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2017

	2018					2017 Totals
	Business-Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Totals	
Assets						
Current Assets:						
Equity in Pooled Cash and Investments	\$ 4,319,105	\$ 1,634,731	\$ -	\$ 669,959	\$ 6,623,795	\$ 8,361,375
Cash with Fiscal Agent	1,163,726	173,890	-	-	1,337,616	-
Accounts Receivable - Net	542,956	48,471	77,487	-	668,914	664,886
Due from Other Governments	35,244	-	118,871	-	154,115	350,842
Inventories	60,763	-	-	-	60,763	12,827
Notes Receivable - Current	15,759	-	-	-	15,759	15,759
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	3,236,620	-	-	-	3,236,620	2,548,752
Capital Assets:						
Land	749,499	906,519	-	-	1,656,018	1,656,018
Buildings	4,356,384	-	-	-	4,356,384	4,356,384
Improvements Other Than Buildings	66,417,940	18,899,738	-	-	85,317,678	84,055,919
Equipment	2,280,911	573,752	189,877	83,270	3,127,810	2,667,929
Intangibles - Easements and Computer Software	226,394	-	-	18,315	244,709	244,709
(Accumulated Depreciation and Amortization)	(45,822,557)	(10,323,004)	(185,539)	(71,323)	(56,402,423)	(54,085,819)
Construction in Progress	1,124,844	361,564	-	-	1,486,408	1,407,887
Notes Receivable - Non-Current	121,023	-	-	-	121,023	119,321
Total Assets	38,828,611	12,275,661	200,696	700,221	52,005,189	52,376,789
Deferred Outflows of Resources						
Unamortized Refunding Loss	657,374	98,228	-	-	755,602	863,546
OPEB Related	4,819	762	-	1,705	7,286	-
Pension Related	637,904	52,680	39,804	53,743	784,131	1,006,865
Total Deferred Outflows of Resources	1,300,097	151,670	39,804	55,448	1,547,019	1,870,411

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2017

	2018					2017 Totals
	Business-Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Totals	
Liabilities						
Current Liabilities Payable from Current Assets:						
Accounts Payable and Other Current Liabilities	\$ 253,520	\$ 66,276	\$ 119,625	\$ 13,217	\$ 452,638	\$ 711,653
Construction Retainages Payable	-	-	-	-	-	17,638
Due to Other Governments	-	-	-	25,973	25,973	14,881
Due to Other Funds	-	-	367,030	-	367,030	-
Unearned Revenue	90,605	29,898	61,490	-	181,993	195,285
Compensated Absences - Current	116,699	5,781	-	17,108	139,588	146,514
Current Liabilities Payable from Restricted Assets:						
Current Portion of Bonds Payable	1,057,050	157,950	-	-	1,215,000	1,185,000
Current Portion of Loans Payable	369,444	-	-	-	369,444	358,258
Current Portion of Lease Payable	31,530	31,530	-	-	63,060	-
Accrued Interest Payable	179,886	15,940	-	-	195,826	227,364
Customer Deposits	691,244	-	-	-	691,244	653,012
Non-Current Liabilities:						
Due in More Than One Year	14,122,001	1,312,594	-	-	15,434,595	16,814,450
Compensated Absences - Non-Current	79,745	3,950	-	11,691	95,386	100,148
Other Postemployment Benefits Obligation	93,549	14,791	-	33,105	141,445	77,361
Net Pension Liability	1,736,664	143,419	108,365	146,313	2,134,761	2,575,159
Total Liabilities	18,821,937	1,782,129	656,510	247,407	21,507,983	23,076,723
Deferred Inflows of Resources						
OPEB Related	3,821	604	-	1,353	5,778	-
Pension Related	142,039	11,730	8,863	11,967	174,599	28,451
Total Deferred Inflows of Resources	145,860	12,334	8,863	13,320	180,377	28,451
Net Position						
Net Investment in Capital Assets	14,410,764	9,014,723	4,338	30,262	23,460,087	22,581,501
Restricted for:						
Renewal and Replacement	250,000	-	-	-	250,000	250,000
Debt Service	394,939	-	-	-	394,939	401,046
System Development Fees	1,900,438	-	-	-	1,900,438	1,244,694
Building Code Enforcement	-	-	-	464,680	464,680	390,605
Unrestricted	4,204,770	1,618,145	(429,211)	-	5,393,704	6,274,180
Total Net Position	\$ 21,160,911	\$ 10,632,868	\$ (424,873)	\$ 494,942	\$ 31,863,848	\$ 31,142,026

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	2018					2017 Totals
	Business-Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Totals	
Operating Revenues						
Charges for Services:						
Customer Charges	\$ 8,237,671	\$ 886,349	\$ 1,848,528	\$ 609,048	\$ 11,581,596	\$ 11,537,995
Franchise Permits	-	-	9,500	-	9,500	4,500
Miscellaneous Revenues	64,563	-	-	-	64,563	65,608
Total Operating Revenues	8,302,234	886,349	1,858,028	609,048	11,655,659	11,608,103
Operating Expenses						
Personal Services	2,056,311	237,354	55,440	410,753	2,759,858	2,881,359
Contractual Services	604,079	134,970	1,935,262	28,347	2,702,658	2,754,452
Supplies	398,803	45,043	-	3,345	447,191	345,072
Repairs and Maintenance	159,229	33,376	5,798	4,194	202,597	166,961
Utilities	348,357	-	-	-	348,357	353,574
Depreciation	1,983,736	634,262	1,093	6,789	2,625,880	2,695,589
Intergovernmental Charges	1,133,451	162,745	152,276	46,238	1,494,710	1,416,647
Other Expenses	146,239	39,333	2,241	20,352	208,165	421,867
(Total Operating Expenses)	(6,830,205)	(1,287,083)	(2,152,110)	(520,018)	(10,789,416)	(11,035,521)
Operating Income (Loss)	1,472,029	(400,734)	(294,082)	89,030	866,243	572,582
Non-Operating Revenues (Expenses)						
Connection Charges	61,460	-	-	-	61,460	49,165
Intergovernmental	-	-	22,297	-	22,297	668,843
Franchise Fees	-	-	62,066	-	62,066	59,733
Investment Earnings (Loss)	(15,856)	(2,684)	(269)	(791)	(19,600)	51,012
Interest Expense	(404,297)	(33,471)	-	-	(437,768)	(492,485)
Gain on Disposal of Fixed Assets	6,820	-	-	-	6,820	-
Amortization of Refunding Loss	(93,910)	(14,033)	-	-	(107,943)	(107,943)
Total Non-Operating Revenues (Expenses)	(445,783)	(50,188)	84,094	(791)	(412,668)	228,325

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	2018				Totals	2017 Totals
	Business-Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement		
Income (Loss) Before Contributions and Transfers	\$ 1,026,246	\$ (450,922)	\$ (209,988)	\$ 88,239	\$ 453,575	\$ 800,907
Capital Contributions and Grants and Transfers						
System Development Charges	663,905	-	-	-	663,905	528,830
Transfers in	-	285,000	-	-	285,000	300,000
Transfers (out)	(644,220)	-	(258,725)	-	(902,945)	(860,445)
Total Capital Contributions and Grants and Transfers	19,685	285,000	(258,725)	-	45,960	(31,615)
Change in Net Position	1,045,931	(165,922)	(468,713)	88,239	499,535	769,292
Net Position, Beginning of Year	19,869,509	10,801,022	43,840	427,655	31,142,026	30,372,734
Prior Period Adjustments	245,471	(2,232)	-	(20,952)	222,287	-
Net Position, Beginning of Year (as Restated)	20,114,980	10,798,790	43,840	406,703	31,364,313	-
Net Position, End of Year	<u>\$ 21,160,911</u>	<u>\$ 10,632,868</u>	<u>\$ (424,873)</u>	<u>\$ 494,942</u>	<u>\$ 31,863,848</u>	<u>\$ 31,142,026</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	2018					2017 Totals
	Business-Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Totals	
Cash Flows from Operating Activities						
Cash Received from Customers	\$ 8,308,079	\$ 892,560	\$ 1,858,338	\$ 626,984	\$ 11,685,961	\$ 11,622,151
Cash Paid to Suppliers	(1,656,097)	(329,034)	(2,198,836)	(49,590)	(4,233,557)	(3,868,792)
Cash Paid to Employees	(2,125,463)	(293,497)	(55,276)	(409,983)	(2,884,219)	(2,548,450)
Cash Paid for Inter-Fund Services	(1,133,451)	(162,745)	(152,276)	(46,238)	(1,494,710)	(1,416,647)
Net Cash Provided by (Used in) Operating Activities	3,393,068	107,284	(548,050)	121,173	3,073,475	3,788,262
Cash Flows from Non-Capital Financing Activities						
Connection Charges	61,460	-	-	-	61,460	90,998
Franchise Fees	-	-	62,066	-	62,066	-
Due to Other Funds	-	-	367,030	-	367,030	-
Transfers in	-	285,000	-	-	285,000	300,000
Transfers (out)	(644,220)	-	(258,725)	-	(902,945)	(860,445)
Net Cash Provided by (Used in) Non-Capital Financing Activities	(582,760)	285,000	170,371	-	(127,389)	(469,447)
Cash Flows from Capital and Related Financing Activities						
Capital Grants	663,905	-	219,025	-	882,930	899,975
Fixed Asset Additions	(1,004,928)	(443,942)	-	-	(1,448,870)	(1,914,768)
Proceeds from Sale of Fixed Assets	6,820	-	-	-	6,820	-
Principal Payments on Long-Term Debt	(1,389,209)	(154,050)	-	-	(1,543,259)	(1,507,413)
Lease Payments	(33,447)	(33,447)	-	-	(66,894)	-
Interest Paid	(432,283)	(37,023)	-	-	(469,306)	(508,398)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(2,189,142)	(668,462)	219,025	-	(2,638,579)	(3,030,604)

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	2018					2017 Totals
	Business-Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Totals	
Cash Flows from Investing Activities						
Sale (Purchase) of Investments	\$ (1,293,199)	\$ 56,124	\$ 127,464	\$ (158,614)	\$ (1,268,225)	\$ (290,937)
Interest Received	(15,856)	(2,684)	(269)	(791)	(19,600)	55,292
Net Cash Provided by (Used in) Investing Activities	(1,309,055)	53,440	127,195	(159,405)	(1,287,825)	(235,645)
Net Increase (Decrease) in Cash and Cash Equivalents	(687,889)	(222,738)	(31,459)	(38,232)	(980,318)	52,566
Cash and Cash Equivalents, Beginning of Year	1,606,171	413,211	31,459	108,788	2,159,629	2,107,063
Cash and Cash Equivalents, End of Year	\$ 918,282	\$ 190,473	\$ -	\$ 70,556	\$ 1,179,311	\$ 2,159,629
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities						
Operating Income (Loss)	\$ 1,472,029	\$ (400,734)	\$ (294,082)	\$ 89,030	\$ 866,243	\$ 572,582
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Depreciation	1,983,736	634,262	1,093	6,789	2,625,880	2,695,590
Change in Assets and Liabilities:						
Accounts Receivable	(12,251)	6,211	310	-	(5,730)	(49,790)
Due from/to other Governments	(6,844)	-	-	17,936	11,092	(335)
Inventory	(47,936)	-	-	-	(47,936)	-
Compensated Absences	(18,415)	3,796	-	2,931	(11,688)	4,922
Accounts Payable and Accrued Liabilities	48,546	(76,312)	(255,535)	6,648	(276,653)	173,133
Customer Deposits	38,232	-	-	-	38,232	58,311
Unearned Revenue	(13,292)	-	-	-	(13,292)	13,292
Change in Deferred Outflow - Pension Related	177,458	(22,485)	8,914	13,877	177,764	157,843
Change in Deferred Outflow - OPEB Related	(4,819)	762	-	(1,705)	(5,762)	-
Change in Deferred Inflow - Pension Related	119,000	9,606	7,486	10,056	146,148	(20,729)
Change in Deferred Inflow - OPEB Related	3,821	604	-	1,353	5,778	-
Change in Net OPEB Liability	2,511	397	-	889	3,797	9,387
Change in Net Pension Liability	(348,708)	(48,823)	(16,236)	(26,631)	(440,398)	174,056
Net Cash Provided by (Used in) Operating Activities	\$ 3,393,068	\$ 107,284	\$ (548,050)	\$ 121,173	\$ 3,073,475	\$ 3,788,262

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	2018					2017 Totals
	Business-Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Totals	
<u>Reconciliation of Cash and Cash Equivalents to Balance Sheet</u>						
Equity in Pooled Cash and Cash Equivalents in Current Assets	\$ 4,319,105	\$ 1,634,731	\$ -	\$ 669,959	\$ 6,623,795	\$ 8,361,375
Cash Held With Fiscal Agent	1,163,726	173,890	-	-	1,337,616	-
Restricted Equity in Pooled Cash and Cash Equivalents	3,236,620	-	-	-	3,236,620	2,548,752
Equity in Pooled Investments	(7,801,169)	(1,618,148)	-	(599,403)	(10,018,720)	(8,750,498)
Total Cash and Cash Equivalents	\$ 918,282	\$ 190,473	\$ -	\$ 70,556	\$ 1,179,311	\$ 2,159,629
<u>Supplemental Disclosure of Non-Cash Activities</u>						
Amortization of Refunding Loss	\$ 93,910	\$ 14,033	\$ -	\$ -	\$ 107,943	\$ 107,943

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF FIDUCIARY
NET POSITION
SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2017

	Pension Trust Funds	
	2018	2017
Assets		
Cash and Cash Equivalents	\$ 199,406	\$ 566,377
Due from Other Governments	123,068	-
Due from City	-	8,500
Interest Receivable	40,374	31,813
Investments at Fair Value	31,647,582	28,486,250
Other Assets	542	-
Total Assets	32,010,972	29,092,940
Liabilities		
Accounts Payable and Accrued Liabilities	-	37,343
Due to City	136,343	-
Total Liabilities	136,343	37,343
Net Position		
Fiduciary Net Position - Held for Pensions	\$ 31,874,629	\$ 29,055,597

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Pension Trust Funds	
	2018	2017
Additions		
Contributions:		
Employer	\$ 2,186,899	\$ 2,121,100
Employees	249,034	253,576
State of Florida	236,772	-
Total Contributions	<u>2,672,705</u>	<u>2,374,676</u>
Net Increase in Fair		
Value of Investments	1,923,625	2,334,700
Interest and Dividends	583,986	509,548
Miscellaneous Revenues	-	8,500
Total Additions	<u>5,180,316</u>	<u>5,227,424</u>
Deductions		
Refunds of Contributions	34,253	35,562
Benefits	2,157,891	1,927,417
Investment Expenses	106,903	101,608
Administrative Expenses	53,101	106,748
Other	9,136	-
Total Deductions	<u>2,361,284</u>	<u>2,171,335</u>
Change in Net Position	2,819,032	3,056,089
Net Position, Beginning of Year	<u>29,055,597</u>	<u>25,999,508</u>
Net Position, End of Year	<u>\$ 31,874,629</u>	<u>\$ 29,055,597</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Atlantic Beach, Florida, (the City), conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies used in the preparation of these financial statements:

Reporting Entity

The City was incorporated in 1957, under a charter in accordance with the laws of the State of Florida, Florida Statutes Section 57-1126. The City operates under a form of government, which comprises an elected City Commission (four Commissioners and a Mayor-Commissioner) and provides, under the administration of an appointed City Manager, the following services: public safety, public works (streets and infrastructure), recreation, conservation and resource management, sanitation, stormwater, reuse, planning, zoning, water and sewer, and general government services.

