

**CITY OF CRESCENT CITY, FLORIDA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

CITY COMMISSION

Brett Peterson, Mayor

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CITY MANAGER

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FINANCE DIRECTOR

Debbi Peacock

Prepared by:
City of Crescent City Finance Department

**CITY OF CRESCENT CITY, FLORIDA
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission, and City Manager,
City of Crescent City, 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 Crescent City, 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

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

Auditors' 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 of 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 (1) unmodified audit opinion on each major governmental fund and the aggregate remaining fund information (nonmajor governmental fund and fiduciary funds); and (2) qualified audit opinion on the governmental activities, business-type activities, Gas Fund, and Water and Sewer Fund.

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Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, Gas Fund, and Water and Sewer Fund

As discussed in Note 10 to the financial statements, the City has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in governmental activities, business-type activities, Gas Fund, and the Water and Sewer Fund. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, the business-type activities, the Gas Fund, and the Water and Sewer Fund have not been determined.

As discussed in Note 9 to the financial statements, the City has not implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for pensions, which would increase liabilities, decrease net position, and change the expenses in governmental activities. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities have not been determined.

Qualified Opinion on the Governmental Activities, Business-Type Activities, Gas Fund, and Water and Sewer Fund

In our opinion, except for the effects of not implementing the provisions of GASB Statements No. 75 and No. 68, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the Gas Fund, and the Water and Sewer Fund of the City of Crescent City, Florida 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.

Unmodified Opinion on Each Major Governmental fund and the Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Discretionary Tax Fund, CRA Fund and the Aggregate Remaining Fund of the City of Crescent City, Florida 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.

Other Matters

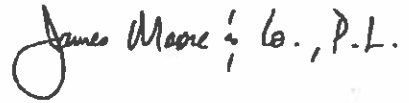
Required Supplementary Information

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

Management has omitted required supplementary information related to defined benefit pension plans and OPEB that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.”

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 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 the 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large initial "J" and "M".

Daytona Beach, Florida
May 10, 2019

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

Crescent City's management of the City of Crescent City, Florida, we offer readers of the City of Crescent City, Florida's financial statements this narrative overview and analysis of the financial activities of the City of Crescent City, Florida for the fiscal year ended September 30, 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Crescent City, Florida's basic financial statements. The City of Crescent City, Florida'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 of Crescent City, Florida's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Crescent City, Florida's assets and liabilities, with the difference between the two 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 of Crescent City, Florida is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 taxes).

Both of the government-wide financial statements distinguish functions of the City of Crescent City, Florida that are principally supported by 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 governmental activities of the City of Crescent City, Florida include general government, public safety, transportation, parks and recreation and community redevelopment. The business-type activities of the City of Crescent City, Florida include natural gas, water and sewer operations.

The government-wide financial statements can be found on pages 10 – 11 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 of Crescent City, Florida, 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 of Crescent City, Florida can be divided into two categories: governmental funds and proprietary funds.

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 spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

CITY OF CRESCENT CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Crescent City, Florida adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 – 15 of this report.

Proprietary funds. The City of Crescent City, Florida maintains a proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Crescent City, Florida uses enterprise funds to account for its natural gas, water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the natural gas, water and sewer operations, which are considered to be a major funds.

The basic proprietary fund financial statements can be found on pages 16 – 18 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Crescent City's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds.

The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 – 35 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Crescent City, Florida, assets exceeded liabilities by \$5,663,787 at the close of the most recent fiscal year.

By far the largest portion of the City of Crescent City, Florida's net position (76 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Crescent City, Florida uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City of Crescent City, Florida's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF CRESCENT CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)**

City of Crescent City, Florida's Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 1,576,456	\$ 1,327,418	\$ 1,961,719	\$ 2,046,642	\$ 3,538,175	\$ 3,374,060
Capital assets	4,328,607	3,670,417	7,220,892	5,932,383	11,549,499	9,602,800
Total assets	5,905,063	4,997,835	9,182,611	7,979,025	15,087,674	12,976,860
Long-term liabilities						
outstanding	24,839	96,064	2,069,739	2,199,383	2,094,578	2,295,447
Other liabilities	216,437	82,131	214,195	136,863	430,632	218,994
Total liabilities	241,276	178,195	2,283,934	2,336,246	2,525,210	2,514,441
Net position:						
Net investment in capital assets	4,328,607	3,668,160	5,173,723	3,944,642	9,502,330	7,612,802
Restricted	324,806	129,125	859,741	-	1,184,547	129,125
Unrestricted	1,010,374	1,022,355	865,213	1,698,137	1,875,587	2,720,492
Total net position	\$ 5,663,787	\$ 4,819,640	\$ 6,898,677	\$ 5,642,779	\$ 12,562,464	\$ 10,462,419

An additional portion of the City of Crescent City, Florida's net position (9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$1,875,587) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Crescent City, Florida is able to report positive balances in three categories of net position for the government as a whole and three categories for its separate governmental and business-type activities.

Governmental activities. Governmental activities increased the City of Crescent City, Florida's net position by \$714,461. In reviewing and comparing expense, to the best of our knowledge, this change in net position is due to the judicious use of funds for the day-to-day operations of the city as well as the following:

- Increase in capital assets through grant funded infrastructure improvements;
- Discretionary sales tax revenue exceeding budgeted expectations;
- No significant uses of the discretionary sales tax revenue leading to a growth in the net position of the restricted discretionary tax ; and
- Growth in the community redevelopment revenue in part by a grant to perform a CRA Plan update that was performed primarily in house.

**CITY OF CRESCENT CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)**

City of Crescent City, Florida's Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 96,543	\$ 404,859	\$ 1,451,173	\$ 1,436,790	\$ 1,547,716	\$ 1,841,649
Operating grants and contributions	48,700	85,387	-	-	48,700	85,387
Capital grants and contributions	599,506	138,750	1,311,986	418,356	1,911,492	557,106
General revenues:						
Taxes	1,173,967	893,223	-	-	1,173,967	893,223
Other state-shared	83,080	337,224	-	-	83,080	337,224
Other	35,303	15,985	9,515	1,551	44,818	17,536
Total revenues	2,037,099	1,875,428	2,772,674	1,856,697	4,809,773	3,732,125
Expenses:						
General government	378,686	765,121	-	-	378,686	765,121
Public safety	566,147	485,456	-	-	566,147	485,456
Transportation	198,433	196,184	-	-	198,433	196,184
Parks and recreation	155,949	126,090	-	-	155,949	126,090
Community redevelopment	36,823	374	-	-	36,823	374
Gas	-	-	578,574	524,814	578,574	524,814
Water and sewer	-	-	923,171	942,190	923,171	942,190
Total expenses	1,336,038	1,573,225	1,501,745	1,467,004	2,837,783	3,040,229
Increase (decrease) in Net position before transfers	701,061	302,203	1,270,929	389,693	1,971,990	691,896
Transfers	13,400	-	(13,400)	-	-	-
Increase (decrease) in Net position	714,461	302,203	1,257,529	389,693	1,971,990	691,896
Net position, beginning of year, as restated	4,949,326	4,517,437	5,641,148	5,253,086	10,590,474	9,770,523
Net position, end of year	\$ 5,663,787	\$ 4,819,640	\$ 6,898,677	\$ 5,642,779	\$ 12,562,464	\$ 10,462,419

Business-type activities. Business-type activities increased the City of Crescent City, Florida's net position by \$1,257,529, which to the best of our knowledge is due to FDOT funded infrastructure improvements to the natural gas utility.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Crescent City, Florida'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 of Crescent City, Florida'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.

The general fund is the chief operating fund of the City of Crescent City, Florida. At the end of the current fiscal year, unassigned fund balance and total fund of the general fund was \$1,015,213. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 70 percent of total general fund expenditures, excluding capital outlay.

**CITY OF CRESCENT CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)**

The fund balance of the City of Crescent City, Florida's general fund decreased by \$126,458 during the 2017/2018 fiscal year due to using this fund balance for park improvements, a new roof at city hall, catching up administrative fees, and other miscellaneous expenses that were either approved as part of the original budget or as part of later budget amendments. Some of these FY2018 expenditures will be made up with grant revenue in FY2019 as a couple of these projects wind up and invoices are submitted for grant reimbursement.

