

**CITY OF GRETNA, FLORIDA**

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**GENERAL PURPOSE FINANCIAL STATEMENTS,  
INDEPENDENT AUDITOR'S REPORT THEREON AND  
SUPPLEMENTARY REPORTS AS REQUIRED BY THE  
OFFICE OF THE AUDITOR GENERAL AND THE  
*GOVERNMENT AUDITING STANDARDS*  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**BCA WATSON RICE LLP  
Certified Public Accountants  
And  
Advisors**



# General - Purpose Financial Report

*of the*



**Fiscal Year Ended September 30, 2019**

*Prepared by the*

**Finance Department**



**CITY OF GRETNA, FLORIDA**

**GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**CITY OF GRETNA, FLORIDA**

**GENERAL PURPOSE FINANCIAL STATEMENTS**

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# **CITY OF GRETNA, FLORIDA**

## **COMMISSION - MANAGER FORM OF GOVERNMENT**

### **LIST OF PRINCIPAL OFFICIALS**

As of September 30, 2019

## **CITY COMMISSION**

**Jeff McNealy**

**Mayor**

**Evelyn Riley Goldwire**

Mayor Pro-Tem

**Gary Russ, Jr**

Commissioner

**Anthony J Baker**

Commissioner

**James Payne**

Commissioner

## **CITY MANAGER**

Antonio Jefferson

## **FINANCE DIRECTOR**

Dianne Formman

## **CITY CLERK**

Karen Condry





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**INDEPENDENT AUDITOR'S REPORT**

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To the City Council  
City of Gretna, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund of the City of Gretna, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Basis for Qualified Opinion on Business-Type Activities and Water and Sewer Fund**

Management has reassessed the useful life of equipment and other assets and has deemed the useful life of the class of assets to be 15 years rather than 7 years not and has adjusted depreciation retrospectively. Accounting principles generally accepted in the United States of America require that a change in the estimated useful life of a long-lived asset, considered to be a change in accounting estimate, and should be accounted for prospectively in the period of change and future periods. In the absence of a detailed listing of the affected assets, the exact amount by which this departure would affect the assets, fund balance, and revenues of the Water and Sewer Fund has not been independently determined. The adjustment shown on the financial statements has increased net position \$98,701.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Water and Sewer Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Water and Sewer Fund of the City of Gretna, Florida, as of September 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund other than the General Fund, and the aggregate remaining fund information of the City of Gretna, Florida, as of September 30, 2019, 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 budgetary comparison information on pages 4–12 and 53–55 and the schedules related to pension and other post-employment benefits plans 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 the schedules related to pension and other post-employment benefits plans 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 March 1, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Miami, Florida

March 1, 2022

*BCA Watson Rice LLP*



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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended September 30, 2019**

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This discussion and analysis of the City of Gretna (the “City”) financial statements is designed to introduce the basic financial statements and provide an analytical overview of the City’s financial activities for the fiscal year ended September 30, 2019. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and footnotes. As management of the City of Gretna, Florida, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. Please read it in conjunction with the accompanying basic financial statements beginning on page 14.

**FINANCIAL HIGHLIGHTS**

- The City's total net position at September 30, 2019 was 6.685 million as compared to \$6.898 million for the fiscal year ended September 30, 2018, an decrease of \$.213 million.
- The total revenues from governmental was \$1.458 million and business type activities was \$1.161 million for fiscal year ended 2019 as compared to \$1.445 and \$1.456 million respectively for fiscal year ended 2018.
- During the year, the City's governmental revenue exceeded expenses by \$.015 million and business expenses exceeded revenue by \$.228 million.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are:

- (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the City.
- (2) Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.
- (3) Notes to the financial statements.

**For the Fiscal Year Ended September 30, 2019**

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**Statement of Net Position and the Statement of Activities (Government-wide)**

The Statement of Net Position and the Statement of Activities report information about the City and about its activities in a way that helps answer how well the current year's activities contributes to the overall financial well-being.

These statements include *all* assets and deferred outflows of resources and liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are considered, regardless of when cash is received or paid.

These two statements report the City's net position and changes therein. Net position, the difference between assets and deferred outflows, and liabilities and deferred inflows, is one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating.

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental activities - All the City's basic services are governmental activities, including general government, transportation, community development, public safety, public services, library, and recreation. Property taxes, sales taxes, utility taxes, and franchise fees finance most of these activities.

Proprietary activities/Business type activities - The City charges a fee to customers to cover all the costs of the services provided.

**REPORTING ON THE CITY'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds. Some funds are required to be established by State law. However, management establishes other funds, which aid in the management of money for purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City maintains two types of funds, *governmental*, and *proprietary*, and use different accounting approaches as explained below.

*Governmental funds* - Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out, with the balances remaining at year end that are available for spending. These funds are reported using an accounting method called the *modified accrual* accounting method, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the City's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The basic governmental fund financial statements can be found on pages 16-19 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*Proprietary funds* - The City's proprietary funds are the following: water and sewer, and solid waste, which charges customers for the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

These funds are presented on a governmental fund financial statement and a proprietary fund financial statement format. The City's major funds are presented in separate columns on the fund financial statements. The definition of a major fund is one that meets certain criteria set-forth in GASB 34. The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the fund financial statements. Table 1 below summarizes the major features of the basic financial statements.

| Table 1: Major Features of the Basic Financial Statements |   |   |   |
|---|---|---|---|
|   | Government-wide Fund Financial Statements   | Fund Financial Statements   |   |
|   |   | Governmental Funds  | Proprietary Funds   |
| Scope   | Entire City government (except fiduciary funds) and the City's component unit   | Activities of the City that are not proprietary or fiduciary  | Activities of the City that are operated similar to private businesses  |
| Required financial statements                             | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>                  | <ul style="list-style-type: none"> <li>• Balance Sheet,</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>   | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows</li> </ul> |
| Accounting basis and measurement focus                    | Accrual accounting and economic resources focus   | Modified accrual accounting and current financial resources focus   | Accrual accounting and economic resources focus   |
| Type of asset/liability information                       | All assets and liabilities, both financial and capital, and short-term and long-term, and deferred outflows and deferred inflows. | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.  | All assets and liabilities, both financial and capital, and short-term and long-term and deferred outflows and deferred inflows.  |
| Type of inflow/outflow information                        | All revenues and expenses during the year, regardless of when cash is received or paid.   | <ul style="list-style-type: none"> <li>• Revenues for which cash is received during or soon after the end of the year</li> <li>• Expenditures when goods or services have been received and payment is due during the year or soon thereafter.</li> </ul> | All revenues and expenses during the year, regardless of when cash is received or paid.   |



**City of Gretna, Florida**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2019**

**Notes to the Financial Statements**

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. Refer to Note 1 to the financial statements for more detailed information on the elements of the financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position**

The following comparative table summarizes the City's net position as of September 30, 2019 and 2018:

Table 2  
Statement of Net Position  
As of September 30, 2019

|   | Governmental Activities |                     | Business-Type Activities |                     | Total Activities     |                      |
|---|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
|   | 2019                    | 2018                | 2019                     | 2018                | 2019                 | 2018                 |
| <b>Assets and Deferred Outflows</b>           |                         |                     |                          |                     |                      |                      |
| Current and other assets                      | \$ 142,291              | \$ 219,172          | \$ 2,239,357             | \$ 2,143,394        | \$ 2,381,648         | \$ 2,362,566         |
| Capital assets                                | 4,155,386               | 3,828,149           | 4,397,218                | 4,650,565           | 8,552,604            | 8,478,714            |
| Deferred outflow related to pension           | 34,534                  | 135,354             | 332,099                  | 311,299             | 366,633              | 446,653              |
| <b>Total Assets and Deferred Outflows</b>     | <u>4,332,211</u>        | <u>4,182,675</u>    | <u>6,968,674</u>         | <u>7,105,258</u>    | <u>\$ 11,300,885</u> | <u>\$ 11,287,933</u> |
| <b>Liabilities and Deferred Inflows</b>       |                         |                     |                          |                     |                      |                      |
| Long-term debt                                | 46,913                  | 97,939              | 749,961                  | 821,133             | \$ 796,874           | \$ 919,072           |
| Other liabilities                             | 2,324,060               | 2,172,624           | 147,717                  | 116,980             | 2,471,777            | 2,289,604            |
| Net pension liability                         | 383,777                 | 344,080             | 832,649                  | 802,852             | 1,216,426            | 1,146,932            |
| Deferred inflows related to pension           | 36,217                  | 41,380              | 94,340                   | 96,533              | 130,557              | 137,913              |
| <b>Total Liabilities and Deferred Inflows</b> | <u>2,790,967</u>        | <u>2,656,023</u>    | <u>1,824,667</u>         | <u>1,837,498</u>    | <u>\$ 4,615,634</u>  | <u>\$ 4,493,521</u>  |
| <b>Net Position</b>                           |                         |                     |                          |                     |                      |                      |
| Investment in capital assets                  | 4,108,473               | 3,756,525           | 3,647,257                | 3,829,462           | \$ 7,755,730         | \$ 7,585,987         |
| Restricted                                    | -                       | 8,665               | 100,480                  | 106,691             | 100,480              | 115,356              |
| Unrestricted                                  | <u>(2,567,229)</u>      | <u>(2,238,538)</u>  | <u>1,396,270</u>         | <u>1,340,366</u>    | <u>(1,170,959)</u>   | <u>(898,172)</u>     |
| <b>Total Net Position</b>                     | <u>\$ 1,541,244</u>     | <u>\$ 1,526,652</u> | <u>\$ 5,144,007</u>      | <u>\$ 5,276,519</u> | <u>\$ 6,685,251</u>  | <u>\$ 6,803,171</u>  |

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended September 30, 2019**

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There are six basic transactions that will affect the comparability of the Statement of Net Position summary presentation:

- a) Net results of activities will impact current assets and unrestricted net position.
- b) Borrowing for capital will increase current assets and long-term debt.
- c) Spending or lack of spending borrowed proceeds will affect current assets and capital assets.
- d) Spending of non-borrowed current assets on new capital will reduce current assets, increase capital assets, reduce unrestricted net position, and increase invested in capital assets, net of debt.
- e) Principal payment on debt will reduce current assets, long-term debt, reduce unrestricted net position and increase invested in capital assets, net of debt.
- f) Reduction of capital assets through depreciation will reduce capital assets and invested in capital assets, net of debt.

Governmental Activities comprised \$1.541 million of the net position while Business Activities comprised \$5.144 million of net position for fiscal year ended 2018 as compared to \$1.527 million and \$5.274 million for the previous fiscal year.

By far, the largest portion of the City's net position for fiscal year 2019 reflects its net 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 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

Except for net invested capital assets (net of related debt) the entire portion of the City's net position represents resources that are subject to external restrictions on how they may be used. There are no excess funds available in unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors.

**Statement of Activities:**

The following information is presented to assist the reader in understanding the different types of factors that can affect the result from operation. Examples of events that may impact the revenues are as follows:

- 1) ***Economic condition*** can reflect a declining, stable or growing environment and has a substantial impact on property, non-ad valorem assessments, sales, gas, or other tax revenues as well as consumer spending habits.
- 2) The City Commission has significant authority to set ***rates*** (water and sewer, solid waste, permitting, impact fees, user fees, etc.).
- 3) ***Changing patterns in intergovernmental and grant revenues*** (both recurring and nonrecurring) can significantly change and impact the annual comparisons.
- 4) ***Market impacts on investment income*** may cause investment revenues to fluctuate from the prior year.