In accordance with the *Codification of Governmental and Financial Reporting Standards*, the financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations whose exclusions would cause the reporting entity's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria for consideration in determining financial accountability. These criteria include appointing a majority of an organization's governing body and: (1) the ability of the City to impose its will on that organization; or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the City. Other considerations are whether the organization is legally separate, whether the City holds the corporate powers of the organization, and whether there is fiscal dependency by the organization on the City. Based upon the application of these criteria, the City has no component units.

Government-wide and Fund Financial Statements

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

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

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

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. The major exception to this general rule is charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. General revenues include all taxes.

Net position is reported as one of three categories: (1) Net Investment in Capital Assets; (2) Restricted; or (3) Unrestricted.

Fund Financial Statements

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

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

- The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

The City reports the following major proprietary funds:

- The **Utility Fund** accounts for the activities of the City's water distribution, sewer collection and treatment systems, and reuse system.
- The **Sanitation Fund** accounts for the activities of the City's sanitation system.
- The **Stormwater Fund** accounts for the activities of the City's stormwater system.
- The **Building Code Enforcement Fund** accounts for the activities of the City's Building Department.

Additionally, the City reports the following fund types:

- **Special Revenue Funds**—The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
- **Capital Projects Funds**—The capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities and improvement projects (other than those financed by proprietary funds or special revenue funds).
- **Pension Trust Funds**—These funds account for the activities of the Employees' Retirement System, which accumulates resources for pension benefit payments to qualified police officers and general employees.

Fund Balance Classification

Fund Balance is reported in five components – non-spendable, restricted, committed, assigned, and unassigned:

- **Non-Spendable Fund Balance**—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balance**—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance**—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., ordinance passed by City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance**—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates the authority.
- **Unassigned Fund Balance**—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any governmental fund, it is the City's practice to use committed resources first, then assigned, and then unassigned as needed.

The City Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by City Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In the General Fund, the City strives to maintain a fund balance operating reserve of approximately 25% of the subsequent year's budgeted General Fund payroll and operating expenditures.

Proprietary Funds

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

Budgets

General governmental revenue and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the City's operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level.

Budgets are adopted for all governmental funds (general, special revenue, and capital projects). The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that increase the total expenditures of any department or fund must be approved by the City Commission. All necessary supplemental appropriations are adopted by the City Commission and are included in the reported budgetary data. The budget presented in the accompanying required supplemental information is prepared in conformity with accounting principles generally accepted in the United States of America.

Cash and Investments

Except where prohibited, cash resources of the individual funds are combined to form a pool of cash and investments. Investment earnings and losses on the pooled cash and investments are distributed to the appropriate funds based on the average monthly balance of investments in each fund.

Investments are valued at fair market value (see Note 2).

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

For the purposes of the statement of cash flows, the City's proprietary funds consider cash and cash equivalents to include cash and investments with an original maturity of three months or less.

Receivables

Receivables are recorded at their net realizable value.

Inter-Fund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans).

Inventories

Inventories consisting principally of expendable materials, supplies, and fuel are determined by physical count at the City's year-end on an annual basis and are valued at the lower of cost (first-in, first-out) or market. On the balance sheet - governmental funds, the inventory balance reported is considered non-spendable fund balance, which indicates that it does not constitute "available spendable resources" even though it is a component of net current assets. The cost of governmental fund-type inventories is recorded as expenditure when consumed.

Restricted Assets

Certain enterprise fund assets are required to be segregated from other current assets due to various bond indenture agreements and City ordinances. These assets are legally restricted for specific purposes, such as debt service, new construction, and renewals and replacements.

Use of Restricted Funds

When both restricted and unrestricted resources are available for use in the City's funds, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, drainage improvements, 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 equal or exceed \$1,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	10 – 40
Improvements Other Than Buildings	10 – 50
Infrastructure	25 – 100
Machinery and Equipment	3 – 40

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and refunding losses are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed when incurred with the exception of bond insurance, which is amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

Accumulated unpaid vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements.

Deferred Inflows/Outflows of Resources

Deferred inflows of resources reported on applicable governmental fund types represent revenues, which are measureable but not available in accordance with the modified accrual basis of accounting. The deferred inflows will be recognized as revenue in the fiscal year they are earned or become available. Deferred outflows of resources represent consumption of net position that is applicable to a future reporting period. Deferred outflows have a positive effect on net position, similar to assets. Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period. Deferred inflows have a negative effect on net position, similar to liabilities.

Unamortized Refunding Loss—the difference between the net reacquisition cost of new debt and the net carrying amount of the old debt is recorded as a deferred outflow of resources. The unamortized refunding loss is recognized as expense over the remaining term of the new debt using the straight-line method.

Pension and OPEB Related—the difference between expected and actual experience with regard to economic or demographic factors and changes to assumptions in the measurement of total pension and OPEB liability and the differences between expected and actual earnings on pension plan investments, are reported as deferred inflows or outflows of resources, to be recognized in expense in future years. Contributions made subsequent to the measurement date, but prior to the reporting date, are reported as deferred outflows of resources.

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Revenue Recognition

Utility revenues are reported on the accrual basis in the accompanying financial statements. Grant revenues are recorded using the modified accrual basis in governmental funds and the accrual basis in the proprietary funds. Restricted grant revenues, which are received but not expended, are recorded as unearned revenues.

Property Taxes

The assessment of all properties and the collection of all property taxes are made through the Property Appraiser and Tax Collector of the City of Jacksonville, Florida. General property taxes are recorded as received, in cash, which approximates taxes levied less discounts for the current fiscal year.

Taxes are levied on November 1 of each year. All taxes become delinquent on April 1 of the following year. Discounts are allowed for early payment. On or prior to June 1, interest-bearing certificates are sold for all uncollected real property taxes. Unsold certificates are held by the City of Jacksonville, Florida.

Inter-Fund Transactions

During the course of normal operations, the City has various transactions between funds to construct assets and comply with local ordinances and other legal restrictions. These transactions are reflected as transfers. In addition, certain transfers have been made between systems and accounts of the utility enterprise fund as required by bond covenants.

Prior Period Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended September 30, 2017, from which the summarized information was derived.

Future GASB Pronouncement Implementations

The City is currently evaluating the effects that the following GASB Statements, which will be implemented in future financial statements, will have on its financial statements for subsequent fiscal years:

- Statement No 83, *"Certain Asset Retirement Obligations (AROs)."*
This Statement addresses accounting and financial reporting for certain AROs. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement is currently under review and the City will consider the impact, if any, upon financial reporting. The provisions of this statement are effective for fiscal years beginning after June 15, 2018.

- Statement No. 87, *"Leases."*
This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is currently under review and the City will consider the impact, if any, upon financial reporting. The provisions of this statement are effective for fiscal years beginning after December 15, 2019.

Note 2 - Cash and Investments

The City maintains a cash and investment pool that is designed for use by all funds, except for those monies which are periodically transferred for pension investment purposes. In addition, investments are separately held and individually accounted for where contractual arrangements and bond covenants provide for and require such arrangements.

At September 30, 2018, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was \$1,908,218, and the related bank balance was \$2,449,238. Monies which are placed on deposit with financial institutions in the form of demand deposit accounts, time deposit accounts, and certificates of deposit are defined as public deposits. All of the City's public deposits are held in qualified public depositories pursuant to Florida Statutes Chapter 280, *Florida Security for Public Deposits Act* (the Act). Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledged level. The pledging level may range from 25% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution.

Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

The City elected to adopt a written investment policy as authorized under Florida Statutes.

Under the City's investment policies, general investments' activities are authorized to invest in obligations of the U.S. Treasury, demand deposits, U.S. government agency securities, certificates of deposit, U.S. government sponsored enterprises, government and corporate fixed income mutual funds, corporate notes and bonds, and local government investment pools. Pension trust funds can invest in the aforementioned and, additionally, authorized investments include domestic and foreign equity securities, domestic and foreign fixed income securities, and cash equivalent securities.

Following are the investments, credit ratings, and maturities of the City's governmental and business-type activities at September 30, 2018:

Investment Type	Investment Maturities					Total
	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years	
Money Market Funds/Cash	\$ 126,171	\$ 126,171	\$ -	\$ -	\$ -	\$ 126,171
Corporate Bonds	5,574,933	1,058,870	4,516,063	-	-	5,574,933
U.S. Government Securities	9,346,194	3,417,858	5,928,336	-	-	9,346,194
Federal Agency Securities	1,166,904	-	781,646	385,258	-	1,166,904
Florida PRIME	23,628	23,628	-	-	-	23,628
Total	\$ 16,237,830	\$ 4,626,527	\$ 11,226,045	\$ 385,258	\$ -	\$ 16,237,830

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<u>Investment Type</u>	<u>Moody's Credit Rating</u>	<u>Percent of Total</u>
U.S. Government Securities	Aaa	57.64%
Corporate Bonds	Aaa	0.16%
Corporate Bonds	Aa2	0.35%
Corporate Bonds	Aa3	2.73%
Corporate Bonds	A1	3.68%
Corporate Bonds	A2	4.33%
Corporate Bonds	A3	6.58%
Corporate Bonds	Baa1	7.57%
Corporate Bonds	Baa2	3.16%
Corporate Bonds	Baa3	0.25%
Corporate Bonds	NR	5.57%
Federal Agencies	NR	7.20%
Cash and Money Market	NR	0.78%

Listed below are the investments and maturities in the City's pension trust funds at September 30, 2018:

<u>Investment Type</u>	<u>Investment Maturities</u>					<u>Total</u>
	<u>Fair Value*</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More Than 10 Years</u>	
Cash Deposits and Money Markets	\$ 1,357,388	\$ 1,357,388	\$ -	\$ -	\$ -	\$ 1,357,388
Common Stocks	11,663,845	11,663,845	-	-	-	11,663,845
ETFs	5,302,497	5,302,497	-	-	-	5,302,497
Corporate Bonds	4,129,640	-	3,371,877	757,763	-	4,129,640
Mutual Funds	6,790,832	6,790,832	-	-	-	6,790,832
Government and GSE Bonds	1,949,400	-	814,094	595,699	539,607	1,949,400
ICMA Self Directed	494,354	494,354	-	-	-	494,354
Total	<u>\$ 31,687,956</u>	<u>\$ 25,608,916</u>	<u>\$ 4,185,971</u>	<u>\$ 1,353,462</u>	<u>\$ 539,607</u>	<u>\$ 31,687,956</u>

* Fair value balances reported include \$40,374 of interest receivable.

The total pension investment balances of the City at September 30, 2018, are comprised of the following items:

<u>Investment Type</u>	<u>Moody's Credit Rating</u>	<u>Percent of Total</u>
Corporate Bonds	Aaa	1.32%
Corporate Bonds	A1	0.26%
Corporate Bonds	A2	0.78%
Corporate Bonds	A3/AA	2.07%
Corporate Bonds	Baa1	2.12%
Corporate Bonds	Baa2	2.53%
Corporate Bonds	Baa3	3.56%
Corporate Bonds	Ba2	0.40%
Government and GSE Bonds	Aaa	4.45%
Government and GSE Bonds	NR	1.70%
ETFs	NR	16.73%
Mutual Funds	NR	21.43%
Stocks	NR	36.81%
Cash and Money Market	NR	4.28%
ICMA Self Directed	NR	1.56%

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Credit Risk—It is the City’s Police Officers’ Retirement System Trust Fund’s and the City’s General Employees’ Retirement System Trust Fund’s investment policies to, at a minimum, limit 80% of the total fixed income portfolio to those that are rated investment grade of higher. The Police Officers’ Retirement System Trust Fund’s investment policy defines investment grade as “BBB”, Baa”, or their equivalent.

Also, no more than 10% (at cost) of the fixed income portfolio total value can be invested in the securities of any single corporate issuer. The maximum allocation to International Equities is 25%.

Custodial Credit Risk—For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City’s investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Finance Director may execute a third party Custodial Safekeeping Agreement with a commercial bank having trust powers or a trust company which is chartered by the United States government or the State of Florida. All securities purchased and/or collateral obtained by the City shall be properly designated as an asset of the City and held in safekeeping by the trust department or trust company, and no withdrawal of such securities, in whole or in part, shall be made from safekeeping, except by an authorized City staff member. The third party Custodial Safekeeping Agreement shall include letters of authority from the City with details as to responsibilities of parties, notification of security purchases, sales, deliver, repurchase agreements, wire transfers, safekeeping and transaction costs, procedures in case of wire failure or other unforeseen mishaps, including liability of each party.