Proprietary fund. The City of Crescent City, Florida's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Gas fund at the end of the year amounted to \$220,000. The increases in net position for the Water fund was \$1,265,013. Unrestricted net position of the Water and Sewer fund at the end of the year amounted to \$645,213. The decreases in net position for the Water and Sewer fund was \$16,293. Other factors concerning the finances of this fund has already been addressed in the discussion of the City of Crescent City, Florida's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Crescent City, Florida's investment in capital assets for its governmental and business type activities as of September 30, 2018, amounts to \$11,549,499 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure and other improvements, equipment and construction in process. The total increase in the City of Crescent City, Florida's investment in capital assets for the current fiscal year was \$1,946,699.

Major capital asset events during the current fiscal year included the following:

- Natural Gas high pressure main relocation project across the Dunn's Creek Bridge
- Storm water outfalls improvements along Crescent Lake
- Walnut Street paving project

	City of Crescent City, Florida's Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 469,876	\$ 469,876	\$ 238,868	\$ 238,868	\$ 708,744	\$ 708,744
Buildings and improvements	1,027,685	1,021,266	2,589,852	2,589,852	3,617,537	3,611,118
Infrastructure and other improvements	3,952,570	3,465,814	10,026,769	9,947,469	13,979,339	13,413,283
Equipment	1,341,976	1,387,656	1,193,451	1,088,473	2,535,427	2,476,129
Construction in progress	390,789	95,297	1,529,445	233,536		328,833
Accumulated depreciation	(2,854,289)	(2,769,492)	(8,357,493)	(8,165,815)	(11,211,782)	(10,935,307)
Total	\$ 4,328,607	\$ 3,670,417	\$ 7,220,892	\$ 5,932,383	\$ 11,549,499	\$ 9,602,800

Additional information on the City of Crescent City, Florida's capital assets can be found in Note 6 on page 29 of this report.

Long-term debt. At the end of the current fiscal year, the City of Crescent City, Florida had total bonded debt outstanding of \$1,912,775. This debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**CITY OF CRESCENT CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)**

**City of Crescent City, Florida's Outstanding Debt
Loan Payable and Revenue Bonds**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Loan payable	\$ -	\$ 2,256	\$ 134,394	\$ -	\$ 134,394	\$ 2,256
Revenue bonds	-	-	1,912,775	1,987,741	1,912,775	1,987,741
Total	\$ -	\$ 2,256	\$ 2,047,169	\$ 1,987,741	\$ 2,047,169	\$ 1,989,997

Additional information on the City of Crescent City, Florida's long-term debt can be found in Note 7 on page 30 of this report.

Economic Factors and Next Year's Budgets and Rates

Many factors are considered each year by the City Commission in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop fees that are reasonable for its citizens. Some of the major factors considered in this process are the local economy, civilian labor force, unemployment rates, and inflation rates. Additional economic factors forecasted for FY2019 include:

- Modest increases in property tax revenue due to improving property tax values
- Additional increases in net assets with minimal impact to the general fund balance as we complete significant grant funded projects like the Sunrise Park, and start projects like new sidewalks on Prospect and Main St as part of a multi-use trail project, the paving of Clemons Lane, and the resurfacing of Bay Street and Central Avenue.
- Increase CRA revenue due to expansion of the CRA and increased property values.

All of these factors were considered in preparing the City of Crescent City, Florida's budget for the 2018/2019 fiscal year.

Crescent City continues to pursue economic improvement into FY2019 with continued pursuit of a true high speed broadband solution for its businesses and residents. The City will also seek consulting services to determine the best use to redevelopment of the city-owned "Market Square" property at the southeast corner of Summit Street and Central Avenue, with the initial focus being a hotel/retail development.

Requests for Information

This financial report is designed to provide a general overview of the City of Crescent City, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City's Finance Department, Crescent City, Florida.

CITY OF CRESCENT CITY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,011,345	\$ 704,584	\$ 1,715,929
Receivables, net	36,880	345,101	381,981
Internal balances	185,800	(185,800)	-
Due from other governments	56,140	-	56,140
Inventories	-	59,398	59,398
Restricted assets:			
Cash and cash equivalents	286,291	1,038,436	1,324,727
Capital assets:			
Land	469,876	238,868	708,744
Buildings and improvements	1,027,685	2,589,852	3,617,537
Infrastructure and other improvements	3,952,570	10,026,769	13,979,339
Equipment	1,341,976	1,193,451	2,535,427
Construction in progress	390,789	1,529,445	1,920,234
Accumulated depreciation	<u>(2,854,289)</u>	<u>(8,357,493)</u>	<u>(11,211,782)</u>
Total assets	<u>5,905,063</u>	<u>9,182,611</u>	<u>15,087,674</u>
LIABILITIES			
Accounts payable	182,820	35,500	218,320
Accrued payroll and employee benefits	33,617	-	33,617
Customer deposits	-	173,099	173,099
Accrued interest payable	-	5,596	5,596
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	-	77,562	77,562
Compensated absences	6,210	5,643	11,853
Loan payable	-	134,394	134,394
Due in more than one year:			
Bonds and notes payable	-	1,835,213	1,835,213
Compensated absences	18,629	16,927	35,556
Total liabilities	<u>241,276</u>	<u>2,283,934</u>	<u>2,525,210</u>
NET POSITION			
Net investment in capital assets	4,328,607	5,173,723	9,502,330
Restricted for:			
Discretionary tax - infrastructure	224,977	-	224,977
Community redevelopment	62,766	-	62,766
Voluntary fire department	18,044	-	18,044
Impact fees	5,177	48,653	53,830
Police	13,842	-	13,842
Debt service	-	67,546	67,546
Renewal and replacement	-	743,542	743,542
Unrestricted	1,010,374	865,213	1,875,587
Total net position	<u>\$ 5,663,787</u>	<u>\$ 6,898,677</u>	<u>\$ 12,562,464</u>

The accompanying notes to financial statements are an integral part of this statement.

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:	\$ 378,686	\$ 67,092	\$ 5,000	\$ 51,175	\$ (255,419)	\$ -	\$ (255,419)
General government	566,147	7,506	16,913	464,916	(76,812)	-	(76,812)
Public safety	198,433	21,745	26,787	-	(149,901)	-	(149,901)
Transportation	155,949	200	-	50,000	(105,749)	-	(105,749)
Parks and recreation	36,823	-	-	33,415	(3,408)	-	(3,408)
Community redevelopment	1,336,038	96,543	48,700	599,506	(591,289)	-	(591,289)
Total governmental activities							
Business-type activities:	578,574	540,140	-	1,311,986	-	1,273,552	1,273,552
Gas	923,171	911,033	-	-	-	(12,138)	(12,138)
Water and wastewater	1,501,745	1,451,173	-	1,311,986	-	1,261,414	1,261,414
Total business-type activities							
Total primary government	\$ 2,837,783	\$ 1,547,716	\$ 48,700	\$ 1,911,492	(591,289)	1,261,414	670,125
General revenues:							
Property taxes					538,677	-	538,677
Sales and use taxes					288,479	-	288,479
Franchise fees					123,079	-	123,079
Public service utility taxes					223,732	-	223,732
State revenue sharing					83,080	-	83,080
Investment earnings					1,006	1,572	2,578
Miscellaneous revenues					34,297	7,943	42,240
Transfers					13,400	(13,400)	-
Total general revenues and transfer					1,305,750	(3,885)	1,301,865
Change in net position					714,461	1,257,529	1,971,990
Net position - beginning, as restated					4,949,326	5,641,148	10,590,474
Net position - ending					\$ 5,663,787	\$ 6,898,677	\$ 12,562,464

