

CITY OF BRADENTON BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

CITY OF BRADENTON BEACH, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Commission
City of Bradenton Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Bradenton Beach, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Bradenton Beach, Florida, as of September 30, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 26-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

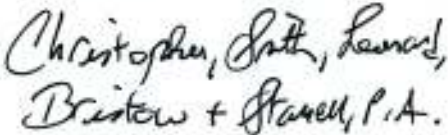
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information on page 29 as listed in the table of contents, is presented for additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2019, on our consideration of the City of Bradenton Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bradenton Beach, Florida's internal control over financial reporting and compliance.


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

May 13, 2019
Bradenton, Florida

City of BRADENTON BEACH

State of Florida

107 Gulf Drive North – Bradenton Beach, Florida 34217 – Phone (941) 778-1005 / FAX: 778-7585

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$10,009,575 (*net position*). Of this amount, \$1,209,208 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fiscal policies.
- The City's total net position decreased by \$107,648 from 2017.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$3,710,806, a decrease of \$127,569 in comparison with the prior year. Of this total amount, \$325,877, is available for spending at the City's discretion (*unassigned fund balance*).

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 8 and 9 of this report.

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

Governmental funds. Governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual method of accounting and the current financial resources focus. As a result, long-term assets and liabilities are not included.

A reconciliation to facilitate the comparison between the governmental fund financial statements and the government-wide financial statements is presented on pages 11 and 13.

The governmental funds used by the City are the General Fund and two Special Revenue Funds. Information is presented separately for each fund in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The General Fund is the City's general operating fund. All general tax revenues are accounted for in this fund. From this fund, all general operating expenditures and capital expenditures are paid. Special Revenue Funds are used to account for redevelopment revenues and expenditures as well as revenues and expenditures of the Library Fund.

The City adopts an annual budget for each of its governmental funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 10 to 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the amounts provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 14.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Bradenton Beach, Florida, assets exceeded liabilities by \$10,009,575 at the close of the most recent fiscal year.

A large portion of the City's net position, \$6,430,625, reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The City uses these capital assets to provide services to citizens within the boundaries of the City; consequently, these assets are *not* available for future spending. The City also had significant assets in cash and investments at September 30, 2018. Investments are either certificates of deposits or are held in Qualified Public Depositories, or the State Local Government Surplus Trust Fund as allowed by Florida Statutes.

A condensed statement of net position as of September 30, 2018 with comparative balances as of September 30, 2017 follows:

Net Position

	Governmental Activities	
	2018	2017
Current and other assets	\$ 3,970,451	\$ 4,216,055
Capital assets (net of depreciation)	<u>6,430,625</u>	<u>6,252,731</u>
Total assets	10,401,076	10,468,786
Long-term liabilities	174,674	105,892
Other liabilities	<u>216,827</u>	<u>245,671</u>
Total liabilities	391,501	351,563
Net Position:		
Net Investment in capital assets related debt	6,430,625	6,252,731
Restricted	2,369,742	2,242,801
Unrestricted	<u>1,209,208</u>	<u>1,621,691</u>
Total Net Position	<u>\$ 10,009,575</u>	<u>\$ 10,117,223</u>

\$472,142 of the City's net position is restricted for library purposes, \$1,752,532 is restricted for redevelopment, and \$145,068 is restricted for storm water and other uses. The remaining balance of *unrestricted net position* of \$1,209,208 may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net position decreased by \$107,648 during the current fiscal year.

The following is a summary of the information presented in the statement of activities with comparative totals for the fiscal year ended September 30, 2017:

Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 652,320	\$ 584,286
Operating grants	47,611	6,544
Capital grants	<u>124,676</u>	<u>47,246</u>
	<u>824,607</u>	<u>638,076</u>
General revenues:		
Taxes	2,327,507	2,096,269
Other	<u>369,523</u>	<u>448,437</u>
Total revenues	<u>3,521,637</u>	<u>3,182,782</u>
Expenses:		
General government	899,862	762,033
Public safety	1,161,381	1,107,581
Planning	435,861	406,660
Public works	729,264	615,548
Culture and recreation	<u>402,917</u>	<u>386,634</u>
Total expenses	<u>3,629,285</u>	<u>3,278,456</u>

Changes in Net Position – Continued

	Governmental Activities	
	2018	2017
Change in Net Position	(107,648)	(95,674)
Net Position – Beginning of year	10,117,223	10,212,897
Net Position – End of year	\$ 10,009,575	\$ 10,117,223

Revenues were \$3,521,637 compared to expenses of \$3,629,285. Revenues increased \$338,855 due to an increase in capital grant revenues of \$77,430 and tax related revenues of \$231,238. Expenses increased by \$350,829 due largely to increases in general government expenses of \$137,829 due to increased attorney fees. Additionally, public works expense increased \$113,716 due largely to the write-off of storm water receivables from prior years.