Fair Value Measurements

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

- **Level 1 Inputs**—are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- **Level 2 Inputs**—are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- **Level 3 Inputs**—are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

The City’s investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value in the hierarchy described above. The fair value measurements for the City’s operating investments are as follows at September 30, 2018:

**CITY OF ATLANTIC BEACH, FLORIDA
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Investments by Fair Value Level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
City Investments				
Corporate Bonds	\$ 5,574,933	\$ -	\$ 5,574,933	\$ -
U.S. Government Securities	9,346,194	9,346,194	-	-
Federal Agency Securities	1,166,904	-	1,166,904	-
Subtotal - City Investments	16,088,031	9,346,194	6,741,837	-
General Employees' Pension Plan				
Money Markets	527,749	527,749	-	-
U.S. Treasury Obligations and Federal Agency Securities	1,377,242	998,120	379,122	-
Corporate Bonds	2,878,364	-	2,878,364	-
Mutual Funds	3,945,712	3,945,712	-	-
ETFs	3,455,309	3,455,309	-	-
Equities	7,653,978	7,653,978	-	-
ICMA Self Directed	-	-	-	-
Subtotal - General Employees' Pension Plan	19,838,354	16,580,868	3,257,486	-
Police Officers' Pension Plan				
Money Markets	829,639	829,639	-	-
U.S. Treasury Obligations and Federal Agency Securities	572,158	411,672	160,486	-
Corporate Bonds	1,251,276	-	1,251,276	-
Mutual Funds	2,845,120	2,845,120	-	-
ETFs	1,847,188	1,847,188	-	-
Equities	4,001,368	4,001,368	-	-
ICMA Self Directed	494,354	494,354	-	-
Subtotal - Police Officers' Pension Plan	11,841,103	10,429,341	1,411,762	-
Total Investments Measured at Fair Value	\$ 47,767,488	\$ 36,356,403	\$ 11,411,085	\$ -

Investments Measured at the Net Asset Value (NAV)	Amount	Weighted Average Maturity	Credit Risk
Governmental Funds:			
State Board of Administration (SBA):			
Florida Prime	\$ 23,628	33 Days	AAAm (S&P)

Restricted cash and investments at September 30, 2018, in the enterprise funds follows:

Enterprise Funds	Customer Deposits	Renewal and Replacement	Debt Service	System Development Fees	Totals
Utility Fund	\$ 691,244	\$ 250,000	\$ 394,939	\$ 1,900,438	\$3,236,621

Note 3 - Receivables

Receivables, net of the allowance for doubtful accounts at September 30, 2018, consist of the following:

Fund	Total Accounts Receivable	Less Allowance for Doubtful Accounts	Accounts Receivable Net
General	\$ 350	\$ -	\$ 350
Utility	563,193	(20,237)	542,956
Stormwater	54,496	(6,025)	48,471
Sanitation	88,315	(10,828)	77,487
Total	\$ 706,354	\$ (37,090)	\$ 669,264

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Included in accounts receivable are \$249,898 of water and sewer revenues earned, but not billed as of September 30, 2018.

Note 4 - Notes Receivable

It is the City's policy to allow its water and sewer customers to pay connection fees over an extended period.

Following is a summary of the outstanding balance at September 30, 2018:

Notes Receivable	\$ 139,062
(Current Portion)	<u>(16,519)</u>
Total Notes Receivable – Non-Current	<u><u>\$ 122,543</u></u>

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended September 30, 2018, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 10,563,572	\$ 1,350,000	\$ -	\$ 11,913,572
Construction in Progress	<u>638,681</u>	<u>260,981</u>	<u>(158,266)</u>	<u>741,396</u>
Total Capital Assets Not Being Depreciated	<u>11,202,253</u>	<u>1,610,981</u>	<u>(158,266)</u>	<u>12,654,968</u>
Capital Assets Being Depreciated:				
Buildings	9,450,124	-	-	9,450,124
Intangible Assets	428,352	-	-	428,352
Improvements Other Than Buildings	41,339,136	478,662	-	41,817,798
Machinery and Equipment	<u>4,773,879</u>	<u>444,409</u>	<u>(101,133)</u>	<u>5,117,155</u>
Total Capital Assets Being Depreciated	<u>55,991,491</u>	<u>923,071</u>	<u>(101,133)</u>	<u>56,813,429</u>
Less Accumulated Depreciation for:				
Buildings	(2,235,944)	(167,263)	-	(2,403,207)
Intangible Assets	(366,372)	(13,630)	-	(380,002)
Improvements Other Than Buildings	(16,286,043)	(719,345)	-	(17,005,388)
Machinery and Equipment	<u>(3,508,811)</u>	<u>(434,136)</u>	<u>101,133</u>	<u>(3,841,814)</u>
Total Accumulated Depreciation	<u>(22,397,170)</u>	<u>(1,334,374)</u>	<u>101,133</u>	<u>(23,630,411)</u>
Total Capital Assets Being Depreciated, Net	<u>33,594,321</u>	<u>(411,303)</u>	<u>-</u>	<u>33,183,018</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 44,796,574</u></u>	<u><u>\$ 1,199,678</u></u>	<u><u>\$ (158,266)</u></u>	<u><u>\$ 45,837,986</u></u>

CITY OF ATLANTIC BEACH, FLORIDA
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	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 1,656,018	\$ -	\$ -	\$ 1,656,018
Construction in Progress	<u>1,407,887</u>	<u>794,359</u>	<u>(715,838)</u>	<u>1,486,408</u>
Total Capital Assets Not Being Depreciated	<u>3,063,905</u>	<u>794,359</u>	<u>(715,838)</u>	<u>3,142,426</u>
Capital Assets Being Depreciated:				
Buildings	4,356,384	-	-	4,356,384
Intangible Assets	244,709	-	-	244,709
Improvements Other Than Buildings	84,055,919	1,261,759	-	85,317,678
Machinery and Equipment	<u>2,667,929</u>	<u>486,583</u>	<u>(26,702)</u>	<u>3,127,810</u>
Total Capital Assets Being Depreciated	<u>91,324,941</u>	<u>1,748,342</u>	<u>(26,702)</u>	<u>93,046,581</u>
Less Accumulated Depreciation for:				
Buildings	(4,303,514)	(8,813)	-	(4,312,327)
Intangible Assets	(30,853)	(191)	-	(31,044)
Improvements Other Than Buildings	(47,488,158)	(2,423,288)	-	(49,911,446)
Machinery and Equipment	<u>(1,980,719)</u>	<u>(193,589)</u>	<u>26,702</u>	<u>(2,147,606)</u>
Total Accumulated Depreciation	<u>(53,803,244)</u>	<u>(2,625,881)</u>	<u>26,702</u>	<u>(56,402,423)</u>
Total Capital Assets Being Depreciated, Net	<u>37,521,697</u>	<u>(877,539)</u>	<u>-</u>	<u>36,644,158</u>
Business-Type Activities Capital Assets, Net	<u>\$ 40,585,602</u>	<u>\$ (83,180)</u>	<u>\$ (715,838)</u>	<u>\$ 39,786,584</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Governmental	\$ 231,892
Public Safety	234,338
Road Maintenance and Construction	593,504
Parks and Recreation	<u>274,640</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,334,374</u>
Business-Type Activities	
Utility	\$ 1,983,736
Stormwater	634,262
Sanitation	1,093
Building Code Enforcement	<u>6,789</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,625,880</u>

Note 6 - Long-Term Debt

Revenue Bonds and Loans payable are comprised of the following:

Governmental Activities

Revenue Bond Payable

Capital Improvement Revenue Bond, Series 2018, Payable in Annual Installment of Principal and Semiannual Installments of Interest Through October 1, 2033, Bearing Coupon Rates of 3.550%, Secured Solely by a Pledge of non-Advalorem revenues.

	<u>\$ 1,400,000</u>
Total Governmental Revenue Bonds Payable	<u>\$ 1,400,000</u>

**CITY OF ATLANTIC BEACH, FLORIDA
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Business-Type Activities

Revenue Bond Payable

Utilities System Revenue Refunding Bond, Series 2014, Payable in Annual Installments of Principal and Semiannual Installments of Interest Through October 1, 2025, Bearing Coupon Rates of 2.330%, Secured Solely by a Pledge of and Lien on Net Water and Sewer System Revenues and Certain Other Revenues as Defined in the Bond Ordinance \$ 10,525,000

Loans Payable

Florida Department of Environmental Protection, Disbursements and Capitalized Interest for a \$773,030 State of Florida Revolving Loan #DW160710, Issued to Finance the Construction Costs to Replace a Well at Water Treatment Plant No. 1 and a Transmission Main on Ocean Boulevard, Payable in Semiannual Installments of Principal and Interest Through November 15, 2030, with Financing Rates of 2.71%, Secured Solely by a Pledge of Net Water and Sewer System Revenues, After Payment of all Yearly Payment Obligations on Account of the Senior Revenue Obligations, as Defined in the Loan Agreement 525,873

Florida Department of Environmental Protection, Disbursements, Service Fee, and Capitalized Interest for a Combined \$9,368,576 State of Florida Revolving Loan #WW160700, Issued to Finance the Construction of Treatment and Transmission Facilities for the Buccaneer WWTP Phase-out Improvements and TMDL Compliance Program WWTP #1, Payable in Semiannual Installments of Principal and Interest Through May 15, 2032, with Financing Rates of 3.14% and 2.88%, Secured Solely by a Pledge of Net Water and Sewer System Revenues, After Payment of all Yearly Payment Obligations on Account of the Senior Revenue Obligations, as Defined in the Loan Agreement 5,763,576

Total Revenue Bond and Loans Payable \$ 16,814,449

The annual requirements to amortize all revenue bonds and loans payable outstanding at September 30, 2018, are as follows:

Governmental Activities

<u>Year Ending September 30</u>	<u>Long-Term Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 70,000	\$ 48,458	\$ 118,458
2020	75,000	47,215	122,215
2021	80,000	44,553	124,553
2022	80,000	41,713	121,713
2023	85,000	38,873	123,873
2024-2028	460,000	147,868	607,868
2029-2033	<u>550,000</u>	<u>60,350</u>	<u>610,350</u>
Total	<u>\$ 1,400,000</u>	<u>\$ 429,030</u>	<u>\$ 1,829,030</u>

**CITY OF ATLANTIC BEACH, FLORIDA
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<u>Year Ending September 30</u>	Business-Type Activities		
	Long-Term Debt		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,584,444	\$ 423,466	\$ 2,007,910
2020	1,620,979	383,330	2,004,309
2021	1,657,875	342,251	2,000,126
2022	1,705,143	300,101	2,005,244
2023	1,747,794	256,809	2,004,603
2024-2028	6,468,041	663,548	7,131,589
2029-2033	2,030,173	140,711	2,170,884
Total	<u>\$ 16,814,449</u>	<u>\$ 2,510,216</u>	<u>\$ 19,324,665</u>

Interest and amortization incurred during the year ended September 30, 2018, amounted to \$440,048. Of the amount incurred, no interest was capitalized.

The City is also required to maintain certain debt service coverage ratios in accordance with bond resolutions. As of September 30, 2018, and during the year then ended, the City was in compliance with those ratios.

Capital Lease

At the end of the fiscal year, the City entered into a lease agreement for financing the acquisition of a Vac-Con Vacuum Truck. Lease payments including principal and interest are due each September 1, until 2022 at an interest rate of 3.98%.

The asset acquired through the capital lease are as follows:

<u>Asset</u>	
Vac-Con Vacuum Truck	\$ 334,544
Accumulated Depreciation	-
Net Book Value	<u>\$ 334,544</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 63,061	\$ 10,614	\$ 73,675
2020	65,562	8,113	73,675
2021	68,162	5,513	73,675
2022	70,865	2,810	73,675
Total	<u>\$ 267,650</u>	<u>\$ 27,050</u>	<u>\$ 294,700</u>

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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The following is a summary of the changes in long-term debt of the City for the year ended September 30, 2018:

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018	Due Within One Year
Governmental Activities					
Revenue Bonds Payable	\$ -	\$ 1,400,000	\$ -	\$ 1,400,000	\$ 70,000
Compensated Absences	685,458	409,104	(351,779)	742,783	349,760
OPEB Obligation	305,467*	8,427	-	313,894	-
Net Pension Liability	7,258,426	-	(880,807)	6,377,619	-
Total Governmental Activities - Long-Term Liabilities	<u>\$ 8,249,351</u>	<u>\$ 1,817,531</u>	<u>\$ (1,232,586)</u>	<u>\$ 8,834,296</u>	<u>\$ 419,760</u>
Business-Type Activities					
State Revolving Fund Loans	\$ 6,647,706	\$ -	\$ (358,257)	\$ 6,289,449	\$ 369,444
Revenue Bonds Payable	11,710,000	-	(1,185,000)	10,525,000	1,215,000
Total Bonds/Loans Payable	18,357,706	-	(1,543,257)	16,814,449	1,584,444
Capital Lease Payable	-	334,544	(66,894)	267,650	63,060
Compensated Absences	246,662	128,023	(139,711)	234,974	139,588
OPEB Obligation	137,648*	3,797	-	141,445	-
Net Pension Liability	2,575,159	-	(440,398)	2,134,761	-
Total Business-Type Activities - Long-term Liabilities	<u>\$ 21,317,175</u>	<u>\$ 466,364</u>	<u>\$ (2,190,260)</u>	<u>\$ 19,593,279</u>	<u>\$ 1,787,092</u>

*Beginning balances restated for implementation of GASB No.75

Conduit Debt

The City has issued Health Facility Revenue and Refunding Bonds to provide financial assistance to private sector entities for the acquisition and construction of health care facilities deemed to be in the public interest. These bonds are secured by the financed property and are payable solely from the payments received on the underlying mortgage loans.

There is no obligation on the part of the City or any political subdivision for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2018, there are two series of Health Facility Revenue and Refunding Bonds outstanding, with an aggregate principal amount payable of \$53,005,000.