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CRESCENT CITY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	<u>General</u>	<u>Discretionary Tax</u>	<u>Community Redevelopment Agency</u>	<u>Nonmajor Voluntary Fire</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,030,364	\$ 186,462	\$ 62,766	\$ 18,044	\$ 1,297,636
Receivables, net	36,880	-	-	-	36,880
Due from other governments	31,875	24,265	-	-	56,140
Due from other funds	185,800	14,250	-	-	200,050
Total assets	<u>\$ 1,284,919</u>	<u>\$ 224,977</u>	<u>\$ 62,766</u>	<u>\$ 18,044</u>	<u>\$ 1,590,706</u>
LIABILITIES					
Accounts payable	\$ 182,820	\$ -	\$ -	\$ -	\$ 182,820
Accrued payroll and employee benefits	33,617	-	-	-	33,617
Due to other funds	14,250	-	-	-	14,250
Total liabilities	<u>230,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,687</u>
FUND BALANCES					
Restricted for:					
Discretionary tax - infrastructure	-	224,977	-	-	224,977
Community redevelopment	-	-	62,766	-	62,766
Voluntary fire department	-	-	-	18,044	18,044
Impact fees	5,177	-	-	-	5,177
Police	13,842	-	-	-	13,842
Assigned to:					
Subsequent year's budget	20,000	-	-	-	20,000
Unassigned	1,015,213	-	-	-	1,015,213
Total fund balances	<u>1,054,232</u>	<u>224,977</u>	<u>62,766</u>	<u>18,044</u>	<u>1,360,019</u>
Total liabilities and fund balances	<u>\$ 1,284,919</u>	<u>\$ 224,977</u>	<u>\$ 62,766</u>	<u>\$ 18,044</u>	<u>\$ 1,590,706</u>

The accompanying notes to financial statements are an integral part of this statement

**CITY OF CRESCENT CITY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

Fund balances - total governmental funds		\$ 1,360,019
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 governmental capital assets	7,182,896	
Less: accumulated depreciation	<u>(2,854,289)</u>	4,328,607
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. These liabilities consist of the following		
Compensated absences		(24,839)
Net position of governmental activities		<u><u>\$ 5,663,787</u></u>

The accompanying notes to financial statements are an integral part of this statement.

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

	General	Discretionary Tax	Community Redevelopment Agency	Nonmajor Voluntary Fire	Total Governmental Funds
Revenues					
Taxes	\$ 940,172	\$ 138,085	\$ 22,065	\$ -	\$ 1,100,322
Licenses and permits	39,563	-	-	-	39,563
Intergovernmental	680,923	101,175	33,415	1,133	816,646
Charges for services	378,030	-	-	-	378,030
Fines and forfeitures	6,802	-	-	-	6,802
Investment gain (loss)	792	88	28	98	1,006
Miscellaneous	37,889	-	-	-	37,889
Total revenues	<u>2,084,171</u>	<u>239,348</u>	<u>55,508</u>	<u>1,231</u>	<u>2,380,258</u>
Expenditures					
Current:					
General government	629,655	-	-	-	629,655
Public safety	519,220	-	-	2,233	521,453
Transportation	195,007	-	-	-	195,007
Parks and recreation	76,954	-	-	-	76,954
Community redevelopment	-	-	36,823	-	36,823
Capital outlay	781,644	97,597	-	-	879,241
Debt service					
Principal	2,256	-	-	-	2,256
Interest and fiscal charges	124	-	-	-	124
Total expenditures	<u>2,204,860</u>	<u>97,597</u>	<u>36,823</u>	<u>2,233</u>	<u>2,341,513</u>
Excess (deficiency) of revenues over expenditures	<u>(120,689)</u>	<u>141,751</u>	<u>18,685</u>	<u>(1,002)</u>	<u>38,745</u>
Other financing sources (uses)					
Transfers in	13,400	-	19,169	-	32,569
Transfers out	(19,169)	-	-	-	(19,169)
Total other financing sources (uses)	<u>(5,769)</u>	<u>-</u>	<u>19,169</u>	<u>-</u>	<u>13,400</u>
Net change in fund balances	<u>(126,458)</u>	<u>141,751</u>	<u>37,854</u>	<u>(1,002)</u>	<u>52,145</u>
Fund balances, beginning of year, as restated	1,180,690	83,226	24,912	19,046	1,307,874
Fund balances, end of year	<u>\$ 1,054,232</u>	<u>\$ 224,977</u>	<u>\$ 62,766</u>	<u>\$ 18,044</u>	<u>\$ 1,360,019</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CRESCENT CITY, 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**

Net change in fund balances - total governmental funds	\$	52,145
Differences in amounts reported for governmental activities in the statement of activities are:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital outlay expenditures		879,241
Depreciation expense		(221,051)
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:		
Principal repayment of long-term debt		2,256
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:		
Change in compensated absences liability		1,870
Change in net position of governmental activities	\$	<u>714,461</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CRESCENT CITY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018**

	<u>Gas</u>	<u>Water and Sewer</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 21,754	\$ 682,830	\$ 704,584
Restricted cash and cash equivalents	362,434	676,002	1,038,436
Accounts receivable, net	239,468	105,633	345,101
Inventories	38,552	20,846	59,398
Due from other funds	23,381	28,145	51,526
Total current assets	<u>685,589</u>	<u>1,513,456</u>	<u>2,199,045</u>
Noncurrent assets:			
Capital assets:			
Land	37,720	201,148	238,868
Buildings and improvements	58,500	2,531,352	2,589,852
Infrastructure	2,795,150	7,231,619	10,026,769
Equipment	313,805	879,646	1,193,451
Construction in progress	1,529,445	-	1,529,445
Accumulated depreciation	(1,884,529)	(6,472,964)	(8,357,493)
Total noncurrent assets	<u>2,850,091</u>	<u>4,370,801</u>	<u>7,220,892</u>
Total assets	<u>3,535,680</u>	<u>5,884,257</u>	<u>9,419,937</u>
LIABILITIES			
Current liabilities:			
Accounts payable	21,258	14,242	35,500
Deposits	85,749	87,350	173,099
Due to other funds	68,151	169,175	237,326
Compensated absences	3,437	2,206	5,643
Loan payable	134,394	-	134,394
Payable from restricted assets:			
Revenue bonds payable, current	23,900	53,662	77,562
Accrued interest payable	2,647	2,949	5,596
Total current liabilities	<u>339,536</u>	<u>329,584</u>	<u>669,120</u>
Noncurrent liabilities:			
Revenue bonds payable	647,000	1,188,213	1,835,213
Compensated absences	10,309	6,618	16,927
Total noncurrent liabilities	<u>657,309</u>	<u>1,194,831</u>	<u>1,852,140</u>
Total liabilities	<u>996,845</u>	<u>1,524,415</u>	<u>2,521,260</u>
NET POSITION			
Net investment in capital assets	2,044,797	3,128,926	5,173,723
Restricted for:			
Debt service	62,998	4,548	67,546
Renewal and replacement	211,040	532,502	743,542
Impact fees	-	48,653	48,653
Unrestricted	220,000	645,213	865,213
Total net position	<u>\$ 2,538,835</u>	<u>\$ 4,359,842</u>	<u>\$ 6,898,677</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF CRESCENT CITY, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Gas</u>	<u>Water and Sewer</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 540,140	\$ 911,033	\$ 1,451,173
Operating expenses			
Personal services	181,658	145,187	326,845
Contractual services	11,364	127,339	138,703
Repairs and maintenance	23,699	55,317	79,016
Supplies	185,450	76,636	262,086
Utilities	-	39,933	39,933
Other expenses	88,568	258,991	347,559
Depreciation	53,595	182,983	236,578
Total operating expenses	544,334	886,386	1,430,720
Operating income (loss)	(4,194)	24,647	20,453
Nonoperating revenues (expenses)			
Interest earnings	270	1,302	1,572
Other income (expense)	-	7,943	7,943
Interest and amortization expense	(34,240)	(36,785)	(71,025)
Total nonoperating revenues (expenses)	(33,970)	(27,540)	(61,510)
Income (loss) before capital contributions and transfers	(38,164)	(2,893)	(41,057)
Capital grants	1,311,986	-	1,311,986
Transfers out	-	(13,400)	(13,400)
Change in net position	1,273,822	(16,293)	1,257,529
Net position, beginning of year, as restated	1,265,013	4,376,135	5,641,148
Net position, end of year	<u>\$ 2,538,835</u>	<u>\$ 4,359,842</u>	<u>\$ 6,898,677</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF CRESCENT CITY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Gas</u>	<u>Water and Sewer</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 425,580	\$ 931,553	\$ 1,357,133
Cash paid to employees	(179,404)	(143,628)	(323,032)
Cash paid to suppliers	(402,059)	(565,076)	(967,135)
Other receipts (payments)	-	7,943	7,943
Net cash provided by (used in) operating activities	<u>(155,883)</u>	<u>230,792</u>	<u>74,909</u>
Cash flows from noncapital financing activities			
Transfers from other funds	1,356	-	1,356
Transfers to other funds	-	(13,400)	(13,400)
Net cash provided by (used in) noncapital financing activities	<u>1,356</u>	<u>(13,400)</u>	<u>(12,044)</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(1,308,271)	(216,816)	(1,525,087)
Capital grants	1,311,986	-	1,311,986
Principal payments of long-term debt	(35,958)	(52,166)	(88,124)
Proceeds from issuance of debt	134,394	-	134,394
Interest paid	(34,445)	(33,836)	(68,281)
Net cash provided by (used in) capital and related financing activities	<u>67,706</u>	<u>(302,818)</u>	<u>(235,112)</u>
Cash flows from investing activities			
Interest received	270	1,302	1,572
Net cash provided by investing activities	<u>270</u>	<u>1,302</u>	<u>1,572</u>
Net increase (decrease) in cash and cash equivalents	<u>(86,551)</u>	<u>(84,124)</u>	<u>(170,675)</u>
Cash and cash equivalents, beginning of year	470,739	1,442,956	1,913,695
Cash and cash equivalents, end of year	<u>\$ 384,188</u>	<u>\$ 1,358,832</u>	<u>\$ 1,743,020</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (4,194)	\$ 24,647	\$ 20,453
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Depreciation	53,595	182,983	236,578
Other income (expense)	-	7,943	7,943
Changes in assets and liabilities:			
Accounts receivable	(171,735)	18,085	(153,650)
Due from other governments	58,807	-	58,807
Inventories and prepaids	(4,286)	(1,137)	(5,423)
Accounts payable and accrued liabilities	(88,692)	(5,723)	(94,415)
Deposits	(1,632)	2,435	803
Compensated absences	2,254	1,559	3,813
Net cash provided by (used in) operating activities	<u>\$ (155,883)</u>	<u>\$ 230,792</u>	<u>\$ 74,909</u>
Cash and cash equivalents classified as:			
Unrestricted	\$ 21,754	\$ 682,830	\$ 704,584
Restricted	362,434	676,002	1,038,436
Total cash and cash equivalents	<u>\$ 384,188</u>	<u>\$ 1,358,832</u>	<u>\$ 1,743,020</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CRESCENT CITY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2018**