**City of Gretna, Florida**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2019**

Table 3  
Statement of Changes in Net Position  
As of September 30, 2019

|                                     | Governmental Activities |                     | Business Activities |                     | Total Activities    |                     |
|-------------------------------------|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                     | 2019                    | 2018                | 2019                | 2018                | 2019                | 2018                |
| <b>Revenue:</b>                     |                         |                     |                     |                     |                     |                     |
| Charges for services                | \$ 4,875                | 9,696               | \$ 1,161,348        | \$ 1,302,151        | \$ 1,166,223        | \$ 1,311,847        |
| Operation grants and contributions  | 178,000                 | 201,000             | -                   | 153,950             | 178,000             | 354,950             |
| Capital grants and contributions    | 276,910                 | 454,595             | -                   | -                   | 276,910             | 454,595             |
| <b>General Services</b>             | <u>459,785</u>          | <u>665,291</u>      | <u>1,161,348</u>    | <u>1,456,101</u>    | <u>1,621,133</u>    | <u>2,121,392</u>    |
| Property Tax                        | 120,220                 | 111,790             | -                   | -                   | 120,220             | 111,790             |
| Licenses and Permits                | 24,629                  | 9,895               | -                   | -                   | 24,629              | 9,895               |
| Utility Taxes                       | 111,158                 | 84,163              | -                   | -                   | 111,158             | 84,163              |
| Intergovernmental                   | 463,441                 | 533,464             | -                   | -                   | 463,441             | 533,464             |
| Interest Income                     | 94                      | 79                  | -                   | -                   | 94                  | 79                  |
| Other                               | 278,347                 | 40,320              | -                   | -                   | 278,347             | 40,320              |
| <b>Total Revenues</b>               | <u>1,457,674</u>        | <u>1,445,002</u>    | <u>1,161,348</u>    | <u>1,456,101</u>    | <u>2,619,022</u>    | <u>2,901,103</u>    |
| <b>Expenses:</b>                    |                         |                     |                     |                     |                     |                     |
| <b>Program Expenses:</b>            |                         |                     |                     |                     |                     |                     |
| General Government                  | 425,226                 | 578,113             | -                   | -                   | 425,226             | 578,113             |
| Public Safety                       | 367,241                 | 426,804             | -                   | -                   | 367,241             | 426,804             |
| Transportation                      | 203,782                 | 466,529             | -                   | -                   | 203,782             | 466,529             |
| Physical Environment                | 406,433                 | 1,500               | -                   | -                   | 406,433             | 1,500               |
| Parks and Recreation                | 38,016                  | 133,459             | -                   | -                   | 38,016              | 133,459             |
| Interest on long-term debt          | 2,384                   | -                   | 32,087              | -                   | 34,471              | -                   |
| Water and Sewer                     | -                       | -                   | 1,209,086           | 874,281             | 1,209,086           | 874,281             |
| Solid Waste                         | -                       | -                   | 148,388             | 228,617             | 148,388             | 228,617             |
| <b>Total Expenses</b>               | <u>1,443,082</u>        | <u>1,606,405</u>    | <u>1,389,561</u>    | <u>1,102,898</u>    | <u>\$ 2,832,643</u> | <u>\$ 2,709,303</u> |
| Excess (Deficiency) Before Transfer | 14,592                  | (161,403)           | (228,213)           | 353,203             | (213,621)           | 191,800             |
| Transfer                            | -                       | 234,040             | -                   | (234,040)           | -                   | -                   |
| <b>Change in net position</b>       | <u>14,592</u>           | <u>72,637</u>       | <u>(228,213)</u>    | <u>119,163</u>      | <u>(213,621)</u>    | <u>(140,984)</u>    |
| Net position - beginning, as stated | 1,526,652               | 1,454,015           | 5,273,519           | 5,154,356           | 6,800,171           | 6,685,251           |
| Adjustment to beginning balance     | -                       | -                   | 98,701              | -                   | 98,701              | -                   |
| <b>Net position - ending</b>        | <u>\$ 1,541,244</u>     | <u>\$ 1,526,652</u> | <u>\$ 5,144,007</u> | <u>\$ 5,273,519</u> | <u>\$ 6,685,251</u> | <u>\$ 6,800,171</u> |

The City's programs include primarily General Government, Public Safety, Transportation, Physical Environment and Parks and Recreation.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended September 30, 2019**

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Each program's net cost (total cost, less revenues generated by the activities), presented below, shows the extent to which the City's general taxes support each of the City's programs:

Table 4  
 Governmental Activities

|                        | 2019                 | 2018                 |
|------------------------|----------------------|----------------------|
|                        | Net Cost of Services | Net Cost of Services |
| General Government     | \$ (249,610)         | \$ (378,133)         |
| Public Safety          | (363,141)            | (418,178)            |
| Transportation         | (203,782)            | (10,934)             |
| Physical Environment   | (129,523)            | (1,500)              |
| Culture and Recreation | (37,241)             | (132,389)            |
| <b>Total</b>           | <b>\$ (983,297)</b>  | <b>\$ (941,134)</b>  |

As shown in the Statement of Activities approximately nineteen percent (19%) of the governmental revenues were derived from grants and contributions. The remaining source of funding for FY 2019 came from utility taxes, shared revenues and other miscellaneous revenues. The nature of Governmental Activities is to be funded primarily from taxes, and transfers from other non-governmental activities. Governmental activities in municipal governments are not normally self-supporting.

Table 5  
 Business-Type Activities

|                 | 2019                 | 2018                 |
|-----------------|----------------------|----------------------|
|                 | Net Cost of Services | Net Cost of Services |
| Water and Sewer | \$ (238,422)         | \$ 190,842           |
| Solid Waste     | 10,209               | (71,679)             |
| <b>Total</b>    | <b>\$ (228,213)</b>  | <b>\$ 119,163</b>    |

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2019**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

**General Fund Budgetary Highlights**

Differences between the original budget and the final budget were relatively minor and can be briefly summarized as follows:

- Increases in salaries and related expenditures of various departments.
- Increases in various departments for professional service and capital outlay expenditures.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The capital assets of the City are those assets that are used in the performance of City functions. Capital assets include equipment, buildings, land, and park facilities etc.

|                               | September 30, 2019  |                     |                     | September 30, 2018  |                     |                     |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                               | Governmental        | Business-Type       | Total               | Governmental        | Business-Type       | Total               |
|                               | Activities          | Activities          |                     | Activities          | Activities          |                     |
| Land                          | \$ 1,436,707        | \$ -                | \$ 1,436,707        | \$ 1,436,707        | \$ -                | \$ 1,436,707        |
| Building and Improvements     | 910,179             | -                   | 910,179             | 910,179             | -                   | 910,179             |
| Furniture and Fixtures        | 1,514,018           | 35,019              | 1,549,037           | 1,514,019           | 35,019              | 1,549,038           |
| Machinery and Equipment       | -                   | 1,569,088           | 1,569,088           | -                   | 1,569,088           | 1,569,088           |
| Infrastructure                | 2,002,958           | 8,755,669           | 10,758,627          | 1,633,979           | 8,750,657           | 10,384,636          |
| Total Assets                  | 5,863,862           | 10,359,776          | 16,223,638          | 5,494,884           | 10,354,764          | 15,849,648          |
| Less accumulated depreciation | (1,708,476)         | (5,962,557)         | (7,671,033)         | (1,666,734)         | (5,704,170)         | (7,370,904)         |
| <b>Net</b>                    | <b>\$ 4,155,386</b> | <b>\$ 4,397,218</b> | <b>\$ 8,552,604</b> | <b>\$ 3,828,150</b> | <b>\$ 4,650,594</b> | <b>\$ 8,478,744</b> |

The City's capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$8.553 million (net of accumulated depreciation) versus \$8.479 million for fiscal year ended 2018. Additional information on the City's capital assets can be found in Note 5 on page 36 of this report.

**City of Gretna, Florida**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended September 30, 2019**

**Debt**

Currently the City uses debt financing on an as needed basis each year. At the end of Fiscal Year 2019, the City had total debt of \$2.013 million versus \$2.040 million for the previous fiscal year, a decrease of \$.027 million. None of this amount comprises debt backed by the full faith and credit of the government. There were no unsecured debts during the year. The revenue bonds payable are secured by business-type activity revenue.

|                       | 2019                       |                             |                     | 2018                       |                             |                     |
|-----------------------|----------------------------|-----------------------------|---------------------|----------------------------|-----------------------------|---------------------|
|                       | Governmental<br>Activities | Business-Type<br>Activities | Total               | Governmental<br>Activities | Business-Type<br>Activities | Total               |
| Revenue Bonds         | \$ -                       | \$ 615,650                  | \$ 615,650          | \$ -                       | \$ 646,130                  | \$ 646,130          |
| Laundry Mat Loan      | 9,585                      | -                           | 9,585               | 16,952                     | -                           | 16,952              |
| City Hall A/C         | 37,328                     | -                           | 37,328              | 54,672                     | -                           | 54,672              |
| Water Tank            | -                          | 75,637                      | 75,637              | -                          | 113,456                     | 113,456             |
| DEP Loan              | -                          | 58,674                      | 58,674              | -                          | 61,548                      | 61,548              |
| Net Pension Liability | 383,777                    | 832,649                     | 1,216,426           | 344,080                    | 802,852                     | 1,146,932           |
| Net                   | <b>\$ 430,690</b>          | <b>\$ 1,582,610</b>         | <b>\$ 2,013,300</b> | <b>\$ 415,704</b>          | <b>\$ 1,623,986</b>         | <b>\$ 2,039,690</b> |

Additional information on the City’s debt can be found in Note 6 on page 38 of this report.

**NEXT YEAR’S BUDGET AND ECONOMIC FACTORS**

In considering the City’s budget for the fiscal year 2018-2019, the City Commission and management continued to be cautious as to the growth of revenues and expenditures. Looking forward to the preparation of the fiscal 2019-2020 budget, the City anticipates increased revenues from the gaming facility, Creek Entertainment Management, as well as increases tax receipts from the improving economy. The city currently receives 10% of the state tax on Pari-mutual gaming services. Despite a slowly recovering housing market and related property values and ad valorem taxes, the City anticipates increased general fund revenue over the coming years due to an anticipated expansion of the offerings at Creek Entertainment Gretna.

**CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City’s City Manager, at the City of Gretna, 14615 Main Street, Gretna, Florida 32351-2328 or via email at [ajefferson@mygretna.com](mailto:ajefferson@mygretna.com).



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## **BASIC FINANCIAL STATEMENTS**

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CITY OF GRETNA, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019

|  | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>        |
|--|------------------------------------|-------------------------------------|---------------------|
| <b>ASSETS</b>                              |                                    |                                     |                     |
| Equity in pooled cash                      | \$ -                               | \$ 1,978,656                        | \$ 1,978,656        |
| Cash                                       | 133,456                            | -                                   | 133,456             |
| Accounts receivable, net                   | -                                  | 98,630                              | 98,630              |
| Restricted cash                            | 8,835                              | 162,071                             | 170,906             |
| Land                                       | 1,436,707                          | -                                   | 1,436,707           |
| Buildings, net                             | 204,125                            | -                                   | 204,125             |
| Furniture and equipment, net               | 905,581                            | 717,060                             | 1,622,641           |
| Infrastructure, net                        | 1,608,973                          | 3,680,158                           | 5,289,131           |
| <b>Total assets</b>                        | <u>4,297,677</u>                   | <u>6,636,575</u>                    | <u>10,934,252</u>   |
| <b>DEFERRED OUTFLOW</b>                    |                                    |                                     |                     |
| Deferred outflow related to pensions       | 34,534                             | 332,099                             | 366,633             |
| <b>Total deferred outflow</b>              | <u>34,534</u>                      | <u>332,099</u>                      | <u>366,633</u>      |
| <b>LIABILITIES</b>                         |                                    |                                     |                     |
| Deficit in cash and equity and pooled cash | 2,141,913                          | -                                   | 2,141,913           |
| Accounts payable and accrued expenses      | 101,091                            | 45,134                              | 146,225             |
| Unearned revenues                          | 50,964                             | -                                   | 50,964              |
| Customer deposits                          | -                                  | 59,684                              | 59,684              |
| Due within one year:                       |                                    |                                     |                     |
| Loans Payable                              | 25,862                             | 53,298                              | 79,160              |
| Bonds Payable                              | -                                  | 25,881                              | 25,881              |
| Due in more than one year:                 |                                    |                                     |                     |
| Compensated absence                        | 30,092                             | 42,899                              | 72,991              |
| Loans payable                              | 21,051                             | 81,013                              | 102,064             |
| Bonds Payable                              | -                                  | 589,769                             | 589,769             |
| Net pension liability                      | 383,777                            | 832,649                             | 1,216,426           |
| <b>Total liabilities</b>                   | <u>2,754,750</u>                   | <u>1,730,327</u>                    | <u>4,485,077</u>    |
| <b>DEFERRED INFLOW</b>                     |                                    |                                     |                     |
| Deferred inflow related pensions           | 36,217                             | 94,340                              | 130,557             |
| <b>Total deferred inflow</b>               | <u>36,217</u>                      | <u>94,340</u>                       | <u>130,557</u>      |
| <b>NET POSITION</b>                        |                                    |                                     |                     |
| Net investment in capital assets           | 4,108,473                          | 3,647,257                           | 7,755,730           |
| Restricted for debt service                | -                                  | 100,480                             | 100,480             |
| Unrestricted                               | (2,567,229)                        | 1,396,270                           | (1,170,959)         |
| <b>Total net position</b>                  | <u>\$ 1,541,244</u>                | <u>\$ 5,144,007</u>                 | <u>\$ 6,685,251</u> |

See notes to the basic financial statements.