Pledged Revenue

The City has pledged certain revenues to repay certain bonds and notes outstanding as of September 30, 2018. The following table reports the revenues, sometimes net of related operating expenses, pledged for each debt issue, the amounts of such revenues received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, and the date through which the revenue is pledged under the debt agreement, and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds and notes at September 30, 2018:

**CITY OF ATLANTIC BEACH, FLORIDA
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<u>Description</u>	<u>Pledged Revenue</u>	<u>Net Revenue Received</u>	<u>Principal and Interest Paid</u>	<u>Estimated Percentage Pledged</u>	<u>Outstanding Principal and Interest</u>	<u>Pledged Through</u>
2014 – Utility System Refunding Bonds	Utility Revenues	\$ 3,471,574	\$ 1,444,038	41.60%	\$ 11,535,463	2026
Florida Department of Environmental Protection, SRF Loan	Utility Revenues	3,471,574	49,879	1.44%	621,862	2031
Florida Department of Environmental Protection, SRF Loan	Utility Revenues	3,471,574	511,953	14.75%	7,167,344	2032

Note 7 - Defined Benefit Pension Plans

Plan Descriptions

The City maintains two separate single-employer defined benefit pension plans, one for police officers and one for general employees, which cover substantially all full-time City employees hired before September 1, 2008. The general employees' defined benefit plan is closed to new entrants. Full-time general employees hired on or after September 1, 2008, are covered by the defined contribution plan disclosed in Note 8. The pension plans do not issue separate stand-alone financial statements. Combining statements are included in the supplementary information to the basic financial statements.

General Employees' Retirement Plan

Plan Description

The General Employees' Retirement Plan (the Plan) provides retirement, disability, and death benefits to Plan members and their beneficiaries. The City Commission has the authority to establish and amend the benefit provisions of the Plan. The Plan is governed by a Retirement Plan Board appointed by the City Commission and comprised of five members, two of which will be eligible legal residents of the City, two of which will be general employees elected by the majority of general employees who are members of the Plan, and one of which will be elected by the other four members. Plan membership in the General Employees' Retirement Plan as of September 30, 2018 and 2017, is as follows:

	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Retirees and Beneficiaries		
Inactive Plan Members or Beneficiaries		
Currently Receiving Benefits	74	69
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	7	10
Active Plan Members	34	37
Total	<u>115</u>	<u>116</u>

CITY OF ATLANTIC BEACH, FLORIDA
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Plan Benefits

Normal retirement is available upon the attainment of age sixty and the completion of five years of credited service. Early retirement is available with a reduced benefit upon the attainment of age fifty-five and the completion of five years of credited service. For members hired before April 24, 2005, the normal retirement benefit shall equal 2.85% of average final compensation for each year of credited service. For members hired on or after April 24, 2005, the normal retirement benefit shall equal 2.50% of average final compensation for each year of credited service. The Plan includes a deferred retirement option program (DROP) under which members eligible for normal retirement may have their monthly pension benefit credited to an account while continuing to be actively employed for up to five years. As of September 30, 2018, Plan net position included \$13,404 of DROP account balances.

Contributions

The City is required to contribute at an actuarially determined rate (64.35%) of valuation payroll for the year ended September 30, 2018. City contributions to the Plan were \$1,332,119 for the year ended September 30, 2018. Plan members are required to contribute 6.0% of their annual covered salary. Contribution requirements are established by City code, which may be amended by the City Commission.

Measurement Date

The City elected to use a measurement date to value the net pension liability and related deferred inflows and outflows as of September 30, 2017, one year prior to the reporting date. The City's Pension Plans do not issue separate financial statements. Therefore, the disclosures required for the Plan as of September 30, 2018, are also included below:

General Employees' Plan	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at September 30, 2016	\$ 22,032,455	\$ 16,524,333	\$ 5,508,122
Changes for the Year:			
Service Cost	350,331	-	350,331
Interest	1,520,626	-	1,520,626
Difference Between Expected and Actual Experience of the Total Pension Liability	309,872	-	309,872
Contributions - Employer	-	1,175,572	(1,175,572)
Contributions - State	-	-	-
Contributions - Employee	-	124,024	(124,024)
Net Investment Income	-	1,792,192	(1,792,192)
Benefit Payments, Including Refunds of Contributions	(1,319,107)	(1,319,107)	-
Administrative Expenses	-	(55,702)	55,702
Other	-	1,822	(1,822)
Net Changes	<u>861,722</u>	<u>1,718,801</u>	<u>(857,079)</u>
Balances at September 30, 2017	<u>\$ 22,894,177</u>	<u>\$ 18,243,134</u>	<u>\$ 4,651,043</u>
 September 30, 2018			
Total Pension Liability		\$ 23,534,251	
Plan Net Position		<u>(19,714,297)</u>	
Net Pension Liability		<u>\$ 3,819,954</u>	

*Note: Plan Net Position per Fiduciary Statement of Net Position on page 61 is different than the Plan Net Position noted above primarily due to the booking of a \$3,245 payable. Differences are immaterial.

General Employees' Retirement Plan Net Position as a Percentage of Total Pension Liability	83.77%
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**CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

For the year ended September 30, 2018, the City recognized total pension expense of \$1,239,814. The City reported deferred outflows of resources and deferred inflows of resources related to the General Employees' Pension Plan from the following sources:

Deferred Outflows of Resources	
Changes in Assumptions	\$ 143,330
Difference Between Expected and Actual Experience	232,952
Net Difference Between Projected and Actual Earnings	-
Contributions Made Subsequent to Measurement Date	<u>1,332,119</u>
Total Deferred Outflows of Resources	<u>\$ 1,708,401</u>
Deferred Inflows of Resources	
Difference Between Expected and Actual Experience	\$ 10,141
Net Difference Between Projected and Actual Earnings	<u>370,261</u>
Total Deferred Inflows of Resources	<u>\$ 380,402</u>

Contributions made after the measurement date (shown above) will be recognized as a reduction of net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2019	\$ 326,910
2020	17,224
2021	(220,641)
2022	(127,613)
2023	-
Total	<u>\$ (4,120)</u>

Plan Investments

The Retirement Plan Board is responsible for establishing and amending the Plan's investment policies. The Plan's current investment policy gives the Board discretion to allocate assets with assistance of the Plan's investment consultant. No formal targets are stated in the investment policy although the maximum allocation to international equities is 25%. The money-weighted rate of return on Plan investments, net of investment related expenses, was 8.67% and 10.92% for the years ended September 30, 2018 and 2017, respectively.

Actuarial Assumptions

The total pension liability was determined by actuarial valuations for the Plan as of September 30, 2017, rolled forward to September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50%
Salary Increases:	Age based ranging from 4.80% - 9.50% (including 2.5% price inflation)
Investment Rate of Return:	6.75%, net of investment expenses, including inflation

**CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Mortality:	RP2000 Combined Health Participant Mortality Table (for preretirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projects to all future years after 2000 using Scale BB.
Date of Experience Study:	Other significant actuarial assumptions used in the October 1, 2017 valuation were based on the results of an actuarial experience study (dated August 9, 2017) for the period October 1, 2009 - September 30, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense of 0.50% and inflation of 2.50%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation (see the discussion of the pension plans' investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Net Rate of Return</u>
US Large-Cap Growth Stocks	13%	7.4%
US Large-Cap Value Stocks	12%	7.0%
US Mid-Cap Growth Stocks	3%	8.6%
US Mid-Cap Value Stocks	4%	7.8%
US Mid-Cap Core Stocks	3%	6.9%
US Small-Cap Growth Stocks	5%	9.6%
US Small-Cap Value Stocks	5%	8.6%
International Equities	5%	7.2%
US Investment Grade Bonds	40%	1.8%
Cash (US 90-day T-bill)	10%	0.2%

Discount rate. A single discount rate was used to measure the total pension liability. The single discount rate was based on the expected rate of return on Plan investments of 6.75%. The projection of cash flows used to determine the single discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments (6.75%) was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate noted below, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

**CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

As of September 30, 2018:

<u>Net Pension Liability</u>	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
General Employees' Pension Plan	\$ 6,422,922	\$ 3,819,954	\$ 1,591,301

As of September 30, 2017:

<u>Net Pension Liability</u>	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
General Employees' Pension Plan	\$ 7,144,341	\$ 4,651,043	\$ 2,517,190

Police Officers' Retirement Plan

Plan Description

The Police Officers' Retirement Plan (the Police Plan) provides retirement, disability, and death benefits to Police Plan members and their beneficiaries. The Police Plan is governed by the Policemen's Pension Board of Trustees, although the City Commission retains the authority to establish and amend the benefit provisions of the Police Plan. The Policemen's Pension Board of Trustees is appointed by the City Commission and comprised of five members, two of which will be eligible legal residents of the City, two of which will be police officers elected by the majority of police officers who are members of the Police Plan, and one of which will be elected by the other four trustees. Membership in the Police Officers' Retirement Plan as of September 30, 2018 and 2017, is as follows:

	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Retirees and Beneficiaries		
Inactive Plan Members or Beneficiaries		
Currently Receiving Benefits	22	22
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	4	4
Active Plan Members	24	23
Total	<u>50</u>	<u>49</u>

Plan Benefits

For members hired before January 1, 2013, normal retirement is available upon the attainment of age fifty and the completion of twenty years of credited service, the attainment of age fifty-five and the completion of ten years of credited service, the completion of twenty-five years of credited service regardless of age, or the attainment of age sixty and the completion of five years of credited service. For members hired on or after January 1, 2013, normal retirement is available upon the attainment of age fifty-five and the completion of ten years of credited service or the attainment of age fifty-two and the completion of twenty-five years of credited service. Early retirement is available with a reduced benefit upon the attainment of age fifty and the completion of ten years of credited service.

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

For members hired before January 1, 2013, the normal retirement benefit shall equal 3.00% of average final compensation for each year of credited service. For members hired on or after January 1, 2013, the normal retirement benefit shall equal 2.00% of average final compensation for each year of credited service. The Police Plan includes a DROP under which members eligible for normal retirement may have their monthly pension benefit credited to an account while continuing to be actively employed for up to five years. As of September 30, 2018, Police Plan net position included \$494,654 of DROP account balances.

Contributions

The City is required to contribute, at actuarially determined rates, if State of Florida contributions are not sufficient (combined City and State contributions were 52.12% of valuation payroll for the year ended September 30, 2018). City and State contributions to the Police Plan were \$1,091,552 for the year ended September 30, 2018. Police Plan members are required to contribute 8.0% of their annual covered salary. Per City Code, the City Commission may amend established contribution requirements.

Measurement Date

The City elected to use a measurement date to value the net pension liability and related deferred inflows and outflows as of September 30, 2017, one year prior to the reporting date. The City's Pension Plans do not issue separate financial statements. Therefore, the disclosures required for the Plan as of September 30, 2018, are also included below:

Police Officers' Plan

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at September 30, 2016	\$ 13,798,817	\$ 9,473,354	\$ 4,325,463
Changes for the Year:			
Service Cost	329,476	-	329,476
Interest	966,445	-	966,445
Difference Between Expected and Actual Experience of the Total Pension Liability	214,010	-	214,010
Contributions - Employer	-	945,540	(945,540)
Contributions - State	-	-	-
Contributions - Employee	-	129,552	(129,552)
Net Investment Income	-	950,447	(950,447)
Benefit Payments, Including Refunds of Contributions	(643,872)	(643,872)	-
Pension Plan Administrative Expense	-	(51,481)	51,481
Net Changes	<u>866,059</u>	<u>1,330,186</u>	<u>(464,127)</u>
Balances at September 30, 2017	<u>\$ 14,664,876</u>	<u>\$ 10,803,540</u>	<u>\$ 3,861,336</u>

September 30, 2018

Total Pension Liability	\$ 15,445,722
Plan Net Position	<u>(12,164,644)</u>
Net Pension Liability	<u>\$ 3,281,078</u>

Police Officers' Retirement Plan Net Position as a Percentage of
Total Pension Liability

78.76%

*Note: Plan Net Position per Fiduciary Statement of Net Position on page 61 is different than the Plan Net Position noted above primarily due to the booking of a \$1,066 receivable.

**CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

For the year ended September 30, 2018, the City recognized total pension expense of \$811,224. The City reported deferred outflows of resources and deferred inflows of resources related to the Police Plan from the following sources:

Deferred Outflows of Resources

Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 161,812
Assumption Changes	141,741
Contributions Made Subsequent to Measurement Date	<u>1,091,552</u>
Total Deferred Outflows of Resources	<u>\$ 1,395,105</u>

Deferred Inflows of Resources

Differences Between Project and Actual Experience	\$ 62,398
Assumption Changes	27,288
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>138,731</u>
Total Deferred Inflows of Resources	<u>\$ 228,417</u>

Contributions made after the measurement date (shown above) will be recognized as a reduction of net pension liability in the fiscal year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2019	\$ 128,060
2020	40,119
2021	(43,456)
2022	(49,587)
2023	<u>-</u>
Total	<u>\$ 75,136</u>

Plan Investments

The Policemen’s Pension Board of Trustees is responsible for establishing and amending the Police Plan’s investment policies. The Police Plan’s current investment policy gives the Board discretion to allocate assets with assistance of the Police Plan’s investment consultant. No formal targets are stated in the investment policy although the maximum allocation to international equities is 25%. The money-weighted rate of return on Plan investments, net of investment related expenses, was 8.26% and 10.80% for the years ended September 30, 2018 and 2017, respectively.

Actuarial Assumptions

The total pension liability was determined by actuarial valuations for the Plan as of October 1, 2017, rolled forward to September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50%
Salary Increases:	Age based ranging from 4.50% - 18.50% (including 2.5% price inflation)

**CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Investment Rate of Return:	6.75% per year compounded annually, net of investment expenses.
Mortality:	RP-2000 Combined Health Participant Mortality Table for males and females with generational projections from the Year 2000 Projection Scale BB.
Date of Experience Study:	Other significant actuarial assumptions used in the October 1, 2017, valuation were based on the results of an actuarial experience study (dated August 9, 2017) for the period October 1, 2009 - September 30, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense of 0.50% and inflation of 2.50%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation (see the discussion of the pension plans' investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Net Rate of Return</u>
US Large-Cap Growth Stocks	13%	7.4%
US Large-Cap Value Stocks	12%	7.0%
US Mid-Cap Growth Stocks	3%	8.6%
US Mid-Cap Value Stocks	4%	7.8%
US Mid-Cap Core Stocks	3%	6.9%
US Small-Cap Growth Stocks	5%	9.6%
US Small-Cap Value Stocks	5%	8.6%
International Equities	5%	7.2%
US Investment Grade Bonds	40%	1.8%
Cash (US 90-day T-bill)	10%	0.2%

Discount rate. A single discount rate was used to measure the total pension liability. The single discount rate was based on the expected rate of return on Police Plan investments of 6.75%. The projection of cash flows used to determine the single discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Police Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Police Plan members. Therefore, the long-term expected rate of return on Police Plan investments (6.75%) was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate noted below, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

September 30, 2018

<u>Net Pension Liability</u>	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Police Officers' Pension Plan	\$ 5,147,498	\$ 3,281,078	\$ 1,727,757

September 30, 2017

<u>Net Pension Liability</u>	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Police Officers' Pension Plan	\$ 5,625,875	\$ 3,861,336	\$ 2,387,826

Note 8 - Defined Contribution Plan

The City passed an ordinance in 2013 closing the General Employees' defined benefit plan to new entrants and creating the City of Atlantic Beach Defined Contribution Plan. The City's 457 defined contribution plan is administered through ICMA, which covers all eligible employees employed with the City on or after September 1, 2008, who are not covered by the City's Police Officers' defined benefit plan. Under the 457 Plan, the City contributes an employer matching contribution of up to 6% of earnings during the first ten years of service. Following ten years of service, the City contributes an additional fixed contribution of 4% of earnings for a total of 10%. Employees have the option to voluntarily contribute to the 457 Plan. Employer matching contributions from the City were \$64,100 and \$60,944 for the years ended September 30, 2018 and 2017, respectively. Under the 457 Plan, an employee is considered fully vested after 5 years of completed service.