	Municipal Police Officers' Pension Trust Fund	Municipal Firemen's Pension Trust Fund	Total
ASSETS			
Cash and cash equivalents with trustee	\$ 22,662	\$ 11,849	\$ 34,511
Receivables			
State premium taxes	-	345	345
Investments, at fair value			
Mutual funds - fixed income	282,805	180,365	463,170
Mutual funds - equity	668,410	425,125	1,093,535
Total investments	951,215	605,490	1,556,705
Total assets	973,877	617,684	1,591,561
LIABILITIES			
Deferred contributions	2,430	1,739	4,169
NET POSITION			
Restricted for pensions	\$ 971,447	\$ 615,945	\$ 1,587,392

The accompanying notes to financial statements are an integral part of this statement.

CITY OF CRESCENT CITY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Municipal Police Officers' Pension Trust Fund	Municipal Firemen's Pension Trust Fund	Total
Additions			
Contributions:			
Plan members	\$ 15,054	\$ 2,306	\$ 17,360
State - insurance premium taxes	21,567	7,816	29,383
Total contributions	<u>36,621</u>	<u>10,122</u>	<u>46,743</u>
Investment earnings:			
Interest and dividends	17,921	11,252	29,173
Net appreciation (depreciation) in fair value of investments	60,600	37,492	98,092
Total investment earnings	<u>78,521</u>	<u>48,744</u>	<u>127,265</u>
Total additions	<u>115,142</u>	<u>58,866</u>	<u>174,008</u>
Deductions			
Benefit payments	62,749	12,490	75,239
Administrative expenses	14,945	9,826	24,771
Total deductions	<u>77,694</u>	<u>22,316</u>	<u>100,010</u>
Change in net position	<u>37,448</u>	<u>36,550</u>	<u>73,998</u>
Net position, beginning of year	933,999	579,395	1,513,394
Net position, end of year	<u>\$ 971,447</u>	<u>\$ 615,945</u>	<u>\$ 1,587,392</u>

The accompanying notes to financial statements are an integral part of this statement.

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

(1) Summary of Significant Accounting Policies:

The financial statements of the City of Crescent City, Florida (the City), have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the City's significant accounting policies:

(a) **Reporting entity**—The City of Crescent City, Florida, established under Chapter 57-1244, House Bill 1672, of the State of Florida. The legislative branch of the City is composed of an elected five (5) member City Commission. All required by generally accepted accounting principles, the accompanying financial statements present the City as a primary government. Component units, if any, would also be presented.

Component units are organizations for which the City as the primary government is financially accountable. To be considered financially accountable, the organization must be fiscally dependent on the City or the City must appoint a majority of the board of the organization and either 1) be able to impose its will on the organization or 2) the relationship must have the potential for creating a financial benefit or imposing a financial burden of the City.

The accompanying financial statements present the financial position, results of operations and cash flows of the applicable funds controlled by or dependent on the City. In evaluating the City as a reporting entity, management has addressed all potential component units for which the entity may or may not be financially accountable and, as such, be included within the City's financial statements.

(b) **Blended component units**—Blended component units, although legally separate entities, are in substance part of the City's operations, and as a result, considered to be financially accountable. The Community Redevelopment Agency Fund is a special revenue fund used to account for the revenues of the redevelopment tax district. The Community Redevelopment Agency oversees operations of the taxing district. The Agency was organized under Ordinance No. 9504 of the City of Crescent City, Florida on November 9, 1995. The Agency's board is comprised of the City Commission. The Agency met the conditions described above.

(c) **Government-wide and fund financial statements**—The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis and are reflected, on a full accrual, economic resource basis, which incorporates long term assets and receivables as well as long term debt and obligations.

The government-wide statement of activities reflects both the gross and net costs per functional category (public safety, transportation, etc.), which are otherwise being supported by general government revenues (property, sales taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by the related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

(1) **Summary of Significant Accounting Policies:** (Continued)

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize the major funds in either the governmental or business-type categories. Non-major funds (by category) are summarized into a single column, if any.

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and demonstrate how the City's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following the Governmental Funds – Balance Sheet and the Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The City's fiduciary funds are presented in the fund financial statements by type (pension). Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

As a general rule the effect of interfund City activities has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

(d) **Measurement focus and basis of accounting**—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.

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 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

(1) **Summary of Significant Accounting Policies:** (Continued)

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 government.

(e) **Financial statement presentation**—The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City has one non-major fund, the Voluntary Fire Fund.

The City reports the following major governmental funds:

The **General Fund** is the principal fund of the City, which accounts for all transactions not accounted for in other funds. The majority of current operating expenditures of the City are financed through revenues received by the General Fund.

The **Special Revenue Major Funds** are used to account for the proceeds of specific revenue sources (other than special assessments, or capital projects), which are legally restricted to finance particular functions or activities of the City. These funds include the Community Redevelopment Agency Fund to finance the CRA and the Discretionary Tax Fund to finance improvements to the City's infrastructure.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** was established to account for the revenues and expenses associated with the provision of water, sewer services to the business and residents of the City.

The **Gas Fund** was established to account for revenues and expenses associated with providing gas services to the area.