CITY OF GRETNA, FLORIDA  
STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2019

| Function/Program                | Program Revenues    |   |                                     |                                   | Net Expense and Changes in Net Positions |                             |                         |
|---------------------------------|---------------------|---|-------------------------------------|-----------------------------------|--|-----------------------------|-------------------------|
|                                 | Expenses            | Fees, Fines, &<br>Charges for<br>Services | Operating Grants<br>& Contributions | Capital Grants &<br>Contributions | Governmental<br>Activities               | Business-Type<br>Activities | Total                   |
| <b>Governmental activities</b>  |                     |   |                                     |                                   |  |                             |                         |
| General government              | \$ 427,610          | \$ -                                      | \$ -                                | \$ 178,000                        | \$ (249,610)                             | \$ -                        | \$ (249,610)            |
| Public safety                   | 367,241             | 4,100                                     | -                                   | -                                 | (363,141)                                | -                           | (363,141)               |
| Culture and recreation          | 38,016              | 775                                       | -                                   | -                                 | (37,241)                                 | -                           | (37,241)                |
| Transportation                  | 203,782             | -   | -                                   | -                                 | (203,782)                                | -                           | (203,782)               |
| Physical Environment            | 406,433             | -   | -                                   | 276,910                           | (129,523)                                | -                           | (129,523)               |
| Total government activities     | <u>1,443,082</u>    | <u>4,875</u>                              | <u>-</u>                            | <u>454,910</u>                    | <u>(983,297)</u>                         | <u>-</u>                    | <u>(983,297)</u>        |
| <b>Business-type activities</b> |                     |   |                                     |                                   |  |                             |                         |
| Water and wastewater            | 1,241,173           | 1,002,751                                 | -                                   | -                                 | -  | (238,422)                   | (238,422)               |
| Solidwaste                      | 148,388             | 158,597                                   | -                                   | -                                 | -  | 10,209                      | 10,209                  |
| Total business activities       | <u>1,389,561</u>    | <u>1,161,348</u>                          | <u>-</u>                            | <u>-</u>                          | <u>-</u>                                 | <u>(228,213)</u>            | <u>(228,213)</u>        |
| Total primary government        | <u>\$ 2,832,643</u> | <u>\$ 1,166,223</u>                       | <u>\$ -</u>                         | <u>\$ 454,910</u>                 | <u>\$ (983,297)</u>                      | <u>\$ (228,213)</u>         | <u>\$ (1,211,510)</u>   |
| <b>General Revenue</b>          |                     |   |                                     |                                   |  |                             |                         |
|                                 |                     |   |                                     |                                   | 120,220                                  | -                           | 120,220                 |
|                                 |                     |   |                                     |                                   | 111,158                                  | -                           | 111,158                 |
|                                 |                     |   |                                     |                                   | 24,629                                   | -                           | 24,629                  |
|                                 |                     |   |                                     |                                   | 463,441                                  | -                           | 463,441                 |
|                                 |                     |   |                                     |                                   | 94                                       | -                           | 94                      |
|                                 |                     |   |                                     |                                   | 278,347                                  | -                           | 278,347                 |
|                                 |                     |   |                                     |                                   | <u>997,889</u>                           | <u>-</u>                    | <u>997,889</u>          |
|                                 |                     |   |                                     |                                   |  |                             |                         |
|                                 |                     |   |                                     |                                   | 14,592                                   | (228,213)                   | (213,621)               |
|                                 |                     |   |                                     |                                   |  |                             |                         |
|                                 |                     |   |                                     |                                   | 1,526,652                                | 5,273,519                   | 6,800,171               |
|                                 |                     |   |                                     |                                   | -  | 98,701                      | 98,701                  |
|                                 |                     |   |                                     |                                   | <u>1,526,652</u>                         | <u>5,372,220</u>            | <u>6,898,872</u>        |
|                                 |                     |   |                                     |                                   | <u><b>1,541,244</b></u>                  | <u><b>5,144,007</b></u>     | <u><b>6,685,251</b></u> |

See notes to the basic financial statements.

CITY OF GRETNA, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019

|  | General Fund      | Transportation<br>Fund | Special Revenue<br>Fund | Total             |
|--|-------------------|------------------------|-------------------------|-------------------|
| <b>ASSETS</b>                              |                   |                        |                         |                   |
| Savings cash                               | \$ 133,456        | \$ -                   | \$ -                    | \$ 133,456        |
| Restricted cash                            | -                 | -                      | 8,835                   | 8,835             |
| <b>Total assets</b>                        | <b>\$ 133,456</b> | <b>\$ -</b>            | <b>\$ 8,835</b>         | <b>\$ 142,291</b> |
| <b>LIABILITIES AND FUND BALANCE</b>        |                   |                        |                         |                   |
| Liabilities                                |                   |                        |                         |                   |
| Deficit in cash and equity in pooled cash  | \$ 532,703        | \$ 1,165,598           | \$ 443,612              | \$ 2,141,913      |
| Accounts payable and accrued expenses      | 63,594            | 37,497                 | -                       | 101,091           |
| Total liabilities                          | 596,297           | 1,203,095              | 443,612                 | 2,243,004         |
| Fund balance                               |                   |                        |                         |                   |
| Unassigned                                 | (462,841)         | (1,203,095)            | (434,777)               | (2,100,713)       |
| Total fund balances                        | (462,841)         | (1,203,095)            | (434,777)               | (2,100,713)       |
| <b>Total liabilities and fund balances</b> | <b>\$ 133,456</b> | <b>-</b>               | <b>\$ 8,835</b>         | <b>\$ 142,291</b> |

See notes to basic financial statements.

CITY OF GRETNA, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019

|   |    |             |
|---|----|-------------|
| Fund balance - total governmental funds | \$ | (2,100,713) |
|---|----|-------------|

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.

|                               |  |             |
|-------------------------------|--|-------------|
| Governmental capital assets   |  | 5,863,863   |
| Less accumulated depreciation |  | (1,708,476) |

Long-term liabilities, including bonds and notes payable are not due and payable in the current period and, therefore are not reported in the governmental funds.

|  |  |           |
|--|--|-----------|
| Governmental loans   |  | (46,914)  |
| Compensated absences and other long term accrued liabilities |  | (30,092)  |
| Net pension liability  |  | (383,777) |

Deferred inflows/outflows or resources not reported in government

|                                      |  |          |
|--------------------------------------|--|----------|
| Deferred outflows related to pension |  | 34,534   |
| Deferred inflows related to pension  |  | (36,217) |

The statement of net position include certain unearned revenues not available to the current period and not reported in governmental funds

|  |  |          |
|--|--|----------|
|  |  | (50,964) |
|--|--|----------|

|   |    |                  |
|---|----|------------------|
| Net position of governmental activities | \$ | <u>1,541,244</u> |
|---|----|------------------|

See notes to basic financial statements.

CITY OF GRETNA, FLORIDA  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENT FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

|  | <u>General Fund</u> | <u>Transportation Fund</u> | <u>Non-Major Governmental Funds</u> | <u>Total</u>       |
|--|---------------------|----------------------------|-------------------------------------|--------------------|
| <b>Revenue</b>                                   |                     |                            |                                     |                    |
| Ad valorem                                       | \$ 120,220          | \$ -                       | \$ -                                | \$ 120,220         |
| Utility taxes                                    | 111,158             | -                          | -                                   | 111,158            |
| Licenses and permits                             | 24,629              | -                          | -                                   | 24,629             |
| Intergovernmental                                | 463,441             | -                          | -                                   | 463,441            |
| Grants   | 26,525              | -                          | 123,219                             | 149,744            |
| Charges for services                             | 775                 | -                          | -                                   | 775                |
| Fines and Forfeitures                            | -                   | -                          | 4,100                               | 4,100              |
| Contributions                                    | 178,000             | -                          | -                                   | 178,000            |
| Interest Income                                  | 86                  | -                          | 8                                   | 94                 |
| Miscellaneous                                    | 278,197             | -                          | 150                                 | 278,347            |
| <b>Total Revenues</b>                            | <u>1,203,031</u>    | <u>-</u>                   | <u>127,477</u>                      | <u>1,330,508</u>   |
| <b>Expenditures</b>                              |                     |                            |                                     |                    |
| General government                               | 584,165             | -                          | -                                   | 584,165            |
| Public safety                                    | 357,640             | -                          | -                                   | 357,640            |
| Culture and recreation                           | 36,754              | -                          | -                                   | 36,754             |
| Transportation                                   | -                   | 203,782                    | -                                   | 203,782            |
| Physical environment                             | 14,056              | -                          | 94                                  | 14,150             |
| Debt service                                     | 24,712              | -                          | -                                   | 24,712             |
| Capital outlay                                   | -                   | -                          | 368,979                             | 368,979            |
| <b>Total Expenditures</b>                        | <u>1,017,327</u>    | <u>203,782</u>             | <u>369,073</u>                      | <u>1,590,182</u>   |
| Excess (deficiency) of revenue over expenditures | <u>185,704</u>      | <u>(203,782)</u>           | <u>(241,596)</u>                    | <u>(259,674)</u>   |
| <b>Other Financing Sources (uses)</b>            |                     |                            |                                     |                    |
| Transfers in                                     | 4,188               | -                          | -                                   | 4,188              |
| Transfers out                                    | -                   | -                          | (4,188)                             | (4,188)            |
| Total other financing sources                    | <u>4,188</u>        | <u>-</u>                   | <u>(4,188)</u>                      | <u>-</u>           |
| Net change in fund balance                       | <u>189,892</u>      | <u>(203,782)</u>           | <u>(245,784)</u>                    | <u>(259,674)</u>   |
| Fund (Deficit), Beginning                        | <u>(652,733)</u>    | <u>(999,313)</u>           | <u>(188,993)</u>                    | <u>(1,841,039)</u> |
| Fund (Deficit), Ending                           | <u>(462,841)</u>    | <u>(1,203,095)</u>         | <u>(434,777)</u>                    | <u>(2,100,713)</u> |

See notes to basic financial statements.

CITY OF GRETNA, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN  
FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net change in fund balances - total governmental funds (Page 18) \$ (259,674)

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

Governmental funds report capital outlays are expenditures. However,  
in the statement of activities, the cost of those assets is depreciated  
over the estimated useful lives.

|                                  |          |
|----------------------------------|----------|
| Expenditures for capital outlays | 368,979  |
| Less current depreciation        | (41,742) |

The issuance of long-term debt provides current financial resources to  
governmental funds, while the repayment of the principal of long-term  
debt consumes the current financial resources of governmental funds.  
Neither transaction, however, has any effect on net assets. Also,  
governmental funds report the effect of issuance costs, premiums,  
discounts, and similar items when debt is first issued, whereas these  
amounts are deferred and amortized in the statement activities. This  
amount is the net effect of these differences in the treatment of  
long-term debt and related items.

|   |        |
|---|--------|
| Principal payments of loans/notes payable | 24,712 |
|---|--------|

Some items reported in the statement of activities do not require the  
use of current financial resources and, therefore, are not reported  
in the government funds.

|  |               |
|--|---------------|
| Change in net pension liability, pension related deferred inflows and<br>outflows of resources | (135,055)     |
| Change in compensated absence  | <u>57,372</u> |

|   |                      |
|---|----------------------|
| Change in net position of governmental activities (Page ) | <u><u>14,592</u></u> |
|---|----------------------|

See notes to basic financial statements.