Financial Analysis of the City’s Funds

The City utilizes governmental funds that include the General Fund, the CRA Fund and the Library Fund.

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

As of the end of the current fiscal year, the City’s general fund reported an ending fund balance of \$1,485,100, a decrease of \$375,379 in comparison with the prior year. Of this total \$325,877 is *unassigned fund balance*, which is available for spending at the City’s discretion. \$108,198 of fund balance is non-spendable due to prepaid expenses, \$430,334 is committed for equipment replacement and cell tower proceeds expenditures, and \$145,068 is restricted for storm water and other uses. Additionally, the Commission assigned \$475,623 related to net proceeds from Pier activity.

As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balances represents approximately 9.06% of total general fund expenditures, while total fund balance approximates 41.30%.

The fund balance of the City’s general fund decreased by \$375,379 during the current fiscal year. Revenues were \$3,211,579, expenses were \$3,595,700, and net other financing sources were \$8,742. The general fund decrease in fund balance is largely due to increased attorney fees and the write-off of storm water receivables. The fund balance of the City’s special revenue fund for redevelopment increased by \$279,418. Revenues were \$398,191, expenses were \$215,307 and transfers in were \$96,534. The Library Fund operations are restricted to use for the Bradenton Beach Public Library. Fund balance for the year decreased by \$31,608. Revenues were \$1,058, and expenses were \$32,666.

General Fund Budgetary Highlights

During the year, the General Fund budget was amended. The original budgeted revenues were \$3,131,663 and final budgeted revenues were \$3,169,637. The original budgeted expenditures were \$3,205,645 compared to the final budget of \$3,528,531. For the current fiscal year, actual

revenues exceeded budgeted revenues by \$41,942. Actual expenditures were less than budgeted expenditures by \$27,031.

The General Fund budget is presented as required supplementary information on page 26.

Capital Assets

The City’s investment in capital assets for the year ended September 30, 2018 amounts to \$6,430,625 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and machinery and equipment. The City’s investment in capital assets for the current fiscal year increased \$177,894. This was comprised of \$604,960 of capital additions and \$427,066 of depreciation expense.

The following is a condensed schedule of capital assets as of September 30, 2018 with comparative totals for September 30, 2017:

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 800,453	\$ 800,453
Construction in progress	137,410	137,410
Infrastructure	4,432,955	4,332,726
Building and Improvements	895,573	967,498
Machinery and equipment	<u>164,234</u>	<u>14,644</u>
Total	<u>\$ 6,430,625</u>	<u>\$ 6,252,731</u>

See note 3 of this report for additional information on the City’s capital assets.

Economic Factors and Next Year’s Budgets and Rates

The millage rate in the fiscal 2019 budget is 2.3329, which is the same rate as the 2018 budget.

The City’s budgeted revenues in the general fund for fiscal year 2019 are \$3,636,891. Budgeted expenditures amount to \$3,682,068, including transfers. Budgeted revenues in fiscal year 2019 in the CRA fund are \$565,958. Budgeted expenditures for the CRA are \$1,064,842.

The 2019 budget anticipates grant proceeds for stormwater capital asset improvements.

Requests for Information

This financial report is designed to provide a general overview of the City of Bradenton Beach, Florida’s finances for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Director at City of Bradenton Beach, Florida, 107 Gulf Drive North, Bradenton Beach, Florida 34217.

CITY OF BRADENTON BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash-unrestricted	\$ 1,001,704
Cash-restricted	1,360,139
Investments-unrestricted	325,883
Investments-restricted	1,038,135
Accounts receivable	52,669
Due from other governmental units	82,691
Prepaid expenses	109,230
Capital assets	
Land	800,453
Construction in progress	137,410
Infrastructure	4,432,955
Buildings and improvements	895,573
Equipment	164,234
Total Assets	<u>10,401,076</u>
LIABILITIES	
Accounts payable	137,811
Accrued expenses	46,679
Unearned revenue	32,337
Non current liabilities	
Due within one year	24,263
Due in more than one year	150,411
Total Liabilities	<u>391,501</u>
NET POSITION	
Net investment in capital assets	6,430,625
Restricted for:	
Redevelopment	1,752,532
Library	472,142
Stormwater and other	145,068
Unrestricted	1,209,208
TOTAL NET POSITION	<u>\$ 10,009,575</u>

The accompanying notes are an integral part of these financial statements

**CITY OF BRADENTON BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Change in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
General government	\$ 899,862	\$ 185,870	\$ 32,765	\$ -
Public safety	1,161,381	128,671	-	-
Planning	435,861	244,313	-	-
Public works	729,264	2,280	-	-
Culture and recreation	402,917	91,186	14,846	124,676
Total Governmental Activities	3,629,285	652,320	47,611	124,676
Total Government	\$ 3,629,285	\$ 652,320	\$ 47,611	\$ 124,676
Ad Valorem taxes				1,654,175
State revenue sharing				28,737
Sales tax				213,785
Other taxes				72,222
Franchise fees				215,399
Service tax				387,325
Storm water fees				72,223
Interest				30,473
Other				22,691
Total general revenues				2,697,030
Change in Net Position				(107,648)
Net Position - Beginning				10,117,223
Net Position - Ending				\$ 10,009,575