Additionally, the City reports the following fiduciary funds:

The **Pension Trust Funds** account for the activities of the Municipal Police Officers Pension Plan and the Municipal Firemen's Pension Plan.

(f) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

CITY OF CRESCENT CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The proprietary funds' budgets are prepared on a full accrual basis of accounting. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- i. Prior to the first day of the new fiscal year, the City Manager submits to the City Commission a budget for the ensuing fiscal year.
- ii. Budget workshop sessions are scheduled by the City Manager and City Commission as needed.
- iii. The general summary of the budget and notice of public hearing is published in the local newspaper.
- iv. Public hearings are conducted to obtain taxpayer comments.
- v. Prior to October 1, the budgets are legally enacted through passage of a resolution.
- vi. The City Commission, by ordinance, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated.
- vii. The level of classification detail at which expenditures may not legally exceed appropriations is the fund level.
- viii. Appropriations lapse at the close of the fiscal year to the extent they have not been expended. Reserved and designated fund balances are re-budgeted in the year of planned expenditure.
- ix. Budget for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The governmental funds have legally adopted annual budgets contained within a separate document.

(h) **Deposits and investments**—Cash consists of amounts held in demand deposits. Cash equivalents consist of short term investments having a maturity date of less than three months from the date acquired. Investments are reported at fair value.

(i) **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 interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered monthly. Unbilled accounts receivable are accrued by the City at year-end to recognize the sales revenues earned through the end of the fiscal year.

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

(I) **Summary of Significant Accounting Policies:** (Continued)

(j) **Capital assets**—Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the City.

Capital assets are defined by the City as assets with an initial individual cost of \$750 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses. Donated assets are recorded at estimated acquisition value at the date of donation.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

Assets	Years
Buildings	20 – 40 years
Improvements other than buildings	10 – 30 years
Infrastructure	20 – 40 years
Equipment	3 – 30 years

(k) **Compensated absences**—It is the City's policy to grant employees vacation leave based upon the number of years of employment with the City. Vacation leave may be used as time off during the year. Full-time employees can accrue up to 480 hours of vacation leave to the subsequent year. Upon termination, employees receive a cash payment equal to 1/2 of the approved days carried over, based upon the applicable employee's current wage rate.

Sick leave is accumulated at a rate of 1.5 hours per week (480 hours maximum) per full-time employee and can be accumulated, but used only for illness.

The portion of employee's payroll costs paid subsequent to year-end attributable to services performed prior to year-end accumulated unpaid vacation, sick leave, and personal leave is recorded and recognized as current liabilities. The remainder of the liability for compensated absences payable beyond the current period is recorded as a long-term liability.

(l) **Long-term obligations**—In the government-wide financial statements and proprietary fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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 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.

CITY OF CRESCENT CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

(m) **Net position flow assumption**—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the City’s policy to consider restricted net position to have been used before unrestricted net position is applied.

(n) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e. when the government assesses, levies, charges, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Committed - Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Commission are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned - Fund balance amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements.

Unassigned - Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For spendable resources, is the City’s policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unrestricted.

(o) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

(1) **Summary of Significant Accounting Policies:** (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. They City had no deferred outflows or inflows.

(p) **Implementation of new accounting standards**—At September 30, 2018 and for the year then ended, the City has not implemented any significant new standards.

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) **Property Tax Calendar:**

Under Florida law, the assessment of all properties and collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The tax levy of the City is established by the City Commission prior to October 1 of each year and the Putnam County Property Appraiser incorporates the millages into the total tax levy, which includes the County, the School Board and other applicable taxing districts. The millage rate assessed by the City for the fiscal year ended September 30, 2018, was 8.5914 per \$1,000.

All property is reassessed by the County Property Appraiser according to its fair market value as of January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of state statutes.

All real and tangible personal property taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. All unpaid taxes on real and tangible personal property become delinquent on April 1 of the year following the year in which the taxes were billed. Procedures for the collection of delinquent taxes are the responsibility of the county and are subject to Florida Law.

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

(3) **Property Tax Calendar:** (Continued)

Property tax revenues are recognized when levied in accordance with the modified accrual basis of accounting. Delinquent taxes receivable that are measurable, but not available as of the end of the fiscal year are reflected as deferred inflows, if material.

(4) **Deposits and Investments:**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All of the bank balance is covered by Federal depository insurance or by collateral held by the City's custodial banks, which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

The City has no investments as of September 30, 2018. See Note 9 for Fiduciary Funds.

(5) **Accounts Receivable:**

The City's accounts receivables consist of the following at September 30, 2018:

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund	\$ 36,880	\$ -	\$ 36,880
Totals – Governmental Type Activities	<u>36,880</u>	<u>-</u>	<u>36,880</u>
Business-Type Activities			
Gas Fund	285,468	(46,000)	239,468
Water and Sewer Fund	137,790	(32,157)	105,633
Totals – Business-Type Activities	<u>423,258</u>	<u>(78,157)</u>	<u>345,101</u>
Totals	<u>\$ 460,138</u>	<u>\$ (78,157)</u>	<u>\$ 381,981</u>

In addition to accounts receivable, the City also recorded \$56,140 in due from other governments at September 30, 2018.

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

(6) 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	\$ 469,876	\$ -	\$ -	\$ 469,876
Construction in progress	95,297	295,492	-	390,789
Total capital assets, not being depreciated	<u>565,173</u>	<u>295,492</u>	<u>-</u>	<u>860,665</u>
Capital assets, being depreciated –				
Buildings and improvements	1,021,266	6,419	-	1,027,685
Equipment	1,387,656	90,574	(136,254)	1,341,976
Infrastructure	167,930	402,250	-	570,180
Improvements other than building	3,297,884	84,506	-	3,382,390
Total capital assets, being depreciated	<u>5,874,736</u>	<u>583,749</u>	<u>(136,254)</u>	<u>6,322,231</u>
Less: accumulated depreciation	<u>(2,769,492)</u>	<u>(221,051)</u>	<u>136,254</u>	<u>(2,854,289)</u>
Total capital assets, being depreciated, net	<u>3,105,244</u>	<u>362,698</u>	<u>-</u>	<u>3,467,942</u>
Governmental activities capital assets, net	<u>\$ 3,670,417</u>	<u>\$ 658,190</u>	<u>\$ -</u>	<u>\$ 4,328,607</u>
Business-type activities:				
Capital assets, not being depreciated –				
Land	\$ 238,868	\$ -	\$ -	\$ 238,868
Construction in progress	233,536	1,295,909	-	1,529,445
Total capital assets, not being depreciated	<u>472,404</u>	<u>1,295,909</u>	<u>-</u>	<u>1,768,313</u>
Capital assets, being depreciated –				
Buildings and improvements	2,589,852	-	-	2,589,852
Equipment	1,088,473	136,777	(31,799)	1,193,451
Infrastructure	9,928,985	95,000	(21,500)	10,002,485
Improvements other than building	18,484	5,800	-	24,284
Total capital assets, being depreciated	<u>13,625,794</u>	<u>237,577</u>	<u>(53,299)</u>	<u>13,810,072</u>
Less: accumulated depreciation	<u>(8,165,815)</u>	<u>(236,578)</u>	<u>44,900</u>	<u>(8,357,493)</u>
Total capital assets, being depreciated, net	<u>5,459,979</u>	<u>999</u>	<u>(8,399)</u>	<u>5,452,579</u>
Business-type activities capital assets, net	<u>\$ 5,932,383</u>	<u>\$ 1,296,908</u>	<u>\$ (8,399)</u>	<u>\$ 7,220,892</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 91,187
Community development	47,113
Public safety	3,745
Parks and recreation	79,006
Total depreciation expense - governmental activities	<u>\$ 221,051</u>
Business-type activities:	
Gas	\$ 53,595
Water and sewer	182,983
Total depreciation expense - business-type activities	<u>\$ 236,578</u>

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

(7) Long-Term Debt:

A summary of the long-term liability transactions for the City for the fiscal year ended September 30, 2018, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital lease	\$ 2,256	\$ -	\$ (2,256)	\$ -	\$ -
Compensated absences	26,709	-	(1,870)	24,839	6,210
Governmental activities – Total long-term liabilities	<u>\$ 28,965</u>	<u>\$ -</u>	<u>\$ (4,126)</u>	<u>\$ 24,839</u>	<u>\$ 6,210</u>
Business-type activities:					
Bonds payable	\$ 1,987,741	\$ -	\$ (74,966)	\$ 1,912,775	\$ 77,562
Loan payable	-	134,394	-	134,394	134,394
Compensated absences	15,854	6,716	-	22,570	5,643
Business-type activities – Total long-term liabilities	<u>\$ 2,003,595</u>	<u>\$ 141,110</u>	<u>\$ (74,966)</u>	<u>\$ 2,069,739</u>	<u>\$ 217,599</u>

Annual debt service requirements to maturity for the City's revenue bonds are as follows:

<u>Year Ending September 30,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 77,562	\$ 68,327	\$ 145,889
2020	80,303	65,600	145,903
2021	83,087	62,769	145,856
2022	85,817	59,833	145,650
2023	89,194	56,781	145,975
2024-2028	495,854	233,881	729,735
2029-2033	591,611	137,923	729,534
2034-2036	409,347	28,504	437,851
Total	<u>\$ 1,912,775</u>	<u>\$ 713,618</u>	<u>\$ 2,626,393</u>

Bonds payable in the City's business-type activities at September 30, 2018, are comprised of the following obligations:

Gas System Revenue Bonds series 1997A and 1997B, in the original amounts of \$700,000 and \$270,000, respectively, where the City pledges income derived from the constructed assets to pay debt service. Principal and interest is paid annually on September 1, and carry interest at 5% for series 1997A and 4.875% for series 1997B. Bonds mature in 2036.	\$ 670,900
Water and Sewer Revenue Bonds series 2017, in the original amount of \$1,294,041, where the City pledges income derived from the constructed assets to pay debt service. Principal and interest is paid semiannually on March 1 and September 1 and carry interest at 2.85%. Bonds mature in 2036.	1,241,875
Loan Payable to Florida Gas Utility in relation to the City's Gas Line Relocation Project. The aggregate of total advances not to exceed \$1,586,500. The loan requires 10% retainage. Principal and interest is paid upon payment by FDOT to the City and carry interest at 2 days prior to EOM Libor + 2.5%. The loan payable matures upon receipt of grant proceeds from the FDOT.	134,394
Total long-term debt, business-type activities	<u><u>\$ 2,047,169</u></u>

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

(8) Interfund Loans, Advances, Fees and Transfers:

The outstanding balances between funds are short-term loans to cover short-term cash flow needs and expected to be repaid in full over the course of the next fiscal year. Individual fund interfund receivables and payables for the primary government at September 30, 2018, are comprised of the following:

	Due From Other Funds	Due to Other Funds
Government Activities:		
General Fund		
Gas Fund	\$ 40,006	\$ -
Water and Sewer Fund	145,794	-
Discretionary Tax Fund	-	14,250
Discretionary Tax Fund		
General Fund	14,250	-
	\$ 200,050	\$ 14,250
Business-Type Activities:		
Gas Fund		
General Fund	\$ -	\$ 40,006
Water and Sewer Fund	51,526	-
Water and Sewer Fund		
Gas Fund	-	51,526
General Fund	-	145,794
	51,526	237,326
Total – All Funds	\$ 251,576	\$ 251,576

For the year ended September 30, 2018, interfund transfers consisted of the following:

	Transfer From	Transfer To
Governmental Activities		
General Fund:		
CRA Fund	\$ 19,169	\$ -
CRA Fund:		
General Fund	-	19,169
Business-Type Activities		
Water and Sewer Fund:		
General Fund	-	13,400
General Fund:		
Water and Sewer Fund	13,400	-
Totals – All Funds	\$ 32,569	\$ 32,569

The balances are used for working capital purposes and are expected to be repaid in the next year.

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

(9) Employees' Retirement Plans:

The City sponsors and administers two retirement plans, which are accounted for in separate Pension Trust Funds. Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; was issued June 2012 and is effective for the year ending September 30, 2018. The City elected to not implement GASB 68 for the year ending September 30, 2018, and the Board of Trustees for the Pension Plans did not obtain an updated actuarial report for 2018.

A. General Employee's Pension Plan

The City provided pension benefits for all full time City personnel who had completed one year of employment and were at least 21 years of age through this defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City was obligated under resolution #87-05 to contribute an amount equal to 5% of the employee's salary.

On May 1, 2000, the City passed a resolution amending and restating the then-existing plan. The current defined contribution plan is a money purchase plan qualified under Section 401(a) of the Internal Revenue Code. For each plan participant, the current plan established participant-directed investment accounts. Because of these changes, the City has minimal administrative responsibilities related to the plan and no longer has fiduciary accountability for assets in participant accounts. Therefore, those assets are not reported in the accompanying financial statements.

B. Fireman's and Police Officer's Plans:

Plan Description and Administration

The City maintains single-employer defined benefit pension plans for both eligible firemen and eligible police officers. The City of Crescent City Municipal Firemen's Pension Plan and the Municipal Police Officers' Pension Plan (the Plans), which are administered by the Plan's Board of Trustees (the Board) and cover all eligible firemen and police officers. The Board is comprised of 2 members appointed by the City Commission, 2 members elected by the plan members, and a fifth member as elected by the other four members. No stand-alone financial report is issued for the Plan.

Benefits Provided and Employees Covered

The Plans provide retirement, disability and death benefits to plan participants and beneficiaries. Cost of living adjustments are provided to retirees and beneficiaries at the discretion of the City Commission. Benefits under the Fire Pension Plan vest after ten years of full-time employment; and benefits under the Police Pension Plan vest after 8 years. Current membership in the Plan was composed of the following at September 30, 2018:

	Fire Pension Plan	Police Pension Plan
Inactive plan members or beneficiaries currently receiving benefits	1	4
Inactive plan members entitled to but not yet receiving benefits	3	1
Active participants	10	8
Total current membership	<u>14</u>	<u>13</u>

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

(9) Employees' Retirement Plans: (Continued)

Employees in the Fire Pension Plan attaining the age of 55 and the completion of 10 years of credited service or attaining the age of 52 and the completion of 25 years of credited service are entitled to annual benefits of 2% of their average final compensation for each year of credited service. Employees in the Police Pension Plan attaining the age of 55 and the completion of 8 years of credited service or attaining the age of 52 and the completion of 25 years of credited service are entitled to annual benefits of 3% of their average final compensation for each year of credited service. Normal retirement benefits are payable for life and cease upon death with a guaranteed benefit period of 120 months. Employees attaining the age of 55 and the completion of the minimum years for credited service are eligible for early retirement at an accrued benefit rate this is reduced by 3% per year. In the line of duty disability benefits are equal to at least 42% of average final compensation. Non-service incurred disability benefits are only payable to participants with 10 or more years of credited service and are equal to minimum benefit of 25% of average final compensation.

Financial Statements

The financial statements of the Plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Separate financial statements have not been prepared for the Plans.