CITY OF GRETNA, FLORIDA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2019

|   | <b>Business-Type Activities</b> |                             |                     |
|---|---------------------------------|-----------------------------|---------------------|
|   | <b>Water and<br/>Sewer Fund</b> | <b>Solid Waste<br/>Fund</b> | <b>Total</b>        |
| <b>ASSETS</b>                                   |                                 |                             |                     |
| Current Assets                                  |                                 |                             |                     |
| Equity in pooled cash                           | \$ 2,013,454                    | \$ -                        | \$ 2,013,454        |
| Accounts receivable, net                        | 85,248                          | 13,382                      | 98,630              |
| Due from other funds                            | 36,933                          | 4,634                       | 41,567              |
| Total current assets                            | <u>2,135,635</u>                | <u>18,016</u>               | <u>2,153,651</u>    |
| Non-Current Assets                              |                                 |                             |                     |
| Restricted cash                                 | 141,218                         | 20,853                      | 162,071             |
| Capital Assets:                                 |                                 |                             |                     |
| Furniture and fixtures                          | -                               | 35,018                      | 35,018              |
| Machinery and equipment                         | 1,299,685                       | 269,403                     | 1,569,088           |
| Infrastructure                                  | 8,755,669                       | -                           | 8,755,669           |
| Total capital assets                            | <u>10,055,354</u>               | <u>304,421</u>              | <u>10,359,775</u>   |
| Less: accumulated depreciation                  | <u>(5,724,054)</u>              | <u>(238,503)</u>            | <u>(5,962,557)</u>  |
| Total capital assets, net                       | <u>4,331,300</u>                | <u>65,918</u>               | <u>4,397,218</u>    |
| Total non-current assets                        | <u>4,472,518</u>                | <u>86,771</u>               | <u>4,559,289</u>    |
| <b>Total assets</b>                             | <u>6,608,153</u>                | <u>104,787</u>              | <u>6,712,940</u>    |
| <b>DEFERRED OUTFLOW</b>                         |                                 |                             |                     |
| Deferred outflow related to pensions            | 332,099                         | -                           | 332,099             |
| <b>Total deferred outflow</b>                   | <u>332,099</u>                  | <u>-</u>                    | <u>332,099</u>      |
| <b>LIABILITIES</b>                              |                                 |                             |                     |
| Deficit in equity in pooled cash                | -                               | 47,084                      | 47,084              |
| Accounts payable and accrued expenses           | 35,032                          | 10,102                      | 45,134              |
| Due to other funds                              | 41,567                          | -                           | 41,567              |
| Customer deposits                               | 39,431                          | 20,253                      | 59,684              |
| Due within one year                             |                                 |                             |                     |
| Loans payable                                   | 65,985                          | -                           | 65,985              |
| Bonds payable                                   | 27,649                          | -                           | 27,649              |
| Due in more than one year:                      |                                 |                             |                     |
| Compensated absence                             | 36,856                          | 6,043                       | 42,899              |
| Loans payable                                   | 55,720                          | -                           | 55,720              |
| Bonds payable                                   | 588,321                         | -                           | 588,321             |
| Net pension liability                           | 832,649                         | -                           | 832,649             |
| <b>Total liabilities</b>                        | <u>1,723,210</u>                | <u>83,482</u>               | <u>1,806,692</u>    |
| <b>DEFERRED INFLOW</b>                          |                                 |                             |                     |
| Deferred inflow related pensions                | 94,340                          | -                           | 94,340              |
| <b>Total deferred inflow</b>                    | <u>94,340</u>                   | <u>-</u>                    | <u>94,340</u>       |
| <b>NET POSITION</b>                             |                                 |                             |                     |
| Invested in capital assets, net of related debt | 3,593,625                       | 65,918                      | 3,659,543           |
| Restricted for debt service                     | 100,480                         | -                           | 100,480             |
| Unrestricted                                    | 1,428,597                       | (44,613)                    | 1,383,984           |
| <b>Total net position</b>                       | <u>\$ 5,122,702</u>             | <u>\$ 21,305</u>            | <u>\$ 5,144,007</u> |

See notes to basic financial statements.

CITY OF GRETNA, FLORIDA  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

|   | <b>Business- Type Activities</b> |                             |                     |
|---|----------------------------------|-----------------------------|---------------------|
|   | <b>Enterprise Funds</b>          |                             |                     |
|   | <b>Water and Sewer<br/>Fund</b>  | <b>Solid Waste<br/>Fund</b> | <b>Total</b>        |
| <b>Operating Revenue</b>                    |                                  |                             |                     |
| Charges for services (pledged - see note 6) | \$ 1,002,751                     | \$ 158,597                  | \$ 1,161,348        |
| <b>Total operating revenue</b>              | <u>1,002,751</u>                 | <u>158,597</u>              | <u>1,161,348</u>    |
| <b>Operating Expenses</b>                   |                                  |                             |                     |
| Water system operation                      | 449,742                          | -                           | 449,742             |
| Sewer collection and maintenance            | 404,878                          | -                           | 404,878             |
| Solidwaste collection                       | -                                | 145,013                     | 145,013             |
| General and administrative                  | 136,553                          | -                           | 136,553             |
| Depreciation                                | 250,000                          | 3,375                       | 253,375             |
| <b>Total operating expenses</b>             | <u>1,241,173</u>                 | <u>148,388</u>              | <u>1,389,561</u>    |
| <b>Operating Income (Loss)</b>              | <u>(238,422)</u>                 | <u>10,209</u>               | <u>(228,213)</u>    |
| <b>Change in net position</b>               | (238,422)                        | 10,209                      | (228,213)           |
| Net position, beginning                     | 5,234,695                        | 38,824                      | 5,273,519           |
| Adjustment to beginning net position        | 98,701                           | -                           | 98,701              |
| Net position, beginning as adjusted         | <u>5,333,396</u>                 | <u>38,824</u>               | <u>5,372,220</u>    |
| Net position, ending                        | <u>\$ 5,094,974</u>              | <u>\$ 49,033</u>            | <u>\$ 5,144,007</u> |

See notes to basic financial statements.



CITY OF GRETNA, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2019

|  | <b>Business- Type Activities Enterprise Funds</b> |                             |                            |
|--|---|-----------------------------|----------------------------|
|  | <b>Water and<br/>Sewer Fund</b>                   | <b>Solid Waste<br/>Fund</b> | <b>Total</b>               |
| <b>Cash flows from operating activities</b>  |   |                             |                            |
| Cash received from customers   | \$ 1,021,791                                      | \$ 164,479                  | \$ 1,186,270               |
| Cash paid to suppliers   | (488,067)   | (85,560)                    | (573,627)                  |
| Cash paid to employees   | (332,780)   | (52,381)                    | (385,161)                  |
| Cash from (paid for) interfund services  | 1,446   | (1,446)                     | -                          |
| Net cash provided from operating activities  | <u>202,390</u>                                    | <u>25,092</u>               | <u>227,482</u>             |
| <b>Cash flows from capital and related financing activities</b>  |   |                             |                            |
| Principal paid on bonds and notes payable  | (83,458)  | -                           | (83,458)                   |
| Interest paid on capital debt  | (36,226)  | -                           | (36,226)                   |
| Net cash used in investing activities  | <u>(119,684)</u>                                  | <u>-</u>                    | <u>(119,684)</u>           |
| <b>Net increase in pooled cash and cash equivalents</b>  | <u>82,706</u>                                     | <u>25,092</u>               | <u>107,798</u>             |
| <b>Pooled cash and cash equivalents, beginning</b>   | <u>2,071,966</u>                                  | <u>(51,324)</u>             | <u>2,020,642</u>           |
| <b>Pooled cash and cash equivalents, ending</b>  | <u><u>\$ 2,154,672</u></u>                        | <u><u>\$ (26,232)</u></u>   | <u><u>\$ 2,128,440</u></u> |
| Displayed as:  |   |                             |                            |
| Unrestricted   | \$ 2,013,454                                      | \$ (47,084)                 | \$ 1,966,370               |
| Restricted   | 141,218   | 20,853                      | 162,071                    |
| Total, September 30, 2019  | <u><u>\$ 2,154,672</u></u>                        | <u><u>\$ (26,231)</u></u>   | <u><u>\$ 2,128,441</u></u> |
| Reconciliation of operating income to net cash provided by operating activities:                         |   |                             |                            |
| Operating income (loss)  | \$ (238,422)                                      | \$ 10,209                   | \$ (228,213)               |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |   |                             |                            |
| Depreciation   | 250,000   | 3,375                       | 253,375                    |
| Interest expense   | 36,226  | -                           | 36,226                     |
| Non-cash pension adjustment  | 12,784  | -                           | 12,784                     |
| Non-operating transfers out  | 98,701  | -                           | 98,701                     |
| Decrease in accounts receivable  | 18,240  | 5,882                       | 24,122                     |
| Increase in customer deposits  | 800   | 950                         | 1,750                      |
| Increase accounts payable  | 22,615  | 5,926                       | 28,541                     |
| Increase compensated absences  | -   | 196                         | 196                        |
| Increase (decrease) due to other funds   | 1,446   | (1,446)                     | -                          |
| <b>Net cash provided by operating activities</b>   | <u><u>\$ 202,390</u></u>                          | <u><u>\$ 25,092</u></u>     | <u><u>\$ 227,482</u></u>   |

See notes to the basic financial statements.

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

The City of Gretna, Florida (the “City”) in Gadsden County, Florida (the “County”) was incorporated in 1909. The City operates under a Commission/City Manager form of government and provides municipal services to its residents, including general government, public safety, transportation, public works, and recreation. The City also operates an industrial park, water and sewer, and solid waste enterprises.

The following is a summary of the City’s significant accounting policies presented to assist the reader in interpreting the financial statements and other data in this report. These policies are considered essential and should be read in conjunction with the accompanying financial statements.

**A. Reporting Entity**

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the primary government is not financially accountable to determine whether the relationship is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Component units would be included in the reporting entity either as blended or as discretely presented component units. All funds/departments are regarded as one legal entity; therefore, the financial position and results of operations of the funds/departments are reported as part of the primary government.

Based upon the application of the criteria, the financial statements include only the financial statements of the City of Gretna, Florida.

*Blended Component Units*

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same, or substantially the same, as the City Commission or the component units provides services entirely to the City or the component unit debt is expected to be repaid entirely or almost entirely by the primary government. Currently, the City has no blended component units.

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above, but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

**B. Government-wide and Fund Financial Statements**

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

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

Separate financial statements are provided for governmental funds and proprietary. The major individual governmental fund and the major individual enterprise fund are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. 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 *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

Property taxes, franchise fees, communications taxes, licenses 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 measurable and available only when received by the City.

The City reports the following major governmental fund:

The *general fund* is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other funds are accounted for in this fund. Many of the more important activities of the City, including operation of the City's public works departments; street and highway maintenance; public safety, and recreation programs, are accounted for in this fund.

The City reports the following major proprietary funds:

The *water and sewer* fund is used to account for the provision of water and sewer services to the residents and the commerce of the City.