The accompanying notes are an integral part of these financial statements

CITY OF BRADENTON BEACH, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General	CRA	Library	Total Governmental Funds
ASSETS				
Cash–unrestricted	\$ 1,001,704	\$ -	\$ -	\$ 1,001,704
Cash–restricted	145,068	864,993	350,078	1,360,139
Investments – unrestricted	325,883	-	-	325,883
Investments – restricted	-	910,784	127,351	1,038,135
Accounts receivable	52,669	-	-	52,669
Due from other governmental units	67,845	14,846	-	82,691
Due from other funds	14,878	-	-	14,878
Prepaid expenses	108,198	-	1,032	109,230
TOTAL ASSETS	<u>\$ 1,716,245</u>	<u>\$ 1,790,623</u>	<u>\$ 478,461</u>	<u>\$ 3,985,329</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 124,157	\$ 13,654	\$ -	\$ 137,811
Accrued expense	46,679	-	-	46,679
Due to other funds	-	9,591	5,287	14,878
Unearned revenue	32,337	-	-	32,337
Total Liabilities	<u>203,173</u>	<u>23,245</u>	<u>5,287</u>	<u>231,705</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	27,972	14,846	-	42,818
Fund balance:				
Nonspendable:				
Nonspendable:	108,198	-	1,032	109,230
Spendable:				
Restricted	145,068	1,752,532	472,142	2,369,742
Committed	430,334	-	-	430,334
Assigned	475,623	-	-	475,623
Unassigned	325,877	-	-	325,877
Total Fund Balances	<u>1,485,100</u>	<u>1,752,532</u>	<u>473,174</u>	<u>3,710,806</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,716,245</u>	<u>\$ 1,790,623</u>	<u>\$ 478,461</u>	<u>\$ 3,985,329</u>

The accompanying notes are an integral part of these financial statements

**CITY OF BRADENTON BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

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

Fund Balance – Governmental Funds	\$ 3,710,806
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	6,430,625
Long-term liabilities, including compensated absences, are not due in the current period and therefore are not reported in the funds	
Capital lease	(76,826)
Compensated absences	(97,848)
Transactions recorded as revenues in the statement of activities, but did not meet the availability criteria under the modified accrual basis of accounting, and therefore are considered to be unavailable revenue until available in the fund statements	42,818
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 10,009,575</u></u>

The accompanying notes are an integral part of these financial statements

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

	General	CRA	Library	Total Governmental Funds
REVENUES				
Ad Valorem taxes	\$ 1,281,973	\$ 372,202	\$ -	\$ 1,654,175
State shared revenue	314,744	-	-	314,744
Franchise fees	215,399	-	-	215,399
Service tax	387,325	-	-	387,325
Storm water fees	204,232	-	-	204,232
Licenses and permits	431,795	-	-	431,795
Court/local fines	32,558	-	-	32,558
Interest	11,618	17,797	1,058	30,473
Interlocal agreements	94,236	-	-	94,236
Grants	129,469	-	-	129,469
Other	108,230	8,192	-	116,422
Total Revenues	<u>3,211,579</u>	<u>398,191</u>	<u>1,058</u>	<u>3,610,828</u>
EXPENDITURES				
General government	778,304	-	-	778,304
Public safety	1,067,824	48,485	-	1,116,309
Planning department	406,166	28,825	-	434,991
Public works	707,997	-	-	707,997
Culture and recreation	58,920	80,700	32,666	172,286
Debt service	28,450	-	-	28,450
Capital outlay	548,039	57,297	-	605,336
Total Expenditures	<u>3,595,700</u>	<u>215,307</u>	<u>32,666</u>	<u>3,843,673</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(384,121)	182,884	(31,608)	(232,845)
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	105,276	-	-	105,276
Transfers in	-	96,534	-	96,534
Transfers out	(96,534)	-	-	(96,534)
Total other financing sources (uses)	<u>8,742</u>	<u>96,534</u>	<u>-</u>	<u>105,276</u>
NET CHANGE IN FUND BALANCES	(375,379)	279,418	(31,608)	(127,569)
FUND BALANCES – October 1, 2017	1,860,479	1,473,114	504,782	3,838,375
FUND BALANCES – September 30, 2018	<u>\$ 1,485,100</u>	<u>\$ 1,752,532</u>	<u>\$ 473,174</u>	<u>\$ 3,710,806</u>