Contributions

Contributions to the Plan for the year ended September 30, 2018, were as follows:

Employee contributions	\$	17,360
City contributions		-
State contributions		<u>29,383</u>
Total contributions	\$	<u><u>46,743</u></u>

Investments

The provision under both statutes limit investments to: investment in annuity and life insurance contracts of life insurance companies; time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund, or savings, building and loan association insured by the Savings Associations Insurance Fund which is administered by the Federal Deposit Insurance corporation or a state or federal chartered credit union with shares accounts insured by the National Credit Union Share Insurance Fund; Obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States; Bonds issued by the State of Israel, Bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided that it meets the requirements of Chapter 185.06 (a) and (b) and Chapter 175.071 (a) and (b). The retirement funds measures it investments using fair value measurement guidelines established by GASB No. 72. These guidelines recognize a three-tiered fair value hierarchy as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

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

(9) Employees' Retirement Plans: (Continued)

At September 30, 2018, the City's pension plans had the following deposits and investments:

	<u>Fair Value</u>	<u>Maturities (in years) Less Than 1</u>	<u>Fair Value Hierarchy Level</u>
Cash	\$ 34,512	\$ 34,512	N/A
Mutual Funds – Fixed Income	463,170	463,170	1
Mutual Funds – Equity	1,093,534	1,093,534	1
Total Portfolio	<u>\$ 1,591,216</u>	<u>\$ 1,591,216</u>	

(10) Restatement of Fund Balance and Net Position:

Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*; was issued June 2015 and is effective for the year ending September 30, 2018. The City elected to not implement GASB 75 for the year ending September 30, 2018. The impact of this and several other restatements made during the year ended September 30, 2018 on the governmental activities and business-type activities beginning net position at September 30, 2018, are as follows:

(a) Governmental Activities:

	<u>General</u>	<u>Discretionary Tax</u>	<u>Community Redevelopment Agency</u>	<u>Governmental Activities</u>
Net position – September 30, 2017, originally reported	\$ 1,137,393	\$ 60,193	\$ 30,912	\$ 4,819,640
Removal of accrued OPEB obligation	-	-	-	69,356
Additional General Fund revenue adjustment	43,297	-	-	43,297
Additional Discretionary Tax Fund revenue adjustment	-	23,033	-	23,033
Removal of CRA administrative fees	-	-	(6,000)	(6,000)
Net position – September 30, 2017, as restated	<u>\$ 1,180,690</u>	<u>\$ 83,226</u>	<u>\$ 24,912</u>	<u>\$ 4,949,326</u>

(b) Business-type Activities:

	<u>Gas</u>	<u>Water and Sewer</u>	<u>Business-type Activities</u>
Net position – September 30, 2017, originally reported	\$ 1,274,087	\$ 4,368,692	\$ 5,642,779
Removal of accrued OPEB obligation	10,294	7,443	17,737
Removal of debt issuance costs	(13,158)	-	(13,158)
Removal of Gas Fund revenue adjustment	(6,210)	-	(6,210)
Net position – September 30, 2017, as restated	<u>\$ 1,265,013</u>	<u>\$ 4,376,135</u>	<u>\$ 5,641,148</u>

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

(11) 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. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

The City is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the City's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the City.

(12) Discretionary Tax:

The City receives funds from the additional one cent discretionary sales tax from Putnam County that was passed by referendum. The surtax is to be in effect until December 31, 2032, and to be used for roads, sidewalks, parks, improve drainage, resurface roads, improve land for public use, modernize libraries, build water/sewer systems, promote economic development, build or expand government buildings and community centers, improve law enforcement and fire protection systems and facilities, public transportation systems and waterfront assets and accessibility. The City accounts for this revenue source as a Special Revenue Fund.

(13) Commitments and Contingencies:

The City is engaged in routine litigation incidental to the conduct of its business and municipal affairs. In the opinion of its counsel, no legal proceedings are pending against them, not covered by insurance, which would inhibit the City's ability to perform its operations or materially affect its financial condition.

(14) Recent Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

- (a) GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, in November 2016. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs), which are legally enforceable liabilities associated with the retirement of a tangible capital asset. The provisions in GASB 81 are effective for periods beginning after June 15, 2018.
- (b) GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2018.
- (c) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions in GASB 87 are effective for periods beginning after June 15, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 946,547	\$ 1,025,547	\$ 940,172	\$ (85,375)
Licenses and permits	24,900	24,900	39,563	14,663
Intergovernmental	154,988	1,499,015	680,923	(818,092)
Charges for services	380,341	380,341	378,030	(2,311)
Fines and forfeitures	5,500	5,500	6,802	1,302
Interest revenues	520	520	792	272
Miscellaneous	7,000	7,000	37,889	30,889
Total revenues	<u>1,519,796</u>	<u>2,942,823</u>	<u>2,084,171</u>	<u>(858,652)</u>
Expenditures				
Current:				
General government:				
Executive	55,900	55,900	54,021	1,879
Finance and administration	253,186	253,186	257,795	(4,609)
Legal	40,000	40,000	36,249	3,751
Utility billing expenditures	192,491	192,491	183,268	9,223
Planning and zoning	14,150	14,150	25,457	(11,307)
Other	88,034	101,034	72,865	28,169
Public safety:				
Fire	84,411	84,411	77,953	6,458
Police	514,253	559,253	441,267	117,986
Transportation	222,542	238,542	195,007	43,535
Parks and recreation	64,074	69,074	76,954	(7,880)
Capital outlay	-	1,321,000	781,644	539,356
Debt service:				
Principal	-	-	2,256	(2,256)
Interest and fiscal charges	-	-	124	(124)
Total expenditures	<u>1,529,041</u>	<u>2,929,041</u>	<u>2,204,860</u>	<u>724,181</u>
Excess (deficiency) of revenues over expenditures	<u>(9,245)</u>	<u>13,782</u>	<u>(120,689)</u>	<u>(134,471)</u>
Other financing sources (uses)				
Transfers in	13,386	13,386	13,400	14
Transfers out	(27,168)	(27,168)	(19,169)	7,999
Total other financing sources (uses)	<u>(13,782)</u>	<u>(13,782)</u>	<u>(5,769)</u>	<u>8,013</u>
Net change in fund balances	<u>(23,027)</u>	<u>-</u>	<u>(126,458)</u>	<u>(126,458)</u>
Fund balances, beginning of year, as restated	1,180,690	1,180,690	1,180,690	-
Fund balances, end of year	<u>\$ 1,157,663</u>	<u>\$ 1,180,690</u>	<u>\$ 1,054,232</u>	<u>\$ (126,458)</u>

CITY OF CRESCENT CITY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DISCRETIONARY TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 105,000	\$ 105,000	\$ 138,085	\$ 33,085
Intergovernmental	946,000	52,500	101,175	48,675
Interest revenues	500	500	88	(412)
Total revenues	<u>1,051,500</u>	<u>158,000</u>	<u>239,348</u>	<u>81,348</u>
Expenditures				
Capital outlay	1,058,700	165,200	97,597	67,603
Total expenditures	<u>1,058,700</u>	<u>165,200</u>	<u>97,597</u>	<u>67,603</u>
Excess (deficiency) of revenues over expenditures	<u>(7,200)</u>	<u>(7,200)</u>	<u>141,751</u>	<u>148,951</u>
Other financing sources (uses)				
Transfers in	7,200	7,200	-	(7,200)
Total other financing sources (uses)	<u>7,200</u>	<u>7,200</u>	<u>-</u>	<u>(7,200)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>141,751</u>	<u>141,751</u>
Fund balances, beginning of year, as restated	83,226	83,226	83,226	-
Fund balances, end of year	<u>\$ 83,226</u>	<u>\$ 83,226</u>	<u>\$ 224,977</u>	<u>\$ 141,751</u>

CITY OF CRESCENT CITY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT AGENCY
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 21,087	\$ 21,087	\$ 22,065	\$ 978
Intergovernmental	40,000	40,000	33,415	(6,585)
Interest revenues	145	145	28	(117)
Total revenues	<u>61,232</u>	<u>61,232</u>	<u>55,508</u>	<u>(5,724)</u>
Expenditures				
Current:				
Community redevelopment	81,200	81,200	36,823	44,377
Total expenditures	<u>81,200</u>	<u>81,200</u>	<u>36,823</u>	<u>44,377</u>
Excess (deficiency) of revenues over expenditures	<u>(19,968)</u>	<u>(19,968)</u>	<u>18,685</u>	<u>38,653</u>
Other financing sources (uses)				
Transfers in	19,968	19,968	19,169	(799)
Net change in fund balances	<u>-</u>	<u>-</u>	<u>37,854</u>	<u>37,854</u>
Fund balances, beginning of year, as restated	24,912	24,912	24,912	-
Fund balances, end of year	<u>\$ 24,912</u>	<u>\$ 24,912</u>	<u>\$ 62,766</u>	<u>\$ 37,854</u>

OTHER REPORTS

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

To the Honorable Mayor, City Commission, and City Manager,
City of Crescent City, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crescent City, 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 May 10, 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. We consider the deficiencies identified below to be material weaknesses:

2018-001 – Reconciliation of account balances

Various audit adjustments were required to correct account balances due to misclassifications in the original posting, reversal of prior year entries, or missing current-year accruals. The City's controls should include periodic reconciliations of significant account balances, including full accrual-based reconciliations at fiscal-year end to ensure all amounts have been appropriately recorded and budgeted for. We recommend the City increase its review of such transactions, including a review for proper cutoff at the fiscal year-end, to help ensure completeness and accuracy of all financial reporting.