Note 9 - Postemployment Benefits Other Than Pensions

Plan Description

The City of Atlantic Beach administers a single-employer defined benefit health care plan (the Plan) that provides medical insurance benefits to its employees and their eligible dependents. In accordance with Section 112.0801 of the Florida Statutes, because the City provides a medical plan to active employees of the City and their eligible dependents, the City is also required to provide retirees with the opportunity to participate in this Plan. Benefit provisions for the Plan are established by the City Commission and may be amended by the City Commission. The City does not issue stand-alone financial statements for the Plan.

**CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Membership in the Plan consisted of the following, as of September 30, 2017, the date of the latest actuarial valuation:

Retirees and Beneficiaries Receiving Benefits	4
Active Plan Members	104
Total	108

Funding Policy

Contribution rates for the Plan are established on an annual basis by the City Commission. Eligible retirees and their covered dependents receiving benefits contribute 100% of the blended (active and retiree combined) equivalent premium rates. While the City does not directly contribute towards the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a blended, group rate constitutes a significant economic benefit to retirees, or an “implicit” subsidy. This implicit subsidy is considered to be another postemployment benefit (OPEB) obligation of the City.

Actuarial Methods and Assumptions

For the September 30, 2017 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. This method determines a service cost rate as a fixed percentage of compensation for each active participant. The current years’ service cost is the participant’s compensation multiplied by the service cost rate. Under this method, service cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant’s benefit at retirement.

Other actuarial assumptions are as follows:

Discount Rate: 3.50%

Investment Rate of Return: 0.0%

Salary Increases: Rates used in the October 1, 2017 actuarial valuation of the City’s pension plans.

Healthcare Cost Trend: Based on Getzen Model, with trend of 7.09% for 2018 and 5.00% for 2019, 6.50% for 2020 and gradually decreasing to an ultimate trend rate of 4.24% plus 0.38% increase for excise tax.

Mortality: Mortality tables used for Regular and Special Risk Class members in the July 1, 2016 actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.

Discount Rate. The discount rate used to measure the total OPEB liability was 3.50% as of September 30, 2018, which is equal to the single rate of return developed pursuant to GASB 75. The discount rate used to determine the liabilities under GASB 75 depends on the City’s funding policy. Since the City does not prefund benefits, the discount rate required to be used is based on a yield or index rate of a 20-year Municipal GO AA Index.

Annual OPEB Cost and Net OPEB Obligation

The City’s total OPEB liability was measured as of September 30, 2018, and was determined by an actuarial valuation as of September 30, 2017.

**CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at September 30, 2017	\$ 443,115
Changes for the Year:	
Service Cost	41,222
Interest on the Total OPEB Liability	14,667
Changes in Assumptions	(21,261)
Benefit Payments	(22,404)
Net Changes	12,224
Balance at September 30, 2018	\$ 455,339
Covered-Employee Payroll	\$ 6,272,956
Total OPEB Liability as a Percentage of Covered Payroll	7.26%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Net OPEB Liability	\$ 510,928	\$ 455,339	\$ 408,159

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates. The following presents the total OPEB liability for the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Discount Rate	1% Increase
Net OPEB Liability	\$ 390,095	\$ 455,339	\$ 538,608

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$53,231. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions and Other Inputs	\$ -	\$ 18,602
Benefit Paid after the Measurement Date	23,456	-
Total	\$ 23,456	\$ 18,602

Of the total amount reported as deferred outflows of resources related to OPEB, \$23,456 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended September 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2019	\$ (2,658)
2020	(2,658)
2021	(2,658)
2022	(2,658)
2023	(2,658)
Thereafter	<u>(5,312)</u>
Total	<u><u>\$ (18,602)</u></u>

Note 10 - Inter-Fund Accounts

Individual fund inter-fund receivables and payables at September 30, 2018, consist of the following:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 567,826	\$ -
Non-Major Governmental	-	200,795
Sanitation Fund	-	<u>367,031</u>
Total	<u><u>\$ 567,826</u></u>	<u><u>\$ 567,826</u></u>

Inter-fund receivable/payables are due to timing differences associated with grant reimbursements. The receivable/payables are expected to be received/paid within one year.

Note 11 - Inter-Fund Transfers

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers and are reported as other financing sources (uses) in the governmental funds and as transfers in (out) in the proprietary funds. Following is a summary of inter-fund transfers for the year ended September 30, 2018:

<u>Transfers (Out)</u>	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Stormwater</u>
General Fund	\$ -	\$ 303,000	\$ -
Non-Major Governmental Funds	232,300	-	285,000
Utility Fund	644,220	-	-
Sanitation Fund	<u>258,725</u>	-	-
Total Transfers	<u><u>\$ 1,135,245</u></u>	<u><u>\$ 303,000</u></u>	<u><u>\$ 285,000</u></u>

Transfers are used to move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them.

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 12 - Commitments

On June 2, 1999, the City entered into an agreement with the City of Jacksonville, Florida, whereas the City of Jacksonville will provide advanced life support and fire services to the residents and businesses located in the City. The term of the agreement shall be from the effective date and continuing for a period of 25 years unless terminated earlier by the parties (such parties must provide a one-year notice). For the year ended September 30, 2018, the City incurred \$1,165,455 in services under this agreement. The amount will be adjusted annually by an amount equal to 103% of the previous year's amount for all services provided by the City of Jacksonville.

Note 13 - Contingencies

The City is a defendant in several lawsuits which arose in the ordinary course of the City's business. To the extent the outcome of such litigation has been determined to result in probable loss to the City, an estimated loss has been accrued in the accompanying financial statements. The outcome of the remaining claims cannot be determined at this time.

Hurricanes

In September 2017, most of the State of Florida was affected by Hurricane Irma, including the City. The President of the United States and the Governor of Florida declared most of the State a designated disaster area and issued relief to the State through public assistance grants, coordinated by Federal Emergency Management Agency (FEMA). Expenses were incurred by the City for hurricane preparedness, debris removal, repairs, and other hurricane-related costs; most of which occurred in fiscal year 2018. The City is working with state and federal liaisons to recover these costs. The City has submitted a total of \$795,698 FEMA reimbursement requests related to Hurricane Irma. As of the date of the financial statements, it has not been determined the exact amounts that will be reimbursed by FEMA.

Note 14 - 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. Insurance against losses are provided through the Public Risk Insurance Agency and LB Bryan and Company for the following types of risk:

- Workers' Compensation and Employer's Liability
- Automobile Liability
- Automobile Physical Damage
- Accidental Death and Dismemberment
- General Liability
- Public Officials' Liability
- Property Coverage

The City's coverage for 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.

**CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 15 - Other Disclosures

Deficit Fund Balance

CDBG Fund

The City has an accumulated negative fund balance of \$820 at September 30, 2018, in the CDBG fund. This is due to a timing difference between when the expenditures occurred and when the related reimbursements were received. This negative fund balance will be recovered in fiscal year 2019.

Note 16 - Restatement of Beginning Net Position

During the fiscal year ended September 30, 2019, the City implemented GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. In compliance with this statement, the City’s liability for its proportionate share of the Net OPEB liability and related deferred outflows and deferred inflows of resources have been recorded resulting in a restatement of beginning net position as noted below.

The City restated beginning net position for business-type activities due to an error in the calculation of depreciation expense for water/sewer assets. This error resulted in an overstatement of depreciation expense in the prior year. The effect of the prior period statement is noted in the table below.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Position – Beginning of Year as Previously Reported	\$ 48,173,878	\$ 31,142,026	\$ 79,315,904
Restatement Inc/(Dec):			
OPEB Liability	(83,271)	(60,288)	(143,559)
Depreciation Expense/ Accumulated Depreciation	-	282,575	282,575
Total Restatement	<u>(83,271)</u>	<u>222,287</u>	<u>139,016</u>
Net Position – Beginning of Year as Restated	<u>\$ 48,090,607</u>	<u>\$ 31,364,313</u>	<u>\$ 79,454,920</u>

Note 17 - Subsequent Events

Subsequent to year-end, the City approved the issuance of additional conduit debt Health Care Facilities Revenue Bonds (Fleet Landing Project) Series 2018, not to exceed \$140,000,000. The proceeds are to be used to finance or refinance all or part of the cost of certain capital projects. There is no obligation on the part of the City or any political subdivision for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ATLANTIC BEACH, FLORIDA
GENERAL EMPLOYEES' PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014
Total Pension Liability					
Service Cost	\$ 345,019	\$ 346,460	\$ 348,604	\$ 402,093	\$ 399,576
Interest	1,574,193	1,485,239	1,437,296	1,404,316	1,386,245
Difference Between Actual and Expected Experience	(473,189)	291,669	164,601	(162,280)	-
Changes in Assumptions	695,507	559,117	-	-	1,814,460
Benefit Payments	(1,481,923)	(1,296,640)	(1,175,906)	(1,031,191)	(697,702)
Refunds	(19,533)	(22,467)	(31,898)	-	(9,516)
Net Change in Total Pension Liability	640,074	1,363,378	742,697	612,938	2,893,063
Total Pension Liability - Beginning	<u>22,894,177</u>	<u>21,530,799</u>	<u>20,788,102</u>	<u>20,175,164</u>	<u>17,282,101</u>
Total Pension Liability - Ending (a)	<u><u>23,534,251</u></u>	<u><u>22,894,177</u></u>	<u><u>21,530,799</u></u>	<u><u>20,788,102</u></u>	<u><u>20,175,164</u></u>
Plan Fiduciary Net Position					
Contributions - Employer	1,332,119	1,175,572	1,112,344	863,613	950,980
Contributions - Employee	117,536	124,024	128,204	136,191	157,383
Net Investment Income	1,554,225	1,792,192	1,515,746	162,326	778,981
Benefit Payments	(1,481,923)	(1,296,640)	(1,175,906)	(1,031,191)	(697,702)
Refunds	(19,533)	(22,467)	(31,898)	-	(9,516)
Administrative Expenses	(31,261)	(55,702)	(32,495)	(41,909)	(31,529)
Other	-	1,822	-	-	-
Net Change in Plan Fiduciary Net Position	1,471,163	1,718,801	1,515,995	89,030	1,148,597
Plan Fiduciary Net Position - Beginning	<u>18,243,134</u>	<u>16,524,333</u>	<u>15,008,338</u>	<u>14,919,308</u>	<u>13,770,711</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>19,714,297</u></u>	<u><u>18,243,134</u></u>	<u><u>16,524,333</u></u>	<u><u>15,008,338</u></u>	<u><u>14,919,308</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 3,819,954</u></u>	<u><u>\$ 4,651,043</u></u>	<u><u>\$ 5,006,466</u></u>	<u><u>\$ 5,779,764</u></u>	<u><u>\$ 5,255,856</u></u>

Plan Fiduciary Net Position
as a Percentage of the Total
Pension Liability

83.77% 79.68% 76.75% 72.20% 73.95%

Covered Employee Payroll

\$ 1,958,933 \$ 2,067,067 \$ 2,136,733 \$ 2,269,850 \$ 2,623,050

Net Pension Liability as a Percentage
of Covered Employee Payroll

195.00% 225.01% 234.30% 254.63% 200.37%

The data presented above was measured using actuarial methods prescribed by GASB 67/68.

Additional years will be added to this schedule annually, until 10 years of data is presented.

**CITY OF ATLANTIC BEACH, FLORIDA
GENERAL EMPLOYEES' PENSION PLAN
SCHEDULE OF CONTRIBUTIONS**

	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Actuarially Determined Contribution	\$ 1,332,118	\$ 1,175,572	\$ 1,112,344	\$ 863,613	\$ 950,980
Contributions in Relation to the Actuarially Determined Contribution	1,332,119	1,175,572	1,112,344	863,613	950,980
Contribution Deficiency (Excess)	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Employee Payroll	 \$ 1,958,933	 \$ 2,067,067	 \$ 2,136,733	 \$ 2,269,850	 \$ 2,623,050
 Contributions as a Percentage of Covered Employee Payroll	 68.00%	 56.87%	 52.06%	 38.05%	 36.25%

Additional years will be added to this schedule annually until 10 years of data is presented.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: September 30, 2016

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Cost Method
Amortization Method:	Closed, Level Dollar Method
Remaining Amortization Period:	10 years
Asset Valuation Method:	4-year Smoothed Market Value: Difference between the expected and actual return on market value of assets phased in over a period of four (4) years (at the rate of 25% per year), adjusted to be no greater than 120% and no less than 80% of the fair market value.
Inflation:	2.5% per year
Salary Increases:	Age Based Ranging from 5.0% to 13.5% (including 2.5% price inflation)
Interest Rate:	7.0% per year compounded annually, net of investment related expenses.
Retirement Age:	Experience-based table of rates that vary by age.
Post Retirement COLA:	None
Mortality:	RP2000 Combined Healthy Participant Mortality Table for males and females with generational projections from the year 2000 Projection Scale AA.
Date of the Most Recent Experience Study:	Other significant actuarial assumptions used in the September 30, 2016 valuation were based on the results of an actuarial experience study for the period October 1, 2001 - September 30, 2010.