The accompanying notes are an integral part of these financial statements

**CITY OF BRADENTON 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**

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

Net changes in fund balance - total governmental funds	\$ (127,569)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay is exceeded by depreciation expense in the current period.	177,894
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount is the change in compensated absences.	8,044
The issuance of long-term debt, including capital leases, provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These amounts do not effect net position.	
Proceeds from capital lease	(105,276)
Principal payments on capital lease	28,450
Revenues in the statement of activities that do not provide current financial resources as they do not meet the availability criteria and are not reported as revenues in the funds. This amount represents the change in unavailable revenue.	<u>(89,191)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (107,648)</u></u>

The accompanying notes are an integral part of these financial statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Bradenton Beach, (the "City"), was incorporated under the laws of Florida Chapter 5864 on December 28, 1952, succeeding the Town of Bradenton Beach. The present charter provides for a Mayor and a four member Commission. Under the present charter, the City has the power to impose license taxes on occupations, to levy taxes on City property and to levy charges for services as required for the improvement and government of the City. Services authorized to be provided under the present charter are as follows: public safety, streets and roads, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

During the 1991 fiscal year, the City established the Community Redevelopment Agency (CRA), which was comprised of a five member Board of Commissioners. The original CRA was dissolved in July of 1994 and the City Commission was appointed as the board of the replacement CRA. As such, the CRA is considered part of the primary government. It is included in these financial statements as a special revenue fund. The CRA is responsible for carrying out the rehabilitation, conservation and redevelopment of the Community Redevelopment Program. The related tax increment revenue is included in this Special Revenue Fund.

B. BASIS OF PRESENTATION

BASIS OF ACCOUNTING: BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS – The City's basic financial statements include Government-wide (which report on the City as a whole) and Fund financial statements (which report on the General, CRA and Library funds). The basic financial statements present only governmental activities, as the City conducts no business-type activities.

CITY OF BRADENTON BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. BASIS OF PRESENTATION – CONTINUED

The Government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. For the most part, interfund activity has been removed from these statements. Government-wide financial statements include a Statement of Net Position and a Statement of Activities. The Statement of Net Position reports all financial and capital resources of the City's governmental activities. It is presented in a net position format (assets plus deferred outflows less liabilities plus deferred inflows equal net position) and shown with three components: net investment in capital assets, restricted net position and unrestricted net position. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges for services including licenses and permits, fines and other related revenues and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS – The City's accounts are organized on the basis of funds, which are self-balancing set of accounts that comprise its assets, liabilities, deferred inflows, reserves, fund balance, revenues and expenditures. The City utilizes governmental funds, which follow the modified accrual basis of accounting. Under this method, revenues are recorded when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a fund liability is incurred. The City reports the following governmental funds, which are major funds:

GOVERNMENTAL FUNDS

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

SPECIAL REVENUE FUNDS

The City has two special revenue funds both of which are considered to be major funds. The Community Redevelopment Agency (CRA) fund accounts for the related tax increment revenue. The Library fund accounts for the expenditures and revenues relating to the Bradenton Beach City Library. Under the terms of a last will and testament, the City was granted a bequest in 1989

CITY OF BRADENTON BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS – CONTINUED
 SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. BASIS OF PRESENTATION – CONTINUED

which must be used for the expansion and operations of the Bradenton Beach City Library, Inc., a/k/a the Bradenton Beach Library Board. The monies spent are subject to the review and approval of the Library Board.

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

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

<u>Asset</u>	<u>Years</u>
Buildings	30 – 40
Improvements and infrastructure	10 – 20
Vehicles	5
Furniture, fixtures and equipment	3 – 12

- D. LONG-TERM OBLIGATIONS – In the government-wide financial statements, long-term obligations are reported as liabilities. In the fund financial statements, no long-term obligations are reported as they are not due to be paid from current financial resources.

E. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all of the governmental funds, except for write-offs of storm water receivables. Expenditures should not exceed total appropriations. All annual appropriations lapse at fiscal year end. Budget amendments are approved by the City Commission.

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

Assessment roll validated	July 1
Millage resolution approved	September 30

CITY OF BRADENTON BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. PROPERTY TAXES – CONTINUED

Beginning of fiscal year for which taxes have been levied	October 1
Tax bills rendered and due	November 1
Property taxes payable:	
Maximum discount	November 30
Delinquent	April 1
Tax certificates sold	May 31

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

- G. CASH AND CASH EQUIVALENTS – All checking, savings, money market investments and cash with fiscal agents are considered to be cash and cash equivalents. The City’s policy is to consider all certificates of deposit to be investments.
- H. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES – In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. Unavailable revenue for those revenues not received and not meeting the criteria for revenue recognition are classified as deferred inflows of resources.
- I. ESTIMATES – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- J. NET POSITION – Net position is reported in three parts as applicable: net investment in capital assets; restricted and unrestricted. When both restricted and unrestricted resources are available, restricted resources are used first, and then unrestricted resources, as they are needed.