The *solid waste* fund is used to account for the provision of solid waste collection, disposal and recycling for all residential and commercial customers within the City.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments- in-lieu of taxes and other charges between the City's utilities function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

**D. Budgets and Budgetary Accounting**

The City, in accordance with its charter and state law, adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1st the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are held to obtain taxpayer comments.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

**D. Budgets and Budgetary Accounting (continued)**

- c. Prior to October 1, the budget is legally enacted through passage of an resolution. Budgetary control is maintained at the departmental and fund level, with finance department providing support to departments in the administration of their budgets. In accordance with the City's budget transfer policy, the City Manager is authorized to transfer budgeted amounts within any fund or function; however, the City Commission must approve any supplemental appropriations or revisions that amend the total expenditures of any fund. During the year, supplementary appropriations were necessary to ensure that expenditures did not exceed budgeted appropriations. All budgets are on a basis consistent with accounting principles generally accepted in the United States of America.
4. Budgeted amounts are as originally adopted, or as amended in accordance with City ordinances. The accompanying financial statements incorporate the original budget ordinances.
5. All annual appropriations lapse at fiscal year-end.

**E. Assets, Liabilities and Net Position**

***Cash, Equity in Pooled Cash and Investments***

Cash includes amounts in demand deposits as well as short-term investments with maturity dates, within three months from the dates acquired by the City.

The City pools substantially all cash. Each fund's equity share of the total pooled cash is included in the accompanying statement of net position under the caption "cash and equity in pooled cash".

Investments, consisting of U.S. Governmental and agency securities, bonds, equity securities and mutual funds, are stated at fair value. The City did not have any investments during fiscal year 2019.

***Allowance for Bad Debts***

The City calculates its allowance for bad debts using historical collection data, specific account analysis, and management's judgment. As of September 30, 2019, the allowance for bad debts was \$57,859 for the enterprise fund.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

**Assets, Liabilities and Net Position (continued)**

***Inter-fund Transactions***

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

Activities between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" or "advances 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".

Non-current portions of long-term inter-fund loan receivables are reported as advances within the governmental funds and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

***Capital Assets***

Capital assets, including land, buildings, improvements, infrastructure, and equipment assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$750 and an initial useful life of one year or greater. Such assets are recorded at historical cost, if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. During 2019, there was no interest to capitalize.



**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

**Assets, Liabilities and Net Position (continued)**

***Capital Assets (continued)***

Buildings, improvements, infrastructure and equipment assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u>                             | <u>Years</u> |
|---|--------------|
| Infrastructure systems                    | 35           |
| Utility plant, equipment and improvements | 40           |
| Buildings and improvements                | 10-50        |
| Improvements other than building          | 10-50        |
| Equipment and other depreciable assets    | 5-20         |

***Compensated Absences***

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Sick leave credits are not payable upon employees' termination or retirement.

For government-wide statements and proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations. There were no matured compensated absences as of September 30, 2019.

***Net Position and Fund Balance***

Net position is the result of assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Net position of the government-wide and proprietary funds are categorized as net investment in capital assets, restricted or unrestricted.

The first category represents net position related to property, plant, equipment and infrastructure reduced by depreciation and outstanding debt used to construct or purchase capital assets, and deferred inflow/outflow of resources that are attributed to the acquisition of those assets.

The restricted category represents the balance of assets restricted by requirements of revenue bonds and other externally imposed constraints or by enabling legislation in excess of the related liabilities payable from restricted assets. All remaining amounts are considered to be unrestricted.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

**Assets, Liabilities and Net Position (continued)**

***Net Position and Fund Balance (continued)***

In the fund financial statements, governmental fund balance is categorized as nonspendable, restricted, committed, assigned and unassigned. These categories are based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in fund balances can be spent.

The City's fund balance classification policies and procedures are as follows:

***Nonspendable funds*** are funds that cannot be spent because they are either not in spendable form (e.g. inventories and prepaids) or are legally or contractually required to be maintained intact.

***Restricted funds*** are funds that have constraints placed on their use either externally by creditors, grantors, contributors, laws or regulations or other governments or by law through constitutional provisions or enabling legislation.

***Committed funds*** are funds that have constraints placed on their use through the passage of a formal action by the City Commission which is the City's highest level of decision-making authority. The City Commission has the authority to set aside funds for a specific purpose and requires the passage of a resolution or ordinance. Resolutions and ordinances are considered an equally binding form of City's highest level of formal action. The passage of a resolution or ordinance must take place prior to September 30<sup>th</sup> of the applicable fiscal year but the amount can be determined at a later date. A resolution or ordinance would also be required to modify or rescind the specific use or amount.

***Assigned funds*** are funds that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. This policy hereby delegates the authority to assign amounts to be used for specific purposes to the City's Finance Director for purposes of reporting these amounts in the annual financial statements.

***Unassigned fund*** Unassigned Fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, or unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then by unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

**CITY OF GRETN, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

**Assets, Liabilities and Net Position (continued)**

***Net Position and Fund Balance (continued)***

The City will strive to maintain an economic uncertainty reserve of at least 3% of total General Fund operating expenditures (including other financing). The primary purpose of this reserve is to avoid the need for service level reductions in the event of an economic downturn causing revenue to come in lower than budget. This reserve may be increased from time to time in order to address specific anticipated revenue shortfalls.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless there are legal contracts that prohibit doing so, then unrestricted resources as they are needed. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts. This policy is in place to provide a measure of protection for the City against unforeseen circumstances and to comply with GASB Statement No. 54. No other policy or procedure supersedes the authority and provision of this policy.

***Property Taxes***

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed in October and are payable upon receipt. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by the sale of interest-bearing tax certificates and the seizure of personal property to satisfy unpaid property taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

No accruals for the property tax levy becoming due in November 2018 are included in the accompanying financial statements since the legal right to receive these taxes occurs on November 1, 2018, and such taxes are collected to finance expenditures for the fiscal year ending September 30, 2019.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

***Statement of Cash Flows***

For purposes of the statement of cash flows for proprietary fund types funds, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

**F. New Accounting Pronouncements Adopted**

The following GASB pronouncements have been issued, but are not effective as of September 30, 2019:

GASB Statement 84, Fiduciary Activities. This statement was issued January 2017 to establish criteria for identifying fiduciary activities of all state and local governments. GASB Statement 84 will be effective for the fiscal year ending September 30, 2020.

GASB Statement 87, Leases. This statement was issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement 87 will be effective for the fiscal year ending September 30, 2021.

GASB Statement 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61. Issued August 2018, the primary objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization; and to improve the relevance of financial statement information for certain component units. GASB Statement 90 will be effective for the fiscal year ending September 30, 2020.

GASB Statement 91, Conduit Debt Obligations. This statement was issued May 2019 to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB Statement 91 will be effective for the fiscal year ending September 30, 2022.

The City of Gretna will implement new GASB pronouncements no later than the required effective date. The City is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the City's financial statements.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 2. CASH, EQUITY IN POOLED CASH AND INVESTMENTS**

As of September 30, 2019, the value of the City’s deposits and investments in non-pension activities, with their respective credit ratings, were as follows:

|                            | <u>Carrying<br/>Amount</u> | <u>Credit Rating</u> | <u>Maturity</u> |
|----------------------------|----------------------------|----------------------|-----------------|
| Pooled Cash                | \$ (163,257)               | NA                   | NA              |
| Savings Cash               | 133,456                    | NA                   | NA              |
| Restricted Cash            | <u>170,906</u>             | NA                   | NA              |
| Total Cash and Investments | <u>\$ 141,105</u>          |                      |                 |

As of September 30, 2019, the City had no investments. All deposits with financial institutions are fully insured or collateralized as required by the City Commission. The deposits are also covered by federal depository insurance and, for the amount more than such federal depository insurance, by the State of Florida’s Public Deposits Act (the “Act”). Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default.

Restricted cash represents the following:

|                      |                  |
|----------------------|------------------|
| Fines and Foreitures | \$ 8,753         |
| Debt Service         | 102,469          |
| Customer deposits    | <u>59,684</u>    |
| Total                | <u>\$170,906</u> |

**NOTE 3. RECEIVABLES**

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

|                               | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>     |
|-------------------------------|------------------------------------|-------------------------------------|------------------|
| Accounts receivable           | \$ -                               | \$ 156,489                          | \$ 156,489       |
| Less: allowance for bad debts | -                                  | <u>57,859</u>                       | <u>57,859</u>    |
| Net accounts receivable       | <u>\$ -</u>                        | <u>\$ 98,630</u>                    | <u>\$ 98,630</u> |

The accounts receivable represents approximately one month’s billing for enterprise funds.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund activity balances for the City as of and for the fiscal year ended September 30 are summarized as follows:

a. Interfund transfers

|                     | <b>Governmental Activities</b> |                     | <b>Net</b> |
|---------------------|--------------------------------|---------------------|------------|
|                     | <b>Transfer-In</b>             | <b>Transfer-Out</b> |            |
| General fund        | \$ 4,188                       | -                   | \$ 4,188   |
| Transportation Fund | -                              | (4,188)             | (4,188)    |
| Net Transfer-In     | \$ 4,188                       | \$ (4,188)          | \$ -       |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authority.

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2019 was as follows:

|  | <u>Balance<br/>Oct. 1, 2018</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Balance<br/>Sept. 30, 2019</u> |
|--|---------------------------------|---------------------|------------------|-----------------------------------|
| <b>Governmental activities:</b>                                    |                                 |                     |                  |                                   |
| Capital assets not being depreciated:                              |                                 |                     |                  |                                   |
| Land   | \$ 1,436,707                    | \$ -                | \$ -             | \$ 1,436,707                      |
| <b>Total assets not being depreciated</b>                          | <u>1,436,707</u>                | <u>-</u>            | <u>-</u>         | <u>1,436,707</u>                  |
| Capital assets being depreciated:                                  |                                 |                     |                  |                                   |
| Buildings and improvements   | 910,179                         | -                   | -                | 910,179                           |
| Furniture, fixtures and equipment                                  | 1,514,018                       | -                   | -                | 1,514,018                         |
| Infrastructure   | 1,633,979                       | 368,979             | -                | 2,002,958                         |
| <b>Total capital assets being depreciated</b>                      | <u>4,058,176</u>                | <u>368,979</u>      | <u>-</u>         | <u>4,427,155</u>                  |
| Less accumulated depreciation for:                                 |                                 |                     |                  |                                   |
| Buildings and improvements   | (684,312)                       | (21,742)            | -                | (706,054)                         |
| Furniture, fixtures and equipment                                  | (599,837)                       | (8,600)             | -                | (608,437)                         |
| Improvements other than buildings                                  | (382,585)                       | (11,400)            | -                | (393,985)                         |
| <b>Total accumulated depreciation</b>                              | <u>(1,666,734)</u>              | <u>(41,742)</u>     | <u>-</u>         | <u>(1,708,476)</u>                |
| <b>Total capital assets being depreciated, net</b>                 | <u>2,391,442</u>                | <u>327,237</u>      | <u>-</u>         | <u>2,718,679</u>                  |
| <b>Governmental activities capital assets, net</b>                 | <u>\$ 3,828,149</u>             | <u>327,237</u>      | <u>\$ -</u>      | <u>4,155,386</u>                  |
| <br><b>Business-type activities:</b>                               |                                 |                     |                  |                                   |
| Capital assets being depreciated:                                  |                                 |                     |                  |                                   |
| Furniture, fixtures and equipment                                  | \$ 1,604,106                    | \$ -                | \$ -             | \$ 1,604,106                      |
| Infrastructure   | 8,750,656                       | 5,013               | -                | 8,755,669                         |
| <b>Total assets being depreciated</b>                              | <u>10,354,762</u>               | <u>5,013</u>        | <u>-</u>         | <u>10,359,775</u>                 |
| Less accumulated depreciation for:                                 |                                 |                     |                  |                                   |
| Furniture, fixtures and equipment                                  | (806,841)                       | (80,205)            | -                | (887,046)                         |
| Infrastructure   | (4,897,326)                     | (178,185)           | -                | (5,075,511)                       |
| <b>Total accumulated depreciation</b>                              | <u>(5,704,167)</u>              | <u>(258,390)</u>    | <u>-</u>         | <u>(5,962,557)</u>                |
| <b>Business-type activities capital assets, net</b>                | <u>\$ 4,650,595</u>             | <u>\$ (253,377)</u> | <u>\$ -</u>      | <u>\$ 4,397,218</u>               |
| <br>Depreciation was charged to governmental functions as follows: |                                 |                     |                  |                                   |
| General Government   | \$ 36,492                       |                     |                  |                                   |
| Public Safety  | 4,625                           |                     |                  |                                   |
| Culture and recreation   | 625                             |                     |                  |                                   |
| <b>Total</b>   | <u>\$ 41,742</u>                |                     |                  |                                   |

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 5. CAPITAL ASSETS (Continued)**

Equipment and other depreciable assets class of assets were reassessed. It was determined that the estimated useful life of this class of assets was 15 years instead of 7 years. A prior period adjustment was made for the recalculation of accumulated depreciation. Accumulated depreciation recorded prior to fiscal year 2019 should be decreased by \$98,701. Therefore, beginning net position was increased by \$98,701. The result is restating net position at June 30, 2018 from \$5,234,695 to \$5,333,396. This is considered a departure from generally accepted accounting principles in the United States.