**CITY OF ATLANTIC BEACH, FLORIDA
GENERAL EMPLOYEES' PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	8.67%	10.92%	10.18%	1.10%

Additional years will be added to this schedule annually until 10 years of data is presented.

CITY OF ATLANTIC BEACH, FLORIDA
POLICE OFFICERS' PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	<u>September 30,</u> <u>2018</u>	<u>September 30,</u> <u>2017</u>	<u>September 30,</u> <u>2016</u>	<u>September 30,</u> <u>2015</u>	<u>September 30,</u> <u>2014</u>
Total Pension Liability					
Service Cost	\$ 329,254	\$ 335,185	\$ 279,863	\$ 291,761	\$ 269,182
Interest on the Total Pension Liability	1,016,983	970,877	931,370	900,982	879,486
Difference Between Actual and Expected Experience	(209,232)	187,216	(2,998)	(213,426)	-
Changes in Assumptions	454,983	(40,955)	-	-	1,275,669
Benefit Payments	(675,968)	(630,777)	(730,794)	(524,537)	(524,537)
Refunds	(14,720)	(13,095)	(23,671)	(28,505)	(61,079)
Other (Excess Premium Tax Liability)	(120,454)	-	-	120,454	-
Net Change in Total Pension Liability	780,846	808,451	453,770	546,729	1,838,721
Total Pension Liability - Beginning	<u>14,664,876</u>	<u>13,856,425</u>	<u>13,402,655</u>	<u>12,855,926</u>	<u>11,017,205</u>
Total Pension Liability - Ending (a)	<u>15,445,722</u>	<u>14,664,876</u>	<u>13,856,425</u>	<u>13,402,655</u>	<u>12,855,926</u>
Plan Fiduciary Net Position					
Contributions - Employer	854,780	945,540	729,483	574,014	563,203
Contributions - State	236,772	-	112,972	103,528	96,217
Contributions - Member	131,498	129,552	117,274	112,354	103,095
Net Investment Income	853,894	950,447	804,901	43,534	642,480
Benefit Payments	(675,968)	(630,777)	(730,794)	(524,537)	(524,537)
Refunds	(14,720)	(13,095)	(23,671)	(28,505)	(61,079)
Administrative Expenses	(25,152)	(51,481)	(29,933)	(35,984)	(22,742)
Other (Excess Premium Tax Liability)	-	-	-	120,454	-
Net Change in Plan Fiduciary Net Position	1,361,104	1,330,186	980,232	364,858	796,637
Plan Fiduciary Net Position - Beginning	<u>10,803,540</u>	<u>9,473,354</u>	<u>8,493,122</u>	<u>8,128,264</u>	<u>7,331,627</u>
Plan Fiduciary Net Position - Ending (b)	<u>12,164,644</u>	<u>10,803,540</u>	<u>9,473,354</u>	<u>8,493,122</u>	<u>8,128,264</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 3,281,078</u>	<u>\$ 3,861,336</u>	<u>\$ 4,383,071</u>	<u>\$ 4,909,533</u>	<u>\$ 4,727,662</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 78.76%	 73.67%	 68.37%	 63.37%	 63.23%
 Covered Employee Payroll	 \$ 1,643,725	 \$ 1,619,400	 \$ 1,465,925	 \$ 1,404,425	 \$ 1,472,786
 Net Pension Liability as a Percentage of Covered Employee Payroll	 199.61%	 238.44%	 299.00%	 349.58%	 321.00%

The data presented above was measured using actuarial methods prescribed by GASB 67/68.

Additional years will be added to this schedule annually until 10 years of data is presented.

**CITY OF ATLANTIC BEACH, FLORIDA
POLICE OFFICERS' PENSION PLAN
SCHEDULE OF CONTRIBUTIONS**

	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Actuarially Determined Contribution* Contributions in Relation to the Actuarially Determined Contribution*	\$ 841,726	\$ 849,061	\$ 825,700	\$ 665,091	\$ 654,280
Contribution Deficiency (Excess)	<u>\$ 1,091,552</u>	<u>\$ 945,540</u>	<u>\$ 842,455</u>	<u>\$ 677,542</u>	<u>\$ 659,420</u>
	<u>\$ (249,826)</u>	<u>\$ (96,479)</u>	<u>\$ (16,755)</u>	<u>\$ (12,451)</u>	<u>\$ (5,140)</u>
Covered Employee Payroll	\$ 1,619,400	\$ 1,619,400	\$ 1,465,925	\$ 1,404,425	\$ 1,472,786
Contributions as a Percentage of Covered Employee Payroll	67.40%	58.39%	57.47%	48.24%	44.77%

*Amounts include the contribution from the State of Florida.

Additional years will be added to this schedule annually until 10 years of data is presented.

NOTES TO SCHEDULE

Valuation Date: September 30, 2016

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Cost Method
Amortization Method:	Closed, Level % of Pay Method
Remaining Amortization Period:	30 years
Asset Valuation Method:	Smoothed market value over a period of four (4) years, as prescribed under Internal Revenue Procedure 2000-40, adjusted to be no greater than 120% and no less than 80% of the fair market value.
Inflation:	2.5% per year
Salary Increases:	Age Based Ranging from 4.5% to 22.5% (including 2.5% price inflation)
Payroll Growth:	3.50%
Interest Rate:	7.0% per year compounded annually, net of investment related expenses.
Retirement Age:	Experience-based table of rates that vary by age
Post Retirement COLA:	None
Mortality:	RP2000 Combined Healthy Participant Mortality Table for males and females with generational projections from the year 2000 Projection Scale AA.
Date of the Most Recent Experience Study:	Significant assumptions used in the September 30, 2015 valuation were based on the results of an actuarial experience study (dated 2/15/2011) for the period of October 1, 2001 - September 30, 2010.

**CITY OF ATLANTIC BEACH, FLORIDA
 POLICE OFFICERS' PENSION PLAN
 SCHEDULE OF INVESTMENT RETURNS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Annual Money-Weighted Rate of Return				
Net of Investment Expense	8.26%	10.80%	9.93%	0.53%

Additional years will be added to this schedule annually until 10 years of data is presented.

**CITY OF ATLANTIC BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$ 4,987,481	\$ 4,987,481	\$ 5,063,409	\$ 75,928
Non-Property Taxes	1,154,580	1,154,580	1,337,310	182,730
Permits, Fees, and Special Assessments	850,468	850,468	868,477	18,009
Intergovernmental Revenues	2,323,280	2,323,280	2,071,174	(252,106)
Fines and Forfeitures	124,926	124,926	90,781	(34,145)
Charges for Services	751,635	751,635	793,482	41,847
Interest Income	159,001	159,001	(18,294)	(177,295)
Miscellaneous Revenues	30,388	30,388	3,997	(26,391)
Inter-Fund Charges	1,599,502	1,599,502	1,581,091	(18,411)
Total Revenues	<u>11,981,261</u>	<u>11,981,261</u>	<u>11,791,427</u>	<u>(189,834)</u>
Expenditures				
City Administration:				
City Commission	47,760	47,760	43,466	4,294
City Clerk	320,305	324,008	290,160	33,848
City Attorney	250,000	301,667	199,611	102,056
City Manager	387,943	410,894	409,072	1,822
Human Resources	228,545	228,545	228,343	202
Information Technology	771,460	800,177	770,920	29,257
Finance	930,734	942,421	928,173	14,248
Total City Administration	<u>2,936,747</u>	<u>3,055,472</u>	<u>2,869,745</u>	<u>185,727</u>
Planning and Zoning	<u>326,715</u>	<u>328,723</u>	<u>274,618</u>	<u>54,105</u>
General Government	<u>542,407</u>	<u>590,590</u>	<u>574,783</u>	<u>15,807</u>
Public Safety:				
Police	4,387,989	4,596,568	4,826,848	(230,280)
School Crossing Guards	10,680	10,680	10,892	(212)
Animal Control	92,747	93,287	90,546	2,741
Fire	1,524,888	1,549,564	1,463,392	86,172
Code Enforcement	75,552	75,552	34,708	40,844
Total Public Safety	<u>6,091,856</u>	<u>6,325,651</u>	<u>6,426,386</u>	<u>(100,735)</u>

**CITY OF ATLANTIC BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Public Works:				
Administration and Streets	\$ 1,582,488	\$ 1,602,973	\$ 1,260,154	\$ 342,819
Fleet Maintenance	284,218	311,775	261,132	50,643
Total Public Works	<u>1,866,706</u>	<u>1,914,748</u>	<u>1,521,286</u>	<u>393,462</u>
Parks and Recreation:				
Recreation and Special Events	567,333	575,920	1,856,814	(1,280,894)
Parks Maintenance	837,370	852,561	726,230	126,331
Total Parks and Recreation	<u>1,404,703</u>	<u>1,428,481</u>	<u>2,583,044</u>	<u>(1,154,563)</u>
(Total Expenditures)	<u>(13,169,134)</u>	<u>(13,643,665)</u>	<u>(14,249,862)</u>	<u>(606,197)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,187,873)</u>	<u>(1,662,404)</u>	<u>(2,458,435)</u>	<u>(796,031)</u>
Other Financing Sources (Uses)				
Debt Proceeds	-	-	1,400,000	1,400,000
Gain (Loss) on Disposal of Assets	-	-	32,192	32,192
Debt Issuance Costs	-	-	(50,000)	(50,000)
Transfers in	1,135,245	1,135,245	1,135,245	-
Transfers (out)	(303,000)	(303,000)	(303,000)	-
Total Other Financing Sources (Uses)	<u>832,245</u>	<u>832,245</u>	<u>2,214,437</u>	<u>1,382,192</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(355,628)</u>	<u>(830,159)</u>	<u>(243,998)</u>	<u>586,161</u>
Fund Balances, Beginning of Year	<u>6,284,367</u>	<u>5,620,568</u>	<u>7,321,819</u>	<u>1,701,251</u>
Fund Balances, End of Year	<u>\$ 5,928,739</u>	<u>\$ 4,790,409</u>	<u>\$ 7,077,821</u>	<u>\$ 2,287,412</u>

- (1) - Police expenditures are over budget due to the City receiving additional insurance premium tax from the state of Florida. These revenues are recorded in the general fund then expenses as pension expense and transferred to the police pension.
- (2) - Culture and Recreation expenditures are over budget due to the City issuing debt to purchase land for conservation. An offsetting revenue is recorded in the other financing sources section which results in a net of zero.

**CITY OF ATLANTIC BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Budgets and Budgetary Accounting

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the City's operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level. Encumbrances are recorded. Unexpended items which are unencumbered at year-end must be re-appropriated in the subsequent year.

Budgets are adopted for all governmental funds (general, special revenue, and capital projects funds). The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that increase the total expenditures of any department or fund must be approved by the City Commission. All necessary supplemental appropriations are adopted by the City Commission and are included in the reported budgetary data. The budget presented in the accompanying required supplemental information is prepared in conformity with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

**CITY OF ATLANTIC BEACH, FLORIDA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	2018					
	Special Revenue Funds					
	Tree Replacement	Local Option Gas Tax	Convention Development Tax	Half-Cent Sales Tax	Court Cost Training	Radio Communication
Assets						
Equity in Pooled Cash and Investments	\$ 86,638	\$ 95,679	\$ 233,913	\$ 833,770	\$ 60,275	\$ 52,561
Due from Other Governments	-	81,536	32,397	155,548	262	1,236
Total Assets	<u>86,638</u>	<u>177,215</u>	<u>266,310</u>	<u>989,318</u>	<u>60,537</u>	<u>53,797</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts Payable and Accrued Liabilities	-	-	-	-	-	-
Construction Retainages Payable	-	-	9,000	4,212	-	-
Due to Other Funds	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>9,000</u>	<u>4,212</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances						
Restricted for:						
Public Safety	-	-	-	-	60,537	53,797
Road Maintenance and Construction	-	177,215	-	985,106	-	-
Other Capital Projects	-	-	-	-	-	-
Other Purposes	-	-	257,310	-	-	-
Committed:						
Conservation and Resource Management	86,638	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>86,638</u>	<u>177,215</u>	<u>257,310</u>	<u>985,106</u>	<u>60,537</u>	<u>53,797</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 86,638</u>	<u>\$ 177,215</u>	<u>\$ 266,310</u>	<u>\$ 989,318</u>	<u>\$ 60,537</u>	<u>\$ 53,797</u>

2018

Special Revenue Funds							
Contraband Forfeiture	Community Development Block Grants	Police Grants	Fire Grant	Totals Special Revenues Funds	Capital Projects	Totals Non-Major Governmental Funds	2017 Totals
\$ 26,763	\$ 118,760	\$ 375	\$ -	\$ 1,508,734	\$ 487,733	\$ 1,996,467	\$ 1,992,707
-	100	42,000	-	313,079	-	313,079	382,396
<u>26,763</u>	<u>118,860</u>	<u>42,375</u>	<u>-</u>	<u>1,821,813</u>	<u>487,733</u>	<u>2,309,546</u>	<u>2,375,103</u>
-	-	-	-	-	-	-	508,748
-	3,134	-	-	16,346	-	16,346	3,134
-	116,546	40,182	-	156,728	44,067	200,795	170,515
1,766	-	-	-	1,766	-	1,766	926
<u>1,766</u>	<u>119,680</u>	<u>40,182</u>	<u>-</u>	<u>174,840</u>	<u>44,067</u>	<u>218,907</u>	<u>683,323</u>
-	-	-	-	-	-	-	-
24,997	-	2,193	-	141,524	-	141,524	137,287
-	-	-	-	1,162,321	-	1,162,321	1,078,005
-	-	-	-	-	443,666	443,666	141,328
-	-	-	-	257,310	-	257,310	277,248
-	-	-	-	86,638	-	86,638	58,732
-	(820)	-	-	(820)	-	(820)	(820)
<u>24,997</u>	<u>(820)</u>	<u>2,193</u>	<u>-</u>	<u>1,646,973</u>	<u>443,666</u>	<u>2,090,639</u>	<u>1,691,780</u>
<u>\$ 26,763</u>	<u>\$ 118,860</u>	<u>\$ 42,375</u>	<u>\$ -</u>	<u>\$ 1,821,813</u>	<u>\$ 487,733</u>	<u>\$ 2,309,546</u>	<u>\$ 2,375,103</u>