CITY OF BRADENTON BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- K. FUND BALANCE – Government Accounting Standards Board Statement (GASB) 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are nonspendable and spendable. Spendable is then further classified as restricted, committed, assigned, and unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance.

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

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

Spendable Fund Balance:

- Restricted – includes amounts that can be spent only for specific purposes because of State or Federal laws or enabling legislation, or which are externally restricted by providers, such as creditors or grantors.
- Committed – includes amounts that can be spent only for specific purposes that are approved by a formal action of the City Commissioners through a resolution or the budget process.
- Assigned – includes amounts designated for a specific purpose by the City Commissioners through a resolution or the budget process, which are neither restricted nor committed.
- Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

CITY OF BRADENTON BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS – CONTINUED
 SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

<u>NonSpendable:</u>	<u>General Fund</u>	<u>CRA</u>	<u>Library Fund</u>
Prepaid expenses	\$ 108,198	\$ -0-	\$ 1,032
 <u>Spendable:</u>			
Restricted to:			
Stormwater	144,065	-0-	-0-
CRA	-0-	1,752,532	-0-
Library	-0-	-0-	472,142
Chappie Park	1,003	-0-	-0-
Committed to:			
Equipment replacement	127,316	-0-	-0-
Cell Tower proceeds	303,018	-0-	-0-
Assigned to:			
Pier	475,623	-0-	-0-
 <u>Unassigned:</u>			
Unassigned	325,877	-0-	-0-
Total Fund Balances	<u>\$ 1,485,100</u>	<u>\$ 1,752,532</u>	<u>\$ 473,174</u>

Total CRA fund balance of \$1,752,532 is restricted for redevelopment and \$472,142 of the library fund balance is restricted for library purposes.

- L. **INTERFUND RECEIVABLES/PAYABLES** – Interfund receivables/payables arise from temporary interfund transfers. When a fund has an interfund receivable and an interfund payable to the same fund, the amounts are recorded in separate accounts. Internal activity and balances between governmental funds have been eliminated in the government-wide statement of net position.
- M. **INTERFUND ADVANCES** – Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. There were no interfund advances at September 30, 2018.

CITY OF BRADENTON BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. ACCOUNTS RECEIVABLE – All trade receivables are shown net of allowance for doubtful accounts. At September 30, 2018, there was no allowance for doubtful accounts as all receivables are considered to be fully collectible. Net trade receivables are \$52,669 as of September 30, 2018.

NOTE 2 – CASH AND INVESTMENTS

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

- (a) The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes.
- (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- (c) Interest bearing time deposits or savings accounts in state-certified Qualified Public Depositories as defined in Section 280.02, Florida Statutes.
- (d) Direct obligations of the U.S. Treasury.
- (e) Obligations of Federal agencies and instrumentalities.
- (f) Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. §80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

The City's bank accounts and certificates of deposit are with banking institutions that post collateral as required by state statutes (Qualified Public Depositories). All investments are held in the City's name by the financial institution.

The City's investments are either certificates of deposit or investments with Florida PRIME Fund (Florida PRIME), which is a Local Government Surplus Trust Fund Investment Pool (LGIP) administered by the Florida State Board of Administration (SBA). The City's investments in the pool are through shares owned in the fund and not the underlying investments. The Florida PRIME is considered a 2a-7 like pool. The account balance in the Florida PRIME approximates its fair value and is recognized at amortized cost. The Florida PRIME investments are subject to overnight withdrawal. There is a risk of loss of interest on the investments if there are changes in the underlying indexed base.

CITY OF BRADENTON BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2018

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

Credit Quality

Florida PRIME is rated by Standard and Poor's. The rating as of September 30, 2018 is AAAM.

Interest Rate Risk

The City's policy is to minimize risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The Florida PRIME has a dollar weighted average days to maturity of 33 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life of Florida PRIME at September 30, 2018 is 72 days.

Foreign Currency Risk

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

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

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. From October 1, 2017 through September 30, 2018, no such disclosure has been made.

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

CITY OF BRADENTON BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2018

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

At September 30, 2018, the City had investments in the LGIP in the amount of \$1,236,667. For further information regarding the LGIP, readers should refer to the financial statements and disclosures of the Florida State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool.

In addition to the investments in the LGIP, at September 30, 2018, the City's carrying amount of cash and cash equivalents was \$2,361,843 and the bank balance was \$2,534,988. The City had certificates of deposit classified as investments in the amount of \$127,351.

Restricted cash and investments in the special revenue funds represents funds for redevelopment and library purposes.