**NOTE 6. LONG-TERM DEBT**

**Business-type Activities Long-term Debt**

***Water and Sewer Revenue Bonds, Series 1995***

On May 30, 1995, the City of Gretna issued \$800,000 of serial bonds all of which were purchased by the U.S. Department of Agriculture, Farmers Home Administration (“FMHA”). In May 1996, the FMHA increased the loan by \$276,000. Proceeds were issued for improvements to the Water and Sewer System.

*Pledged Revenues* - Net revenues of the system are pledged as collateral and retained in a “Revenue Fund” which is to be separate and apart from all other funds, for the payment of the revenue bond’s principal and interest.

*Sinking Fund* - On or before the 15th day of each month, the City is to transfer from the Revenue Fund and deposit into the “Reserve Account” which is to be held in the Sinking Fund, a sum equal to 1/12 of 1/10 of the “Maximum Bond Service Requirement”, until the amount on deposit in the Reserve Account equals the “Maximum Bond Service Requirement.” The City is following the Maximum Bond Service Requirement.

***Water and Sewer Revenue Bonds, Series 1996***

On December 10, 1992 the U. S. Department of Agriculture, Farmers Home Administration (FMHA), approved the City's \$1,530,000 (loan of \$800,000 and grant funds of \$730,000) grant and loan application for improvements to its wastewater disposal system. In connection therewith, the City entered into a purchase agreement to acquire property to extend the effluent disposal line into the southern portion of Gadsden County and purchase land for percolation ponds, and other necessary items aggregating \$100,000. FMHA's approval of the application contained several special conditions and was based upon the needs of the City together with sewer needs of a new prison that will be using the City's utilities. On May 1996, the FMHA increased the loan by \$276,000 and the grant by \$184,000. As of September 30, 2003, the City has drawn-down the entire \$800,000 from the loan and \$730,000 from the grant. As of September 30, 2019, there were no outstanding construction commitments related to the wastewater treatment disposal system.



**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 6. LONG-TERM DEBT (continued)**

*Long-term liability activity for the year ended September 30, 2019 was as follows:*

|                                 | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Payment</u>     | <u>Ending<br/>Balance</u> | <u>Due within<br/>One Year</u> |
|---------------------------------|------------------------------|------------------|--------------------|---------------------------|--------------------------------|
| <b>Governmental activities</b>  |                              |                  |                    |                           |                                |
| Laundromat                      | \$ 16,955                    | \$ -             | \$ (7,370)         | \$ 9,585                  | \$ 7,653                       |
| City Hall A/C Unit              | 54,671                       | -                | (17,343)           | 37,328                    | 18,209                         |
| Total Governmental Activities   | <u>\$ 71,626</u>             | <u>\$ -</u>      | <u>\$ (24,713)</u> | <u>\$ 46,913</u>          | <u>\$ 25,862</u>               |
| <b>Business-Type activities</b> |                              |                  |                    |                           |                                |
| Series 1995                     | \$ 475,000                   | \$ -             | \$ (22,000)        | \$ 453,000                | \$ 19,377                      |
| Series 1996                     | 169,810                      | -                | (7,160)            | 162,650                   | 6,504                          |
| Dep Loan                        | 61,547                       | -                | (2,873)            | 58,674                    | 2,873                          |
| US Tank                         | 113,456                      | -                | (37,819)           | 75,637                    | 50,425                         |
| Total Business-type Activities  | <u>\$ 819,813</u>            | <u>\$ -</u>      | <u>\$ (69,852)</u> | <u>\$ 749,961</u>         | <u>\$ 79,179</u>               |

The annual requirements to pay principal and interest on the outstanding obligations at September 30, 2019 are as follows:

|           | <b>Governmental Activities</b> |                 |                  | <b>Business Activities</b> |                   |                     |
|-----------|--------------------------------|-----------------|------------------|----------------------------|-------------------|---------------------|
|           | <u>Principal</u>               | <u>Interest</u> | <u>Total</u>     | <u>Principal</u>           | <u>Interest</u>   | <u>Total</u>        |
| 2020      | \$ 25,862                      | \$ 1,657        | \$ 27,519        | \$ 79,179                  | \$ 33,390         | \$ 112,569          |
| 2021      | 21,051                         | 522             | 21,573           | 34,346                     | 31,851            | 66,197              |
| 2022      | -                              | -               | -                | 35,959                     | 30,239            | 66,198              |
| 2023      | -                              | -               | -                | 37,648                     | 28,550            | 66,197              |
| 2024      | -                              | -               | -                | 39,417                     | 26,780            | 66,197              |
| 2025-2030 | -                              | -               | -                | 298,702                    | 118,479           | 417,181             |
| 2031-2035 | -                              | -               | -                | 224,710                    | 55,500            | 280,210             |
| Total     | <u>\$ 46,913</u>               | <u>\$ 2,179</u> | <u>\$ 49,092</u> | <u>\$ 749,961</u>          | <u>\$ 324,788</u> | <u>\$ 1,074,749</u> |

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 7. EMPLOYEE BENEFITS**

***Florida Retirement System Pension Plan General Information***

All the City's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the web site: [www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

***A. Pension Plan Description***

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

***Benefits Provided***

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 7. EMPLOYEE BENEFITS (Continued)**

***A. Pension Plan (continued) Benefits Provided***

*(continued)*

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular and Senior Management Service. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

***Contributions***

The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The City's contribution rates for the year ended September 30, 2019 were as follows:

|                             | Year Ended June 30,<br>2019 |       | Year Ended June 30,<br>2020 |       |
|-----------------------------|-----------------------------|-------|-----------------------------|-------|
|                             | FRS                         | HIS   | FRS                         | HIS   |
| Regular Class               | 6.54%                       | 1.66% | 6.75%                       | 1.66% |
| Elected City Officials      | 46.98%                      |       | 47.10%                      |       |
| Senior Management           | 22.34%                      | 1.66% | 23.69%                      | 1.66% |
| Special Risk Employee Class | 22.78%                      | 1.66% | 23.76%                      | 1.66% |
| Drop Plan Participants      | 12.37%                      | 1.66% | 12.94%                      | 1.66% |

The City's contributions, including employee contributions, to the Pension Plan totaled \$91,086 for the fiscal year ended September 30, 2019.

**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 7. EMPLOYEE BENEFITS (Continued)**

*A. Pension Plan (continued)*

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

At September 30, 2019, the City reported a liability of \$1,011,685 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportionate share of the net pension liability was based on the City's 2018-19 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2019, the City's proportionate share was .00002937589% which was a decrease of .00000112029% from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$113,498. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description   | Deferred<br>Outflow of<br>Resources | Deferred<br>Inflow of<br>Resources |
|---|-------------------------------------|------------------------------------|
| Differences between expected and actual experience                                  | \$ 60,005                           | \$ (628)                           |
| Change in assumptions   | 259,839                             | -                                  |
| Net difference between projected and actual earnings on<br>pension plan investments |                                     | (55,971)                           |
| Changes due to proportional share   | 9,701                               | (42,670)                           |
|   | <u>\$ 329,545</u>                   | <u>\$ (99,269)</u>                 |

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 7. EMPLOYEE BENEFITS (Continued)**

*A. Actuarial Assumptions*

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.60 %   |
| Salary increases          | 3.25%, average, including inflation                                |
| Investment rate of return | 6.90%, net of pension plan investment expense, including inflation |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

| Description             | Target<br>Allocation | Annual<br>Annual<br>Arithmetic<br>Return | Compound<br>Annual<br>(Geometric)<br>Return | Standard<br>Deviation |
|-------------------------|----------------------|--|---|-----------------------|
| Cash                    | 1%                   | 3.3%                                     | 3.3%  | 1.2%                  |
| Fixed Income            | 18%                  | 4.1%                                     | 4.1%  | 3.5%                  |
| Global Equity           | 54%                  | 8.0%                                     | 6.8%  | 17%                   |
| Real Estate             | 11%                  | 6.7%                                     | 6.1%  | 12%                   |
| Private Equity          | 10%                  | 11.2%                                    | 8.4%  | 25.8%                 |
| Strategic Investments   | 6%                   | 5.9%                                     | 5.7%  | 6.7%                  |
|                         | <u>100%</u>          |  |   |                       |
| Assumed inflation- Mean |                      |  | 2.6%  | 1.7%                  |

**CITY OF GRETNA, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**NOTE 7. EMPLOYEE BENEFITS (Continued)**

*A. Actuarial Assumptions (continued)*

*Discount Rate*

The discount rate used to measure the total pension liability was 6.90%. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

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

The following table demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the City’s proportionate share of the net pension liability if the discount rate was 1% higher or 1% lower than the discount rate:

|  | <b>Discount Rate<br/><u>Minus 1%</u></b> | <b>Discount Rate<br/><u>6.90%</u></b> | <b>1% Increase<br/><u>7.90%</u></b> |
|--|--|---------------------------------------|-------------------------------------|
| City's proportionate share of the<br>Net pension liability | \$931,762                                | \$941,879                             | \$951,996                           |

*Pension Plan Fiduciary Net Position*

Detailed information regarding the Pension Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

***A. Health Insurance Subsidy (HIS) Plan Description***

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

***Benefits Provided***

For the fiscal year ended September 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

***Contributions***

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 2019 and 2018, the contribution rate was 1.66% of payroll, pursuant to Section 112.363, Florida Statutes. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$14,317 for the fiscal year ended September 30, 2019.

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**CITY OF GRETN, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 7. EMPLOYEE BENEFITS (Continued)**

***B. Health Insurance Subsidy (HIS) Plan***

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

At September 30, 2018, the City reported a liability of \$234,584 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportionate share of the net pension liability was based on the City's 2018-19 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2019, the City's proportionate share was .00002096605% percent, which was a decrease of .00000061077% percent from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$14,210. In addition, the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

| Description   | Deferred<br>Outflow of<br>Resources | Deferred<br>Inflow of<br>Resources |
|---|-------------------------------------|------------------------------------|
| Differences between expected and actual experience                                  | \$ 2,849                            | \$ (287)                           |
| Change in assumptions   | 27,163                              | (19,173)                           |
| Net difference between projected and actual earnings on<br>pension plan investments | 151                                 | -                                  |
| Changes due to proportional share   | 6,927                               | (11,828)                           |
|   | \$ 36,939                           | \$ (31,288)                        |

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**CITY OF GRETN, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 7. EMPLOYEE BENEFITS (Continued)**

***B. Health Insurance Subsidy (HIS) Plan***

*Actuarial Assumptions*

The total pension liability in the July 1, 2016 and recalculated as of June 30, 2017 using a standard actuarial roll-forward technique. The following actuarial assumption applied to all periods included in the measurement were used to determine the total pension liability:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.60 %   |
| Salary increases          | 3.25%, average, including inflation                                |
| Investment rate of return | 3.50%, net of pension plan investment expense, including inflation |

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

The actuarial assumptions used to determine the total pension liability as of June 30, 2019 were based on certain results of an actuarial experience study of the FRS for the period July 1, 2013 through June 30, 2018.