CITY OF ATLANTIC BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	2018					
	Special Revenue Funds					
	Tree Replacement	Local Option Gas Tax	Convention Development Tax	Half-Cent Sales Tax	Court Cost Training	Radio Communication
Revenues						
Taxes	\$ -	\$ 474,930	\$ 138,364	\$ 901,165	\$ -	\$ -
Other Intergovernmental Revenues	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	5,471	24,773
Investment Earnings	-	(511)	(472)	(333)	(86)	(31)
Miscellaneous Revenues	28,057	-	-	-	-	-
Total Revenues	<u>28,057</u>	<u>474,419</u>	<u>137,892</u>	<u>900,832</u>	<u>5,385</u>	<u>24,742</u>
Expenditures						
Current:						
Public Safety	-	-	-	-	21,370	7,844
Road Maintenance and Construction	-	281,385	23,335	82,134	-	-
Parks and Recreation	-	-	31,648	-	-	-
Conservation and Resource Management	151	-	-	-	-	-
Capital Outlay	-	-	102,847	410,116	-	-
(Total Expenditures)	<u>(151)</u>	<u>(281,385)</u>	<u>(157,830)</u>	<u>(492,250)</u>	<u>(21,370)</u>	<u>(7,844)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>27,906</u>	<u>193,034</u>	<u>(19,938)</u>	<u>408,582</u>	<u>(15,985)</u>	<u>16,898</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	(232,300)	-	(285,000)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(232,300)</u>	<u>-</u>	<u>(285,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	27,906	(39,266)	(19,938)	123,582	(15,985)	16,898
Fund Balances, Beginning of Year	<u>58,732</u>	<u>216,481</u>	<u>277,248</u>	<u>861,524</u>	<u>76,522</u>	<u>36,899</u>
Fund Balances, End of Year	<u>\$ 86,638</u>	<u>\$ 177,215</u>	<u>\$ 257,310</u>	<u>\$ 985,106</u>	<u>\$ 60,537</u>	<u>\$ 53,797</u>

2018

Special Revenue Funds							
Contraband Forfeiture	Community Development Block Grants	Police Grants	Fire Grant	Totals Special Revenue Funds	Capital Projects	Totals Non-Major Governmental Funds	2017 Totals
\$ -	\$ -	\$ -	\$ -	\$ 1,514,459	\$ -	\$ 1,514,459	\$ 1,414,994
-	-	42,000	-	42,000	-	42,000	725,124
3,341	-	-	-	33,585	-	33,585	28,529
(17)	-	-	-	(1,450)	348	(1,102)	14,621
-	-	-	24,920	52,977	-	52,977	32,586
<u>3,324</u>	<u>-</u>	<u>42,000</u>	<u>24,920</u>	<u>1,641,571</u>	<u>348</u>	<u>1,641,919</u>	<u>2,215,854</u>
-	-	42,000	24,920	96,134	-	96,134	168,426
-	-	-	-	386,854	-	386,854	400,000
-	-	-	-	31,648	-	31,648	-
-	-	-	-	151	-	151	18,765
-	-	-	-	512,963	1,010	513,973	2,974,682
<u>-</u>	<u>-</u>	<u>(42,000)</u>	<u>(24,920)</u>	<u>(1,027,750)</u>	<u>(1,010)</u>	<u>(1,028,760)</u>	<u>(3,561,873)</u>
<u>3,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>613,821</u>	<u>(662)</u>	<u>613,159</u>	<u>(1,346,019)</u>
-	-	-	-	-	303,000	303,000	349,225
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(517,300)</u>	<u>-</u>	<u>(517,300)</u>	<u>(1,065,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(517,300)</u>	<u>303,000</u>	<u>(214,300)</u>	<u>(715,775)</u>
<u>3,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,521</u>	<u>302,338</u>	<u>398,859</u>	<u>(2,061,794)</u>
<u>21,673</u>	<u>(820)</u>	<u>2,193</u>	<u>-</u>	<u>1,550,452</u>	<u>141,328</u>	<u>1,691,780</u>	<u>3,753,574</u>
<u>\$ 24,997</u>	<u>\$ (820)</u>	<u>\$ 2,193</u>	<u>\$ -</u>	<u>\$ 1,646,973</u>	<u>\$ 443,666</u>	<u>\$ 2,090,639</u>	<u>\$ 1,691,780</u>

CITY OF ATLANTIC BEACH, FLORIDA
COMBINING STATEMENT OF FIDUCIARY
NET POSITION
SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2017

	Pension Trust Funds			
	Police Officers' Retirement Plan	General Employees' Retirement Plan	2018 Totals	2017 Totals
Assets				
Cash and Cash Equivalents	\$ 199,406	\$ -	\$ 199,406	\$ 566,377
Due from Other Governments	123,068	-	123,068	-
Due from City	-	-	-	8,500
Interest Receivable	11,523	28,851	40,374	31,813
Investments at Fair Value	11,829,580	19,818,002	31,647,582	28,486,250
Other Assets	-	542	542	-
Total Assets	<u>12,163,577</u>	<u>19,847,395</u>	<u>32,010,972</u>	<u>29,092,940</u>
Liabilities				
Accounts Payable and Accrued Liabilities	-	-	-	37,343
Due to City	-	136,343	136,343	-
Total Liabilities	<u>-</u>	<u>136,343</u>	<u>136,343</u>	<u>37,343</u>
Total Net Position				
Held in Trust for Pension Benefits	<u>\$ 12,163,577</u>	<u>\$ 19,711,052</u>	<u>\$ 31,874,629</u>	<u>\$ 29,055,597</u>

CITY OF ATLANTIC BEACH, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018,
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Pension Trust Funds			
	Police Officers' Retirement Plan	General Employees' Retirement Plan	2018 Totals	2017 Totals
Additions				
Contributions:				
Employer	\$ 854,780	\$ 1,332,119	\$ 2,186,899	\$ 2,121,100
Employees	131,498	117,536	249,034	253,576
State of Florida	236,772	-	236,772	-
Total Contributions	<u>1,223,050</u>	<u>1,449,655</u>	<u>2,672,705</u>	<u>2,374,676</u>
Net Increase in Fair Value of Investments	675,092	1,248,533	1,923,625	2,334,700
Interest and Dividends	209,813	374,173	583,986	509,548
Miscellaneous Revenues	-	-	-	8,500
Total Additions	<u>2,107,955</u>	<u>3,072,361</u>	<u>5,180,316</u>	<u>5,227,424</u>
Deductions				
Refunds of Contributions	14,720	19,533	34,253	35,562
Benefits	675,968	1,481,923	2,157,891	1,927,417
Investment Expenses	34,122	72,781	106,903	101,608
Administrative Expenses	21,887	31,214	53,101	106,748
Other Expenses	5,906	3,230	9,136	-
Total Deductions	<u>752,603</u>	<u>1,608,681</u>	<u>2,361,284</u>	<u>2,171,335</u>
Change in Net Position	1,355,352	1,463,680	2,819,032	3,056,089
Net Position, Beginning of Year	<u>10,808,225</u>	<u>18,247,372</u>	<u>29,055,597</u>	<u>25,999,508</u>
Net Position, End of Year	<u>\$ 12,163,577</u>	<u>\$ 19,711,052</u>	<u>\$ 31,874,629</u>	<u>\$ 29,055,597</u>

CITY OF ATLANTIC BEACH, FLORIDA
HISTORICAL REVENUES AND EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2014, THROUGH SEPTEMBER 30, 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues					
Operating Revenues:					
Water:					
Customer Charges	\$ 2,955,863	\$ 2,992,677	\$ 3,177,331	\$ 3,262,314	\$ 3,206,520
Miscellaneous Charges	54,852	62,286	62,477	65,198	64,563
Total Water	<u>3,010,715</u>	<u>3,054,963</u>	<u>3,239,808</u>	<u>3,327,512</u>	<u>3,271,083</u>
Sewer:					
Customer Charges	4,938,510	4,934,151	5,045,673	5,111,353	5,092,613
Miscellaneous Charges	1,237	107	-	590	-
Total Sewer	<u>4,939,747</u>	<u>4,934,258</u>	<u>5,045,673</u>	<u>5,111,943</u>	<u>5,092,613</u>
Total Operating Revenues	<u>7,950,462</u>	<u>7,989,221</u>	<u>8,285,481</u>	<u>8,439,455</u>	<u>8,363,696</u>
Non-Operating Revenues:					
Investment Income (Loss):					
Water	186,681	(7,718)	58,092	21,455	(7,606)
Sewer	(43,954)	(4,257)	38,929	17,281	(8,249)
Total Non-Operating Revenues	<u>142,727</u>	<u>(11,975)</u>	<u>97,021</u>	<u>38,736</u>	<u>(15,855)</u>
Total Revenues	<u>8,093,189</u>	<u>7,977,246</u>	<u>8,382,502</u>	<u>8,478,191</u>	<u>8,347,841</u>
Expenses					
Operating Expenses:					
Water	1,287,783	1,442,578	1,379,495	1,488,854	1,348,985
Sewer	2,170,495	2,055,780	2,064,614	2,309,637	2,393,828
Total Operating Expenses	<u>3,458,278</u>	<u>3,498,358</u>	<u>3,444,109</u>	<u>3,798,491</u>	<u>3,742,813</u>
Administrative, Non-Divisional and Other:					
Water	530,715	563,356	561,069	502,058	508,655
Sewer	677,464	734,839	725,248	591,161	624,796
Total Administrative, Non- divisional and Other	<u>1,208,179</u>	<u>1,298,195</u>	<u>1,286,317</u>	<u>1,093,219</u>	<u>1,133,451</u>
(Total Expenses)	<u>(4,666,457)</u>	<u>(4,796,553)</u>	<u>(4,730,426)</u>	<u>(4,891,710)</u>	<u>(4,876,264)</u>
Net Revenues Available for Debt Service					
	<u>3,426,732</u>	<u>3,180,693</u>	<u>3,652,076</u>	<u>3,586,481</u>	<u>3,471,577</u>
Non-Operating Income (Expense)					
Interest Expense	(896,571)	(556,635)	(481,693)	(455,259)	(404,297)
Loan Amortization	(162,552)	(98,507)	(93,910)	(93,910)	(93,910)
Total Non-Operating Income (Expense)	<u>(1,059,123)</u>	<u>(655,142)</u>	<u>(575,603)</u>	<u>(549,169)</u>	<u>(498,207)</u>
Net Income Before Depreciation and Operating Transfers					
	<u>\$ 2,367,609</u>	<u>\$ 2,525,551</u>	<u>\$ 3,076,473</u>	<u>\$ 3,037,312</u>	<u>\$ 2,973,370</u>

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULES OF NET REVENUES IN ACCORDANCE
WITH BOND RESOLUTIONS
ENTERPRISE FUNDS (WATER AND SEWER)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

	<u>2018</u>	<u>2017</u>
Gross Revenues		
Utility	\$ 8,302,234	\$ 8,390,290
Connection Charges	61,460	49,165
Interest	(15,856)	38,736
Total Gross Revenues	<u>8,347,838</u>	<u>8,478,191</u>
Operating Expenses		
Personal Services	2,056,311	2,102,206
Contractual Services	604,079	551,554
Supplies	398,803	292,616
Repairs and Maintenance	159,229	133,608
Utilities	348,357	353,574
Intergovernmental Charges	1,133,451	1,093,219
Other Expenses	146,239	364,933
(Total Operating Expenses)	<u>(4,846,469)</u>	<u>(4,891,710)</u>
Total Net Revenues in Accordance with Bond Resolutions	<u>\$ 3,501,369</u>	<u>\$ 3,586,481</u>
Total Debt Service	<u>\$ 1,999,898</u>	<u>\$ 2,015,811</u>
Debt Service Coverage Ratio	<u>175.08%</u>	<u>177.92%</u>
Required Debt Service Coverage Ratio	<u>110.00%</u>	<u>110.00%</u>

**CITY OF ATLANTIC BEACH, FLORIDA
OTHER BOND COVENANT DISCLOSURES
FOR THE YEARS ENDED SEPTEMBER 30, 2014, THROUGH SEPTEMBER 30, 2018**

**Utility Service Tax Collections
(Last Five Years)**

<u>Year</u>	<u>Electricity</u>	<u>Communications</u>	<u>Gas</u>	<u>Fuel Oil</u>	<u>Total</u>
2014	\$ 473,097	\$ 522,654	\$ 16,911	\$ 29	\$ 1,012,691
2015	476,997	526,996	15,555	7	1,019,555
2016	483,516	500,295	17,881	6	1,001,698
2017	475,895	479,551	15,229	-	970,675
2018	498,379	497,133	16,262	-	1,011,774

**Ad Valorem Tax Collections
(Last Five Years)**

<u>Year</u>	<u>Total</u>
2014	\$ 3,908,365
2015	4,113,476
2016	4,482,739
2017	4,730,476
2018	5,063,409

OTHER STATISTICAL INFORMATION

**CITY OF ATLANTIC BEACH, FLORIDA
MAJOR UTILITY CUSTOMERS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(UNAUDITED)**

	Annual Billings
Fleet Landing (Retirement Community)	\$ 361,039
Navy (Federal Government)	244,573
City of Atlantic Beach, Florida	141,044
John Creek Estate (Mobile Home Park)	130,065
Oaks of Atlantic Beach (Mobile Home Park)	131,058
Hanna Park (Regional Park)	105,624
Arium Atlantic Beach (Apartment Complex)	111,325
PBH Mayport LLC	104,501
Sea Turtle Inn	99,962
Avesta Homes (Apartment Complex)	64,673
Total	\$ 1,493,864

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES;
THE *RULES OF THE AUDITOR GENERAL* OF THE STATE OF FLORIDA;
AND OTHER CONTRACT REQUIREMENTS**

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF SOURCE AND EXPENDITURE OF THE CITY GRANT FUNDS
PER ORDINANCE CODE CHAPTER 118.301(e)
FOR FISCAL YEAR 2017-2018

**City of Jacksonville Public Service Grants Received as a
Subgrant Recipient Per Interlocal Agreement**

Source of City Funds

	Fiscal Year 2017-2018 Grant No. 5629-62
Amount of Award (Per City of Jacksonville Budget Ordinance)	\$ 81,436 (A)
Actual Funds Received from City of Jacksonville in Last Audit Period	-
Actual Funds Received this Period	(51,360)
Amount Earned but Not Received this Period	-
Unspent Award Amount	\$ 30,076 (B)

Expenditure of City Funds

(A) City Fiscal Year 2015-16 Grant #5629-62, Includes Total Award Amount Including Amendments

(B) Project Complete, Amount Spent Less Than Total Award

<u>Project/Federal Grant Number</u>	Budgeted	Actual 10/1/2017 9/30/2018	Remaining Balance
Jordan Park Improvements	\$ 81,436	\$ 51,360	\$ 30,076 (B)

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

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic 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, each major fund, and the aggregate remaining fund information of City of Atlantic Beach, Florida, (the 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 December 6, 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 City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. We consider the following deficiencies in internal control to be material weaknesses:

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

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

15-1 – Financial Close and Reporting

Condition—At the commencement of final fieldwork it was noted that the preliminary working trial balance did not reflect all of the required closing entries. As a result, several adjustments were required after we began the audit process, including entries to adjust beginning fund balance, accrue unrecorded receivables and liabilities, and reverse prior year accruals.