NOTE 3 – CAPITAL ASSETS

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

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>End of Year</u>
Governmental Activities					
Assets not being depreciated:					
Land	\$ 800,453	\$ -0-	\$ -0-	\$ -0-	\$ 800,453
Construction in progress	<u>137,410</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>137,410</u>
Total capital assets, not being fully depreciated	937,863	-0-	-0-	-0-	937,863
Capital assets being depreciated:					
Building and improvements	2,002,842	-0-	-0-	-0-	2,002,842
Infrastructure	5,512,163	375,964	(6,442)	-0-	5,881,685
Furniture and equipment	<u>1,027,421</u>	<u>228,996</u>	<u>(68,214)</u>	<u>-0-</u>	<u>1,188,203</u>
Total capital assets being depreciated	8,542,426	604,960	(74,656)	-0-	9,072,730
Less accumulated depreciation for:					
Buildings and improvements	1,035,344	71,925	-0-	-0-	1,107,269
Infrastructure	1,179,437	275,735	(6,442)	-0-	1,448,730
Furniture and equipment	<u>1,012,777</u>	<u>79,406</u>	<u>(68,214)</u>	<u>-0-</u>	<u>1,023,969</u>
Total accumulated depreciation	3,227,558	427,066	(74,656)	-0-	3,579,968
Total capital assets, being depreciated, net	<u>5,314,868</u>	<u>177,894</u>	<u>-0-</u>	<u>-0-</u>	<u>5,492,762</u>
Governmental activities capital assets, net	<u>\$ 6,252,731</u>	<u>\$ 177,894</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 6,430,625</u>

Depreciation expense in the governmental activities was allocated as follows: General Government \$122,856, Public Safety \$49,097, Planning \$1,300, Public Works \$23,095, and Culture and Recreation \$230,718.

CITY OF BRADENTON BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2018

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

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

The reconciliation between the net changes in fund balances – total governmental funds as reported in the statement of revenues, expenditures and changes in fund balances, and the changes in net position as reported in the statement of activities is included on page 13 of the basic financial statements. One line in that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The detail of the difference is shown below:

Capital additions reported as expenditures in the General Fund and CRA Fund	\$ 604,960
Depreciation expense	<u>(427,066)</u>
	<u>\$ 177,894</u>

NOTE 5 – RETIREMENT PLAN

Effective January 1, 1988, the City offers its employees a defined contribution pension plan. The plan is a Simplified Employee Pension Plan administered by Prudential Securities. The funds are held under the name of each participant with the insurance company, credit union, or a bank of the participant’s choice.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the City Commission. For each employee in the pension plan, the City is required to contribute 13.5 percent of annual regular salary. Employees are not eligible to contribute to the plan through payroll deductions. For the year ended September 30, 2018, the City recognized pension expense of \$134,471.

Employees are eligible to participate in the plan after one year of service and participation in the Plan is elective. Employees are vested 100% immediately provided they earned greater than \$300 in the year prior to the beginning of the current year. There were no forfeitures available or used in the current year.

NOTE 6 – LONG-TERM LIABILITIES

The City provides vacation pay and sick leave to its employees. Accrued vacation pay of \$85,602 and accrued sick leave of \$12,246 is included as a liability in the government-wide financial statements. Upon retirement from the City, after 20 years of service, or reaching age 62, the employee is entitled to one-half of their accumulated sick time. The City has estimated the accrued sick time based on this policy. Accrued compensated absences are typically liquidated from the General Fund.

CITY OF BRADENTON BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2018

NOTE 6 – LONG-TERM LIABILITIES – CONTINUED

The City entered into a lease agreement for financing the acquisition of police vehicles. The lease agreement qualifies as a capital lease and has been recorded at the present value of the future minimum lease payments as of the inception date. The police vehicles were recognized as a capital asset addition in the amount of \$104,730 and accumulated depreciation was \$5,818 as of September 30, 2018. Future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2018 were as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2019	\$ 28,450
2020	28,450
2021	<u>28,449</u>
Total	85,349
Less interest	<u>(8,523)</u>
Total principal payments	76,826
Current portion	<u>(24,263)</u>
Long-term portion	<u>\$ 52,563</u>

The following is a summary of changes in the City's long-term liabilities:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>	<u>Due Within One Year</u>
Compensated absences	\$ 105,892	\$ 80,898	\$ (88,942)	\$ 97,848	\$ -0-
Capital lease	<u>-0-</u>	<u>105,276</u>	<u>(28,450)</u>	<u>76,826</u>	<u>24,263</u>
	<u>\$ 105,892</u>	<u>\$ 186,174</u>	<u>\$ (117,392)</u>	<u>\$ 174,674</u>	<u>\$ 24,263</u>

NOTE 7 – INTERFUND BALANCES

Interfund balances arise from the general fund cash account being the primary disbursement account for the City. Balances as of September 30, 2017 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	CRA Fund	\$ 9,591
General Fund	Library Fund	<u>5,287</u>
		<u>\$ 14,878</u>

Interfund transfers:

<u>Transfers out</u>	<u>Transfers in</u>	<u>Amount</u>
General	CRA Fund	\$ 96,534

Annually, the General Fund transfers a portion of Ad Valorem taxes received to the CRA Fund.