***B. Health Insurance Subsidy (HIS) Plan Discount Rate***

The discount rate used to measure the total pension liability was 3.50%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 7. EMPLOYEE BENEFITS (Continued)**

*Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate*

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.58%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate:

|  | <b>Discount Rate<br/><u>Minus 1%</u></b> | <b>Discount Rate<br/><u>3.50%</u></b> | <b>Discount Rate<br/><u>Plus 1%</u></b> |
|--|--|---------------------------------------|---|
| City's proportionate share of the<br>Net pension liability | \$224,028                                | \$226,374                             | \$228,719                               |

*Pension Plan Fiduciary Net Position*

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

***General Property Taxes***

Property taxes levied in September 30, 2019 are not subject to accrual, as they are not considered available and are for the purpose of financing the budget of the 2018-2019 fiscal year. Property tax revenues recognized for the 2018-2019 fiscal year were levied September 2018. Almost all unpaid taxes are collected via the sale of tax certificates prior to fiscal year end; therefore, there were no material taxes receivable at fiscal year- end.

Key dates in the property tax cycle (latest dates where appropriate) are as follows:

|  | Revenues for Fiscal Year<br>Ended September 30, 2019 |
|--|--|
| Assessment roll certified                              | June 21, 2018  |
| Property taxes levied                                  | October 1, 2018                                      |
| Beginning of fiscal year for which taxes have assessed | October 1, 2018                                      |
| Property taxes payable: Maximum discount               | November 30, 2018                                    |
| Delinquent   | April 1, 2019  |
| Tax certificate sold on unpaid taxes                   | June 1, 2018   |

A summary of ad valorem taxes for the fiscal year ended September 30, 2019 is as follows:

|                            |    |            |        |
|----------------------------|----|------------|--------|
| Tax roll:                  |    |            |        |
| Taxable value              | \$ | 25,513,134 |        |
| Millage rate (1,000 mills) |    | 4.7362     |        |
| Tax roll:                  | \$ | 120,835    | 100%   |
| Less: Bankruptcy           |    | -          | 0.00%  |
| Uncollected                |    | -          | 0%     |
| Taxes Collected            | \$ | 120,835    | 100.0% |

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

**NOTE 8. CONTINGENCIES AND COMMITMENTS (Continued)**

***Risk Management***

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government obtained general liability insurance at a cost it considered to be economically justifiable. The government pays an annual premium for its general insurance coverage to the Florida League of Cities Florida Municipal Insurance Trust.

The government continues to carry commercial insurance for all other risks of loss, including settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The City continues to implement and monitor various risk control techniques to minimize accidents and losses to City personnel and property. The Worker's Compensation program is administered by Florida Municipal Insurance Trust.

***Litigation***

As of September 30, 2019, there exists no matters involving claims, unasserted possible claims, contingent liabilities or assessments for which there is any reasonable possibility that a City asset may be impaired or litigation incurred.

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**CITY OF GRETNA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 9. SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods.

The effect of the pandemic and CARES Act may have on future periods of the City is unknown.

The City has evaluated events and transactions for potential recognition and disclosure in the financial statements through March 1, 2022. No subsequent events have been recognized or disclosed.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF GRETNNA, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND FOR THE**  
**YEAR ENDED SEPTEMBER 30, 2019**

|   | <u>Budgeted Amounts</u> |                     | <u>Actual</u>     | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|---------------------|-------------------|---|
|   | <u>Original</u>         | <u>Final</u>        |                   |   |
| <b>REVENUES:</b>                                  |                         |                     |                   |   |
| Taxes:  |                         |                     |                   |   |
| Ad valorem  | \$ 109,583              | \$ 109,583          | \$ 120,220        | \$ 10,637   |
| Utility and other taxes                           | 65,800                  | 65,800              | 111,158           | 45,358  |
| Licenses and permits                              | 16,500                  | 16,500              | 24,629            | 8,129   |
| Intergovernmental                                 | 465,689                 | 465,689             | 463,441           | (2,248)   |
| Grants and contributions                          | 101,000                 | 101,000             | 149,744           | 48,744  |
| Charges for services                              | -                       | -                   | 775               | 775   |
| Fines and forfeitures                             | 4,500                   | 4,500               | 4,100             | (400)   |
| Contributions                                     | -                       | -                   | 178,000           | 178,000   |
| Interest income                                   | -                       | -                   | 94                | 94  |
| Miscellaneous                                     | 35,000                  | 35,000              | 278,347           | 243,347   |
| Total revenues                                    | <u>798,072</u>          | <u>798,072</u>      | <u>1,330,508</u>  | <u>532,436</u>  |
| <b>EXPENDITURES:</b>                              |                         |                     |                   |   |
| Current:  |                         |                     |                   |   |
| General government:                               |                         |                     |                   |   |
| City Commission                                   | 94,053                  | 94,053              | 102,066           | (8,013)   |
| City Management                                   | 148,418                 | 148,418             | 153,705           | (5,287)   |
| Legal   | 76,880                  | 76,880              | 96,739            | (19,859)  |
| Finance   | 260,496                 | 260,496             | 231,655           | 28,841  |
| Total Government                                  | <u>579,847</u>          | <u>579,847</u>      | <u>584,165</u>    | <u>(4,318)</u>  |
| Public Safety                                     |                         |                     |                   |   |
| Police Department                                 | 412,496                 | 412,496             | 349,497           | 62,999  |
| Inspection  | 17,750                  | 17,750              | 8,143             | 9,607   |
| Total Public Safety                               | <u>430,246</u>          | <u>430,246</u>      | <u>357,640</u>    | <u>72,606</u>   |
| Parks and Recreation                              |                         |                     |                   |   |
| Physical Environment                              | 124,000                 | 124,000             | 36,754            | 87,246  |
| Others  | 7,000                   | 7,000               | 14,150            | (7,150)   |
| Others  | 112,731                 | 112,731             | 597,473           | (484,742)   |
| Total Expenditures                                | <u>1,253,824</u>        | <u>1,253,824</u>    | <u>1,590,182</u>  | <u>(336,358)</u>  |
| Excess (deficiency) revenues<br>over expenditures | (455,752)               | (455,752)           | (259,674)         | (196,078)   |
| <b>OTHER FINANCING SOURCES (USES):</b>            |                         |                     |                   |   |
| Loan proceeds                                     |                         |                     |                   |   |
| Transfers in                                      | 330372                  | 330372              | 4188              | -   |
| Transfers out                                     | -                       | -                   | (4,188)           | -   |
| Total other financing sources (uses)              | <u>330372</u>           | <u>330372</u>       | <u>-</u>          | <u>-</u>  |
| Net change in fund balances                       | <u>\$ (125,380)</u>     | <u>\$ (125,380)</u> | <u>\$ 189,892</u> | <u>\$ (196,078)</u>   |
| Fund balances, beginning -as restated             |                         |                     | (652,733)         |   |
| Fund balances, beginning ending                   |                         |                     | <u>(462,841)</u>  |   |

See notes to budgetary comparison schedule.



**CITY OF GRETNA, FLORIDA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

The following procedures are used to establish the budgetary data reflected in the financial statements:

***Budgetary Information***

Annual appropriated budgets are adopted for the general fund and fire rescue special revenue fund on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except for encumbrances, which are reported as expenditures for budgetary purposes. A reconciliation of GAAP to the budgetary basis is shown below. In addition, the City prepares annual operating budgets for the enterprise funds.

During the month of July each year, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing October 1. This budget includes proposed expenditures as well as the expected means of financing them. The Commission holds public hearings and a final budget must be prepared and adopted no later than October 1.

The appropriated budget is prepared by fund, function and department. The City Manager is authorized to transfer budgeted line items within a department classification; however, any revisions that alter the department totals must be approved by the City Commission. Therefore, the department level is the legal level of budgetary control. Budgeted amounts are as originally adopted or as amended. Individual type amendments were not material in relation to the original appropriations.

Encumbrance accounting is employed in governmental funds. All unencumbered appropriations lapse at year end and are budgeted in the next fiscal year.

***Excess of Expenditure over Appropriations***

Expenditures exceeded the budget in the General fund for the fiscal year ended September 30, 2019, at the following department level, which is the legally controlled level of appropriations:

|                      | <u>Budget</u> | <u>Actual</u> | <u>Amount in Excess of<br/>Final Budget</u> |
|----------------------|---------------|---------------|---|
| General Fund:        |               |               |   |
| City Commission      | \$ 94,053     | \$ 102,066    | \$ (8,013)                                  |
| City Management      | 148,418       | 153,705       | (5,287)                                     |
| Legal                | 76,880        | 96,739        | (19,859)                                    |
| Physical Environment | 7,000         | 14,150        | (7,150)                                     |

**CITY OF GRETNA, FLORIDA  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

*Excess of Expenditure over Appropriations (continued)*

The over-expenditures resulted from the following:

- City Management Unanticipated increase in health insurance and retirement cost.
- Finance: Unanticipated cost for repair and maintenance for City Hall Building.
- Legal: Unanticipated legal cost related to lien foreclosures for code enforcement cases.
- Physical Environment unanticipated expenses related to post Hurricane Michael repairs.

*Budget/GAAP Reconciliation*

There are no reconciling items between GAAP and Budget.

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## **COMPLIANCE SECTION**

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**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**

*Independent Auditor's Report*

To The Honorable Mayor and City Commission  
*City of Gretna, Florida*

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gretna, Florida (City of Gretna) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Gretna's basic financial statements, and have issued our report thereon dated March 1, 2022.

***Internal Control over Financial Reporting***

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the following deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2019-001, 2019-002 and 2019-005.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Gretna's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The City of Gretna's Response to Findings**

The City of Gretna's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Gretna'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.

Miami, Florida  
March 1, 2022

*BCA Watson Rice LLP*

**CITY OF GRETNA, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**2019-001**

**Section II: Financial Statement Findings**

**Finding 2019-001 – Account reconciliations to the accounting system**

***Condition:***

Management's reconciliation and supporting schedules do not agree to the trial balance. Management performs the reconciliations but does not record results in the accounting system. Significant accounts not reconciled to the trial balance include cash, capital assets, debt, pension, and related deferral accounts more than sixteen months after the balance sheet date.

***Criteria:***

Per the United States General Accounting Office, Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. Transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records. In addition, control activities help to ensure that all transactions are completely and accurately recorded.

***Cause:***

Management has not adopted nor implemented policies that would include appropriate control activities to ensure timely and accurate reporting of financial records.

***Effect:***

The financial accounting system has inaccurate data. Management's use of information generated from the accounting system may lead to poor decision making, inaccurate financial reporting, and an inability to catch errors, fraud, or misappropriations promptly.

***Recommendation:***

We recommend management implement internal control policies containing activities that allow for the reconciliation of all accounts within the accounting system on at least a monthly basis. The reconciliations should be performed, reviewed, approved, and recorded by individuals with the necessary skill set to determine the accuracy of the information provided.

***Management's Response:***

Management accepts the finding. The City has developed an internal control policies. The result of those policies will be noted in the Fiscal Year 2020 and beyond financial audits.

**Finding 2019-002 – Internal Control Over Financial Reporting**

***Condition:***

During the audit process, we noted there is not sufficient review over the period-end financial reporting process. Further, the financial statements provided by the entity did not agree to the adjusted trial balance. The significant time taken to reconcile accounts and the number of accounts left unreconciled evidence lack of monitoring of the results of operations.

**CITY OF GRETNA, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

***Criteria:***

Per the United States General Accounting Office, the entity must implement a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. For the entity to have effective internal control over financial reporting including entity-level controls to monitor the results of operations and controls over the period-end financial reporting process.

***Cause:***

The City does not have the resources to effectively review financial information on an ongoing basis and facilitate additional oversight of the financial reporting process.

***Effect:***

Management produces financial statements that are incorrect or misleading. Users of the financial statements may make decisions based on inaccurate reports.

***Recommendation:***

We recommend the City employ additional oversight over the financial reporting process and implement internal control policies which contain activities designed to maintain a system of internal control over financial reporting as a formal system of checks and balances, monitored by management and the City Commission to ensure the financial statements and related reports produced by the City are free of material misstatement and significant errors.