Effect—The lack of an effective financial close and reporting process increases the risk that material misstatements will not be detected in a timely manner. It also results in delays in performing and completing the audit.

Recommendation—We recommend that the City's finance department evaluates their monthly and yearly financial close and reporting process. In addition, the finance department should perform variance analysis throughout the year over major balance sheet and income statement accounts in order to identify and correct any errors in a timely manner.

FY18 Update—The City continues to have significant and material errors and adjustments related to their financial reporting and close process, which significantly delayed the completion of the fiscal year 2018 audit resulting in the City not meeting the nine month deadline of submission to the auditor general. We recommend that the City hires an outside consultant to assist with the closing of the books prior to the commencement of the audit.

17-1 – Timeliness and Accuracy of Bank Reconciliations

Condition—The timely reconciliation of bank accounts is one of the key components of a sound system of internal controls. During the audit we noted that bank reconciliations for September 2017 had not been completed as of December 2017. The bank reconciliation was provided during final fieldwork in February 2018, but we noted errors in the reconciling items. Management made corrections to the September 2017 bank reconciliation, however, there remains a \$10,000 unreconciled difference.

Effect—Inaccurate or delayed bank reconciliations result in an increased risk that errors or irregularities will go undetected for extended periods of time.

Recommendation—We recommend that the City implement procedures to ensure that all bank accounts are reconciled within 20 days of month-end.

FY18 Update—At the commencement of the audit, the City had material unreconciled balances in excess of \$500,000, which were uncorrected for a significant time period. This also resulted in the delay and completion of the audit. As of September 30, 2019, the City had an unreconciled difference of \$105,000. The City will need to continue to investigate this significant variance and determine the source of the difference.

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

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

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, non-compliance 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 non-compliance 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis, Gray and Company, LLP

December 6, 2019
Gainesville, Florida

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

We have examined the City of Atlantic Beach, Florida's (the City) compliance with Section 218.415, Florida Statutes during the period ended September 30, 2018, as required by Section 10.556(10)(a), *Rules of the Auditor General*. 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 (AICPA) 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 of 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, 2018.

This report 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, the City, its management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

December 6, 2019
Gainesville, Florida

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

MANAGEMENT LETTER

Honorable Mayor, City Commissioners, and
 City Manager
 City of Atlantic Beach
 Atlantic Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Atlantic Beach, Florida (the City) as of and for the year ended September 30, 2018, and have issued our report thereon dated December 6, 2019.

Auditor’s Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Accountant’s Report on an examination conducted in accordance with AICPA *Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated December 6, 2019, 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 report. Corrective actions have been taken to address prior audit findings 17-02 and 17-04. Prior Year uncorrected Findings and Recommendations are reported below:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2016-2017 FY Finding #	2015-2016 FY Finding #
18-1	17-3	15-1
18-2		
18-3		

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
 MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

MANAGEMENT LETTER

Official Title and Legal Authority

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

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 condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

17-3 – Insurance Premium Tax Revenues

Condition – During review of the Police Officers' Retirement Plan, we noted that the fiscal year 2017 insurance premium tax revenues were withheld by the State of Florida for several months due to reporting issues identified by the State of Florida that were not corrected timely. The City contributed additional funds to the Plan during 2017 to cover the contribution shortfall. The reporting issues were corrected during fiscal year 2018 and the City ultimately received the withheld funds.

Recommendation – The timely correction of any reporting errors is important to avoid monies being withheld by the State of Florida and minimize the loss of potential investment earnings.

FY 18 Update – The City received their 2017 insurance premium tax revenues payment during fiscal year 2018. However, the 2018 payment was received after year-end due to continued errors which were not corrected timely by the City. The 2018 payment was received during fiscal year 2019.

18-1 – Fixed Asset Misstatements and Reconciliation to Subsidiary Ledger

Condition – During our testing of fixed assets, we noted that the City mistakenly keyed in the incorrect amount for fixed asset purchases for several fixed assets, which resulted in material misstatements requiring a prior period adjustment of \$282,575 to accumulated depreciation in the utility fund, and a current year correction of \$559,498 to depreciation expense and accumulated depreciation. The original cost of the fixed assets were not effected as the City only uses the subsidiary listing to post depreciation expense. In addition, the subsidiary ledger does not agree with the general ledger at year-end. It appears there are fully depreciated assets in the subsidiary ledger that have been removed on the general ledger and there is a possibility of improperly recorded or missing assets in the subsidiary listing.

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

MANAGEMENT LETTER

Recommendation – We recommend that the City implement controls to ensure that the amounts entered into the subsidiary ledger (depreciation module) are reconciled to the general ledger at least annually. In addition, we recommend that the City investigate and corrects the differences between the subsidiary ledger and the general ledger.

18-2 – Significant Budget Over Expenditures

Condition – During our testing of budgetary compliance, we noted that the City’s general fund had budget over expenditures in the police and parks and recreation departments of \$100,735 and \$1,154,563, respectively. The over expenditure related to the police department is due to the City receiving an additional casualty premium receipt from the State of Florida. This additional revenue and the related expense was not budgeted for. The over expenditure in the parks and recreation department was due to the City issuing debt to purchase land for conservation purposes. The debt proceeds and related capital outlay were budgeted in the debt service fund but not in the general fund, where the actual transactions were recorded.

Recommendation – We recommend that the City review their controls for ensuring that all significant budget to actual expenditure variances are reviewed and approved by the City Commission.

18-3 – General Employees’ Pension Plan Pooled Cash Balances

Condition – During the review of the General Employees’ Pension Plan (the Pension Fund) it was noted that the Pension Fund had a negative cash balance at the end of the year. The City’s General Fund Pooled Cash account lent money to the Pension Plan to cover the deficit resulting in the Pension Plan having a zero cash balance. The pension plan pooled cash is used to pay current benefit payments, and adequate treasury management should be in place to ensure the plan’s pooled cash has adequate monies on hand to pay benefits and other costs when due.

Recommendation – We recommend that the City implement a monthly process that evaluates the pension plans pooled cash balances to ensure monies are effectively and efficiently moved between the pension plans investment and pooled cash accounts.

Annual Financial Report

Sections 10.554(1)(i)5.(b.) 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 the annual financial report for the City for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2018. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.(d), *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that there were no special district component units that were required to be reported in accordance with Section 218.39(3)(b), Florida Statutes.

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

MANAGEMENT LETTER

Other Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address non-compliance 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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

December 6, 2019
Gainesville, Florida



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December 3, 2019

Purvis, Gray and Company, LLP
P.O. Box 141270
Gainesville, FL 32614

RE: Responses to the Management Letter

Internal Control Over Financial Reporting

15-1 – Financial Close and Reporting

Condition—At the commencement of final fieldwork it was noted that the preliminary working trial balance did not reflect all of the required closing entries. As a result, several adjustments were required after we began the audit process, including entries to adjust beginning fund balance, accrue unrecorded receivables and liabilities, and reverse prior year accruals.

Effect—The lack of an effective financial close and reporting process increases the risk that material misstatements will not be detected in a timely manner. It also results in delays in performing and completing the audit.

Recommendation—We recommend that the City’s finance department evaluates their monthly and yearly financial close and reporting process. In addition, the finance department should perform variance analysis throughout the year over major balance sheet and income statement accounts in order to identify and correct any errors in a timely manner.

FY18 Update—The City continues to have significant and material errors and adjustments related to their financial reporting and close process, which significantly delayed the completion of the fiscal year 2018 audit resulting in the City not meeting the nine month deadline of submission to the auditor general. We recommend that the City hires an outside consultant to assist with the closing of the books prior to the commencement of the audit.

Management Response to Comment 15-1 – Financial Close and Reporting

The previous Finance Director left prior to the completion of the audit, and the City hired an outside consultant to assist with the year-end closing process and prepare the books for the audit. In addition to the hiring of the new Finance Director, the City has engaged an outside consultant to assist with the year-end closing process prior to the commencement of the audit. This will ensure the audit report will be completed prior to the submission deadline.

17-1 – Timeliness and Accuracy of Bank Reconciliations

Condition—The timely reconciliation of bank accounts is one of the key components of a sound system of internal controls. During the audit we noted that bank reconciliations for September 2017 had not been

completed as of December 2017. The bank reconciliation was provided during final fieldwork in February 2018, but we noted errors in the reconciling items. Management made corrections to the September 2017 bank reconciliation, however, there remains a \$10,000 unreconciled difference.

Effect—Inaccurate or delayed bank reconciliations result in an increased risk that errors or irregularities will go undetected for extended periods of time.

Recommendation—We recommend that the City implement procedures to ensure that all bank accounts are reconciled within 20 days of month-end.

FY18 Update—At the commencement of the audit, the City had material unreconciled balances in excess of \$500,000, which were uncorrected for a significant time period. This also resulted in the delay and completion of the audit. As of September 30, 2019, the City had an unreconciled difference of \$105,000. The City will need to continue to investigate this significant variance and determine the source of the difference.

Management’s Response to Comment 17-1 – Timeliness and Accuracy of Bank Reconciliations

The City will reconcile all bank accounts on or before the 20th day of each month, and determine the sources of any differences.

Other Matters

17-3 – Premium Tax Revenues

Condition—During the review of the Police pension plan it was noted that the fiscal year 2017 premium tax revenues were held by the State of Florida. This was due to reporting issues noted by the State of Florida. It was noted in fiscal year 2018 that these reporting issues were corrected and the City has since received the withheld premium tax monies.

Recommendation—The timely correction of any reporting errors is important to avoid monies being withheld by the State of Florida. In addition, due to monies being withheld this potentially results in loss investment earnings.

FY 18 Update – The City received their 2017 insurance premium tax revenues payment during fiscal year 2018. However, the 2018 payment was received after year-end due to continued errors which were not corrected timely by the City. The 2018 payment was received during fiscal year 2019.

Management Response to Comment 17-3 – Premium Tax Revenues

The City has taken steps necessary to ensure the state report will be filed by the deadline.

18-1 – Fixed Asset Misstatements and Reconciliation to Subsidiary Ledger

Condition – During our testing of fixed assets, we noted that the City mistakenly keyed in the incorrect amount for fixed asset purchases for several fixed assets, which resulted in material misstatements requiring a prior period adjustment of \$282,575 to accumulated depreciation in the utility fund, and a current year correction of \$559,498 to depreciation expense and accumulated depreciation. The original cost of the fixed assets were not effected as the City only uses the subsidiary listing to post depreciation expense. In addition, the subsidiary ledger does not agree with the general ledger at year-end. It appears there are fully depreciated assets in the subsidiary ledger that have been removed on the general ledger and there is a possibility of improperly recorded or missing assets in the subsidiary listing.

Recommendation – We recommend that the City implement controls to ensure that the amounts entered into the subsidiary ledger (depreciation module) are reconciled to the general ledger at least annually. In addition, we recommend that the City investigate and corrects the differences between the subsidiary ledger and the general ledger.

Management Response to Comment 18-1 – Fixed Asset Misstatements and Reconciliation to Subsidiary Ledger

The City will implement controls to ensure that the amounts in the subsidiary ledger agree to the general ledger. This process will done on a quarterly basis and graduate to an annual process. The current differences will be investigated and corrected.

18-2 – Significant Budget Over Expenditures

Condition – During our testing of budgetary compliance, we noted that the City’s general fund had budget over expenditures in the police and parks and recreation departments of \$100,735 and \$1,154,563, respectively. The over expenditure related to the police department is due to the City receiving an additional casualty premium receipt from the State of Florida. This additional revenue and the related expense was not budgeted for. The over expenditure in the parks and recreation department was due to the City issuing debt to purchase land for conservation purposes. The debt proceeds and related capital outlay were budgeted in the debt service fund but not in the general fund, where the actual transactions were recorded.

Recommendation – We recommend that the City review their controls for ensuring that all significant budget to actual expenditure variances are reviewed and approved by the City Commission.

Management Response to Comment 18-2 – Significant Budget Over Expenditures

The City will review its controls and adjust to ensure that all significant budget to actual expenditure variances are reviewed and approved by the City Commission.

18-3 – General Employees’ Pension Plan Pooled Cash Balances

Condition – During the review of the General Employees’ Pension Plan (the Pension Fund) it was noted that the Pension Fund had a negative cash balance at the end of the year. The City’s General Fund Pooled Cash account lent money to the Pension Plan to cover the deficit resulting in the Pension Plan having a zero cash balance. The pension plan pooled cash is used to pay current benefit payments, and adequate treasury management should be in place to ensure the plan’s pooled cash has adequate monies on hand to pay benefits and other costs when due.

Recommendation – We recommend that the City implement a monthly process that evaluates the pension plans pooled cash balances to ensure monies are effectively and efficiently moved between the pension plans investment and pooled cash accounts.

Management Response to Comment 18-3 – General Employees’ Pension Pooled Cash Balances

The City will perform monthly evaluations of is pooled cash balances for the pension plans to ensure that monies are moved between investment and pooled cash accounts.