CITY OF BRADENTON BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2018

NOTE 8 – 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. The City has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE 9 – CONTINGENCIES

The City is a defendant in various lawsuits which are in different stages in the legal process. The City does not believe the outcome of these cases will have a material effect on its financial position.

NOTE 10 – OPERATING LEASES

The City of Bradenton Beach (Lessor) leases space on the Bradenton Beach Pier. The Pier facility and its related assets are recognized at a cost of \$3,846,827 and is recorded in the government-wide financial statements, net of accumulated depreciation of \$1,266,744. In September of 2015, the City entered into a lease agreement, which expires December 31, 2020. The lease has three additional five year renewal terms. A lease year is based on a calendar year basis. The first year's base rent is \$32,000, and years two-five is \$42,000 per year. Commencing on the sixth anniversary date and the anniversary of such date throughout any renewal period, the base rent will increase by 3% per lease year. Current year rental income was \$42,000. In addition to the base rent, the tenant shall make a monthly payment to the City equal to 2% of gross revenue which for the year ended September 30, 2018 was \$46,340. Future minimum rental payments to be received were as follows:

<u>September 30,</u>	
2019	\$ 42,000
2020	42,000
2021	<u>7,000</u>
	<u>\$ 91,000</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF BRADENTON BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL—GENERAL FUND – NON-GAAP BUDGET BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES				
Ad Valorem taxes	\$ 1,319,689	\$ 1,319,689	\$ 1,281,973	\$ (37,716)
State shared revenue	332,183	332,183	314,744	(17,439)
Franchise fees	212,723	212,723	215,399	2,676
Service tax	394,785	394,785	387,325	(7,460)
Storm water fees	192,000	192,000	204,232	12,232
Licenses and permits	308,400	308,400	431,795	123,395
Court/local fines	66,485	66,485	32,558	(33,927)
Interest	5,700	5,700	11,618	5,918
Interlocal agreements	98,948	98,948	94,236	(4,712)
Grants	109,200	147,174	129,469	(17,705)
Other	91,550	91,550	108,230	16,680
Total Revenues	3,131,663	3,169,637	3,211,579	41,942
EXPENDITURES				
Administration department	675,460	836,742	778,304	58,438
Public safety	1,055,263	1,089,228	1,067,824	21,404
Planning department	361,066	409,066	406,166	2,900
Public works	575,063	587,563	613,797	(26,234)
Culture and recreation	38,000	47,000	58,920	(11,920)
Debt service	-	-	28,450	(28,450)
Capital outlay	500,793	558,932	548,039	10,893
Total Expenditures	3,205,645	3,528,531	3,501,500	27,031
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(73,982)	(358,894)	(289,921)	68,973
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	-	105,276	105,276
Transfers out	(96,534)	(96,534)	(96,534)	-
Total other financing sources (uses)	(96,534)	(96,534)	8,742	105,276
NET CHANGE IN FUND BALANCES	(170,516)	(455,428)	(281,179)	174,249
FUND BALANCE – October 1, 2017	1,860,479	1,860,479	1,860,479	-
FUND BALANCE – September 30, 2018	\$ 1,689,963	\$ 1,405,051	\$ 1,579,300	\$ 174,249

Note 1 – Summary of Significant Accounting Policies

The City is required to establish a budgetary system and an approved annual budget for the General Fund. The City's budgeting process is based on estimates of cash receipts and cash expenditures that are approved by the City Commission. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

Note 2 – Reconciliation of Differences Between Non-GAAP Budgetary Basis and GAAP (Modified Accrual) Basis

The City did not budget for the write-off of stormwater receivables. As a result, \$94,200 of expenditures was not included in the general fund budget.

	Actual On GAAP Basis	To Budgetary Basis	Actual on Budget Basis
Total Expenditures	\$ 3,595,700	\$ (94,200)	\$ 3,501,500
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (384,121)	\$ 94,200	\$ (289,921)
Other Financing Sources	\$ 8,742	\$ -	\$ 8,742
Net Changes in Fund Balances	\$ (375,379)	\$ 94,200	\$ (281,179)