***Management's Response:***

Management accepts the finding. The City has hired a CPA firm to evaluate and make recommendations to management on policy and process improvements. The CPA firm will provide services until such time as the City has internal resources to produce audit quality financial statements. Management is able to provide accurate financial reports to internal users.

**Finding 2019-003 – Timely Submission of Audit Reports**

***Condition:***

The City has not submitted audit reports in accordance with the requirements of the Florida Auditor General.

***Criteria:***

Per Section 218.39(7), Florida Statutes, and Section 10.558(4), Rules of the Auditor General, the audit report must be submitted no later than 9 months after the City's fiscal year-end.

***Cause:***

The City is unable to reconcile books and records on a timely basis.

***Effect:***

Noncompliance with state and local requirements for local governments may result in fines or penalization including loss of funding to the City.

***Recommendation:***

We recommend the City employ personnel with skills, knowledge, and expertise, to facilitate timely reconciliation and accurate reporting of financial activity occurring during each fiscal period.



**CITY OF GRETNA, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

***Management's Response***

Management agrees with the finding and is committed to have all outstanding audits completed on or before June 30, 2022.

**Finding 2019-004 – Improper interfund transfers**

The City reports interfund transfers out of the general fund and the special revenue fund of \$17,438 and 4,188, respectively. However, the transfers out have no corresponding transfer-in to any other fund.

***Criteria***

Accounting guidance included in GASB 34, states that interfund transfer activity should be reported separately in the fund financial statements and generally should be eliminated in the aggregated government-wide financial statements.

***Cause:***

Management was unaware of the proper method of recording transfer activity in the financial records.

***Effect:***

Lack of transparency and consistency and potential for material misstatements throughout various financial statement lines including cash.

***Recommendation:***

We recommend management regularly and consistently monitor and review financial activity with individuals with adequate skills, knowledge, and expertise and make adjustments timely to accurately reflect the financial activity which occurs.

***Management's Response:***

Management agrees with the finding and will with the help of the contract CPA firm will strengthen policies and practices to prevent future occurrences.

**Finding 2019-005 – Improper Accounting for change in accounting estimate**

***Finding:***

Assessment of long-lived assets resulted in a class of assets moving from 7 years depreciation to 15 years depreciation. The assessment resulted in a \$98,701 adjustment to the beginning balance of the water and sewer fund.

***Criteria:***

A change in the estimated useful life or salvage value of a long-lived asset is a change in accounting estimate and should be accounted for prospectively in the period of change and future periods in accordance with ASC 250-10.

**CITY OF GRETNA, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

***Cause:***

Management was unaware of the proper method of recording a change in accounting estimates in the financial records.

***Effect:***

The financial statements are inconsistent with GAAP and inaccurately report the net position of the proprietary funds.

***Recommendation:***

We recommend the City evaluate all capital assets and document the useful life and the rationale for any necessary changes to the useful life. If an adjustment is deemed necessary, document the amount of the adjustment and record prospectively in the period of change and future periods.

***Management's Response:***

Management accepts the finding and will work with the contract CPA firm to evaluate the city's assets to confirm that the assets and the associated values are recorded in accordance with GAAP.

**CITY OF GRETNA, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019  
SUMMARY OF PRIOR YEAR FINDINGS**

**2018-001 – Account reconciliations to the accounting system**

***Condition:***

Management's reconciliation and supporting schedules do not agree to the trial balance. Management performs the reconciliations but does not record results in the accounting system. Significant accounts not reconciled to the trial balance include cash, capital assets, debt, pension, and related deferral accounts more than sixteen months after the balance sheet date.

***Current Year Status:***

Condition noted in the current year. See finding 2019-001

**Finding 2018-002 – Internal Control Over Financial Reporting**

***Condition:***

The financial statements provided by the entity did not agree to the adjusted trial balance.

***Current Year Status:***

Condition noted in the current year. See finding 2019-002

**Finding: 2017-001 – Journal entries posted later than the 15<sup>th</sup> of the proceeding month.**

***Criteria:***

Per the entity's Accounting and Finance Manual, all journal entries must be inputted by the 15<sup>th</sup> of the proceeding month.

***Condition and Context:***

Nine of sixty journal entries were inputted after the 15<sup>th</sup> of the proceeding month.

***Current Year Status:***

Condition noted in the current year. See finding 2018-001

**Finding 2017-002: One credit card proceeds was not traced to the bank statement.**

***Criteria:***

Per the entity's Accounting and Finance Manual, monthly bank reconciliations should be done monthly and enable the users to trace the cash receipts including the credit card proceeds.

***Condition and Context:***

One of five credit card receipts tested couldn't be traced to the bank statements.

***Current Year Status:***

Condition not noted in the current year.

**CITY OF GRETN, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019  
SUMMARY OF PRIOR YEAR FINDINGS**

**Finding 2017-003: No purchase orders provided for certain cash disbursement selections.**

***Criteria:***

As part of best practices, management should follow the monitoring requirements of the Committee of Sponsoring Organizations (COSO) framework. The framework requires adequate control over the processing of transactions to prevent and detect misstatements.

***Condition and Context:***

Twenty-nine of sixty selections did not include a purchase order in the support documents provided by management.

***Current Year Status:***

Condition noted in the current year. See finding 2018-002.

**Finding 2017-004: Missing documentation.**

***Criteria:***

As part of best practices recommended by the Committee of Sponsoring Organizations (COSO) framework, management should require adequate control over the processing of transactions to prevent and detect misstatements on a timely basis.

***Condition and Context:***

1. Long term debt

- a.) Beginning balances don't match the prior year's schedules and audited financial statements.
- b.) Ending balances don't match the trial balance and amortization schedules.
- c.) Revenue reports were not provided for Reserve Account/Sinking Fund for compliance testing.

2. Fixed assets schedule

- a.) Beginning balances don't match the ending balances of the prior year's audited financial statements.
- b.) Includes footing errors. We could not verify the accuracy of the fixed asset schedule for the year ended 2017.

***Current Year Status:***

Condition repeated in the current year. See finding 2018-001

**Finding 2016-002: Disbursement Controls**

***Criteria:***

As part of best practices established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), Integrated Framework, management should follow established procedures when disbursing funds. The framework requires adequate control over the processing of transactions to prevent and detect misstatements on a timely basis.

**CITY OF GRETNA, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019  
SUMMARY OF PRIOR YEAR FINDINGS**

***Condition and Context:***

For nineteen checks selected out of sixty-three management did not provide the supporting documentation as requested. Further, for four other samples, the documents submitted showed that the controls were not working as intended by management.

***Current Year Status:***

Condition repeated in the current year. See finding 2018-001.

**Finding IC-2016-003: Internal Controls Over Financial Reporting**

***Criteria:***

Management must maintain a system of internal control over financial reporting as a formal system of checks and balances, monitored by management and the City Commission to ensure the financial statements and related reports produced by the City are free of material misstatement and significant errors.

***Condition and Context:***

The financial statements and related documents provided did not agree with the City's accounting records, contained a significant number of computation errors and formatting errors, and several areas were not updated at all.

***Current Year Status:***

Condition repeated in the current year. See finding 2018-001.

Honorable Mayor and Members of the City Commission  
City of Gretna, Florida

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

We have audited the financial statements of the City of Gretna, Florida (the "City"), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated March 1, 2022.

### **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' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C section 315, regarding the compliance requirements in accordance with Chapter 10.550 Rules of the Auditor General. Disclosures in those reports, which are dated March 1, 2022, 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 prior findings listed have not been corrected. 2018-001, 2018-002, 2017-001, 2017-003, 2017-004, 2016-002 and 2016-003.

### **Official Title and Legal Authority**

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

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. Such recommendations are noted in item ML-001 attached to this letter.

### **Additional Matters**

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

**Purpose of this Letter**

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

Miami, Florida  
March 1, 2022

*BCA Watson Rice LLP*

**CITY OF GRETNA, FLORIDA**  
Management Letter  
Fiscal Year Ended September 30, 2019

This letter includes follow-up comments and suggestions concerning matters that came to our attention in connection with our audit of the financial statements of the City of Gretna for the year ended September 30, 2019. These items were offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the City's practices and procedures.

**I. CURRENT YEAR RECOMMENDATIONS**

**ML-2019-001 Water and Sewer Net Revenues**

***Comment***

The bonds of the City are to be paid via the net revenues of the water and sewer funds. It was noted the water and sewer fund generated a net loss of (\$238,422). The current net revenue generated is insufficient to pay the next year's debt and the reserve may need to be utilized. Recurring losses in this fund may result in the City becoming unable to pay obligations and debts as they become due and result in a deteriorating financial condition to the City.

***Recommendation***

Based on the bond documents, the City shall reevaluate rates and fees and review the budget annually to determine the fund is operating at a sufficient level to generate net revenue from which the bonds shall be paid.

**ML-2019-002 Fixed Assets Register**

***Comment***

The City does not maintain a complete fixed assets register that is reconciled to the general ledger. Each year's activity is maintained using an excel spreadsheet prepared by management.

***Recommendation***

We recommended that the City implement a process to identify and reconcile all fixed assets to the general ledger. We also recommended that the City evaluate all assets to determine if any impairment exists and accuracy and existence of all assets held.

Recommendation

**II. STATUS OF PRIOR YEARS' RECOMMENDATIONS**

**2014-01-ML Implement Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s Internal Control Framework**

***Comment and Recommendation***

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) has updated its *Internal Control-Integrated Framework (Framework)* originally released in 1992. The original framework has gained broad acceptance and is widely used around the world. It is recognized as a leading framework for designing, implementing, and conducting



**CITY OF GRETNA, FLORIDA**

Management Letter

Fiscal Year Ended September 30, 2019

internal control and assessing the effectiveness of internal control. COSO believes the *Framework* will enable organizations to effectively and efficiently develop and maintain systems of internal control that can enhance the likelihood of achieving the entity's objectives and adapt to changes in the business and operating environments.

Federal Managers' Financial Integrity Act (FMFIA) requires that federal agency executives periodically review and annually report on the agency's internal control systems. FMFIA requires the Comptroller General to prescribe internal controls standards. These internal control standards, first issued in 1983, present the internal control standards for federal agencies for both program and financial management.

On September 10, 2014, the Government Accountability Office (GAO) issued its revision of *Standards for Internal Control in the Federal Government* described as the "Green Book", which was adopted from the Framework and is now required of federal financial managers.

The Green Book may also be adopted by the state, local, and quasi-governmental entities, as well as not-for-profit organizations, as a framework for an internal control system.

This updated Framework is now considered "best practice" for designing, implementing, conducting, and assessing internal controls. The American Institute of Certified Public Accountants has issued guidance that can be used for the implementation of COSO (see attached), as well as the Government Finance Officers' Association (GFOA), has issued a publication (available in "E-Book" as well as paper versions) designed to help understand and implement this framework.

We urged the City to consider adopting and implementing this COSO framework.

**CITY OF GRETNA, FLORIDA**  
Management Letter  
Fiscal Year Ended September 30, 2019

**I. CURRENT YEAR RECOMMENDATIONS (Continued)**

**2014-01-ML     Implement Committee of Sponsoring Organizations of the  
Treadway Commission (COSO's) Internal Control Framework  
(continued)**

***Current Year Status***

The condition still exists. See finding 2018-002

***Management's Response***

The City has adopted but has not fully implemented COSO Framework and related Green Book as a guide for best practices on internal control environments. The City expects full implementation in the current year.

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF  
SECTION 218.415 FLORIDA STATUTES**

Honorable Mayor and Members of the City Commission  
City of Gretna, Florida

We have examined the City of Gretna, Florida ("the City")'s compliance with the requirements of Section 218.415 Florida Statutes during the period of October 1, 2018 to September 30, 2019. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

Our examination does not provide a legal determination on the City's compliance with specified requirements. In our opinion, the City complied, in all material respects, with the requirements of Section 218.415 Florida Statutes during the period of October 1, 2018 to September 30, 2019.

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

Miami, Florida  
March 1, 2022

*BCA Watson Rice LLP*