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2018-002 – Preparation of financial statements

Professional standards promulgated by the American Institute of Certified Public Accountants provide a system of internal control over financial reporting should allow the City to prepare financial statements, including note disclosures, in accordance with generally accepted accounting principles (GAAP). While auditors can assist with the preparation of financial statements and related footnotes, the financial statements are the responsibility of management. A control deficiency exists in instances where the City is not positioned to draft financial statements and all required disclosures. However, the outsourcing of these services is not unusual in governmental entities of similar budget and personnel size. For subsequent audit, management may wish to take an active role in the drafting of the financial statements and related disclosures.

2018-003 – Segregation of duties

Due to the limited number of people working for the City, many of the critical duties are combined and assigned to the available employees. Presently, a single individual performs the majority of the accounting functions. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies identified below to be significant deficiencies:

2018-004 – Processing of payroll

During our testing of payroll, we found instances of unapproved time cards. Lack of supervisory approval can allow errors in the time charged and allocated among programs to pass undetected. Additionally, we noted each payroll run is only verbally approved by management before it is processed. We recommend written approval be obtained of each payroll run.

2018-005 – Utility billing cash receipts

We noted after cash is collected by cashiers for utility and other bill/fee payments, it is deposited into the City's bank account; the deposit slip and all relevant support is brought to management for review. However, this review is not documented. We recommend this review be documented.

2018-006 – Utility billing rates

During our testing of utility billing controls, we noted the recalculated sewer usage charge amount was \$2.22 (before taxes) less than the amount included on customer bills. Per discussions with the billing department personnel, this is a known issue where the system incorrectly calculates the sewer fee for commercial customers whose water usage exceeds the minimum sewer rate of \$48.66. This results in the total bill for such customer to be overstated by \$2.22 before taxes. We noted the utility billing department personnel does not have the capability to change the formula in the system that calculates sewer fees. Per review of Ordinance No.1003 regarding water and sewer rates, we also noted that the rates have not changed since 2010. We recommend the City correct the billing system to calculate the utility bills correctly and also perform a utility rate study.

2018-007 – Authorized check signers and electronic transfer funds

We noted the Finance Director is an authorized check signer. In order to maintain proper segregation of duties and strengthen internal controls, we recommend that individuals who are involved in the cash and accounting functions of an organization not also be authorized check signers. We also recommend the City implement a procedure requiring a second individual's approval for any electronic transfers of cash.

Compliance and Other Matters

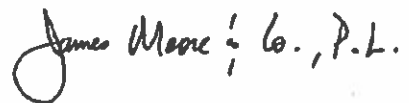
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

City of Crescent City, Florida's Response to Findings

The City's responses to the findings identified in our audit are described in the letter titled Management's Response to the Auditor's Comments, as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

James Moore & Co., P.L.

Daytona Beach, Florida
May 10, 2019

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Commission, and City Manager,
City of Crescent City, Florida:

Report on the Financial Statements

We have audited the basic financial statements of City of Crescent City, Florida (the City), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 10, 2019.

Auditors' 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 Auditors' 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 Independent Accountants' Examination 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 10, 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. The following summarizes the status of prior year findings and recommendations:

2017-1 Actuarial Reports – Corrective action taken.

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. The legal authority for the primary government of the reporting entity is disclosed in Note 1 of the basic financial statements.

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Financial Condition and Management

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

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

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we 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 State granting agencies, the City Commission, management, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Daytona Beach, Florida
May 10, 2019

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

We have examined the City of Crescent City, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, 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.

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

James Moore & Co., P.L.

Daytona Beach, Florida
May 10, 2019

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May 9, 2019

RE: Management Letter – FY2017/2018 Audit

Dear Sir or Madam:

This letter responds to the City's Audit for Fiscal Year 2017/2018 and the Management Letter of James Moore & Co regarding same; specifically, the comments that identify items labeled as deficiencies and significant deficiencies.

2018-001 Reconciliation of Account Balances

It has been the City's practice for some time to perform significant reconciliations closer to year end, but we have always remained cognizant of budgeted revenue and expenses as well as when that revenue is collected in relation to when the expenses occur. This is not the ideal approach, but given the staffing levels and financial resources of our small municipality it has served us well thus far. We will do our best to address reduce the number of year-end reconciliations moving forward, but we are already in the 3rd quarter of FY2019, so we may have difficulty fully addressing this comment before the end of FY2019.

2018-002 Preparation of Financial Statements

It has been the City's practice for some time to request its auditors to formalize the financial statements. We execute the appropriate documentation certifying that the all such financial statements are based off of data and information provided by the City, and resulting information is not the direct responsibility of the auditors. Although it is not the ideal situation, the auditor's comment recognizes that the auditor can assist with the preparation of financial statements. Additionally, we believe the risk associated with this approach in not significant enough to outweigh the financial and personnel resources that would be necessary to fully and properly address this concern. However, it should be noted that we will be looking for new accounting software and we will look at options that may assist us with putting the financial statement information together in a more timely and understandable fashion. We will also consider whether we can afford the additional resources (including contracting with a third party) for addressing this issue in the FY2020 budget.

2018-003 Segregation of Duties

As recognized in this comment, we have a limited number of people working for the City, which often causes all of us to wear more than one hat. Segregation of duties is difficult. However, we agree that we can improve the segregation within finance department and we have already begun the process of training the Assistant to the Finance Director to take over accounts payable, along with her payroll and insurance duties.

2018-004 Processing Payroll

Management has identified the primary culprits that have been not been approving time cards, and it includes the Finance Director and the City Manager, who each have one hourly employee under their direct management. This will be corrected. Payroll is reviewed every week by the City Manager, or in his absence, the Finance Director; and payroll is not issued until the verbal go ahead is given. It is easy enough to do this in writing by initialing the payroll reports, and this will be done moving forward.

2008-005 Utility Billing Cash Reports

The deposit slip and all relevant support will continue to be submitted to management and management will begin formally signing off on the documentation to demonstrate the review has taken place.

2008-006 Utility Billing Rates

We have attempted to resolve our software problems with the vendor, IMS, to no avail. The City is not capable of fixing the glitch itself. The City Commission has already approved the City Manager's request to put out an RFP for new utility billing and accounting software. We hope to have a new vendor selected and new software implemented before end of the calendar year which should fix this issue. However, the timing of the new software will be such that this comment will still be on the FY2019 audit.

The City Commission is authorized to issue a CPI increase in the utility rates without a rate study. However, given the length of time since the last rate change and the likelihood of backlash from the customers if we choose to increase rates, management will make the recommendation to engage a consultant to perform a rate study prior to even considering any rate increases.

2008-007 Authorized Check Signers and Electronic Transfer Funds

Whoever is authorized transfer funds must also be an authorized check signor. The way our bank accounts are set up, the way the funds flow through the bank accounts, and the timing of credit card payments require multiple transfers each day. With our limited staffing and resources, the Finance Director must be able to transfer funds within the bank accounts and therefore must be a signor on the checking accounts. These multiple transfers also make requiring a second authorization to transfer funds too cumbersome.

In order to remove the Finance Director as a signor and set up a second authorization to approve transfers without completely bogging down the daily operations, it will require significant changes in the way our bank accounts are set up. It will also require new accounting software that we trust to help track the funds and process credit card payments in a way that reduces the number of account transfers to around 1 per week. None of this can occur until we make a decision regarding the new accounting and billing software.

Should you have any questions or comments, please do not hesitate to contact us.

Sincerely,



Patrick Kennedy
City Manager