**CITY OF BRADENTON BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-CRA FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES				
Ad Valorem taxes	\$ 345,399	\$ 345,399	\$ 372,202	\$ 26,803
Interest	2,800	2,800	17,797	14,997
Interlocal agreements	-	-	-	-
Other	-	-	8,192	8,192
Total Revenues	<u>348,199</u>	<u>348,199</u>	<u>398,191</u>	<u>49,992</u>
EXPENDITURES				
Operating	196,932	196,932	158,010	38,922
Capital outlay	1,200	74,797	57,297	17,500
Total Expenditures	<u>198,132</u>	<u>271,729</u>	<u>215,307</u>	<u>56,422</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	150,067	76,470	182,884	106,414
OTHER FINANCING SOURCES (USES)				
Transfers in	96,534	96,534	96,534	-
Total other financing sources (uses)	<u>96,534</u>	<u>96,534</u>	<u>96,534</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	246,601	173,004	279,418	106,414
FUND BALANCE – October 1, 2017	<u>1,473,114</u>	<u>1,473,114</u>	<u>1,473,114</u>	<u>-</u>
FUND BALANCE – September 30, 2018	<u>\$ 1,719,715</u>	<u>\$ 1,646,118</u>	<u>\$ 1,752,532</u>	<u>\$ 106,414</u>

Note 1 – Summary of Significant Accounting Policies

The City is required to establish a budgetary system and an approved annual budget for the CRA Fund. The City's budgeting process is based on estimates of cash receipts and cash expenditures that are approved by the City Commission. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

CITY OF BRADENTON BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-LIBRARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL FAVORABLE (UNFAVORABLE)
REVENUES				
Interest	\$ 1,000	\$ 1,000	\$ 1,058	\$ 58
Other	-	-	-	-
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>1,058</u>	<u>58</u>
EXPENDITURES				
Personal Services	19,765	19,765	19,822	(57)
Operating	15,496	15,496	12,844	2,652
Capital Outlay	100	100	-	100
Total Expenditures	<u>35,361</u>	<u>35,361</u>	<u>32,666</u>	<u>2,695</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(34,361)	(34,361)	(31,608)	2,753
FUND BALANCE – October 1, 2017	<u>504,782</u>	<u>504,782</u>	<u>504,782</u>	<u>-</u>
FUND BALANCE – September 30, 2018	<u>\$ 470,421</u>	<u>\$ 470,421</u>	<u>\$ 473,174</u>	<u>\$ 2,753</u>

Note 1 – Summary of Significant Accounting Policies

The City is required to establish a budgetary system and an approved annual budget for the Library Fund. The City's budgeting process is based on estimates of cash receipts and cash expenditures that are approved by the City Commission. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

OTHER SUPPLEMENTAL INFORMATION

**CITY OF BRADENTON BEACH, FLORIDA
 DETAIL SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL - NON-GAAP BUDGET BASIS
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	GENERAL FUND			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
EXPENDITURES				
Administration department				
Personal services	\$ 415,451	\$ 415,451	\$ 379,785	\$ 35,666
Operating	260,009	421,291	398,519	22,772
Capital outlay	1,500	3,092	5,744	(2,652)
Police department				
Personal services	930,613	930,613	913,303	17,310
Operating	124,650	158,615	154,521	4,094
Debt service	-	-	28,450	(28,450)
Capital outlay	109,860	111,452	135,438	(23,986)
Planning department				
Personal services	97,925	97,925	97,476	449
Operating	263,141	311,141	308,690	2,451
Capital outlay	1,500	3,092	-	3,092
Maintenance/streets and roads				
Personal services	255,532	255,532	262,849	(7,317)
Operating	67,395	67,395	91,638	(24,243)
Capital outlay	165,533	218,896	185,666	33,230
Facilities management				
Personal services	46,731	46,731	45,754	977
Operating	39,296	51,796	50,742	1,054
Capital outlay	3,000	3,000	-	3,000
Stormwater				
Personal services	107,331	107,331	106,126	1,205
Operating	57,278	57,278	54,168	3,110
Capital outlay	219,400	219,400	221,191	(1,791)
Sanitation				
Operating	1,500	1,500	2,520	(1,020)
Culture and recreation				
Operating	38,000	47,000	58,920	(11,920)
Capital outlay	-	-	-	-
Total Expenditures	\$ 3,205,645	\$ 3,528,531	\$ 3,501,500	\$ 27,031

OTHER AUDITOR'S REPORTS

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

To the Honorable Mayor and City Commission
City of Bradenton 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 and each major fund of the City of Bradenton Beach, Florida (City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 13, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

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

May 13, 2019
Bradenton, Florida

MANAGEMENT LETTER

To the Honorable Mayor and City Commission
City of Bradenton Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Bradenton Beach, Florida as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 13, 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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 13, 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 audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

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

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, no additional items were noted that are required to be reported here.

Additional Matters

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

Purpose of this Letter

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

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

May 13, 2019
Bradenton, Florida

To the Honorable Mayor and City Commission
City of Bradenton Beach, Florida

We have examined the City of Bradenton Beach, Florida's (City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2018. Management is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

In our opinion, the City complied in all material respects, with the aforementioned compliance requirements for the year ended September 30, 2018.

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

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

May 13, 2019
Bradenton, Florida