

2019

City of Neptune Beach, Florida

Financial Statements
and Independent Auditor's Report

September 30, 2019

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

CITY OF NEPTUNE BEACH, FLORIDA

SEPTEMBER 30, 2019

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

CITY OF NEPTUNE BEACH, FLORIDA

SEPTEMBER 30, 2019

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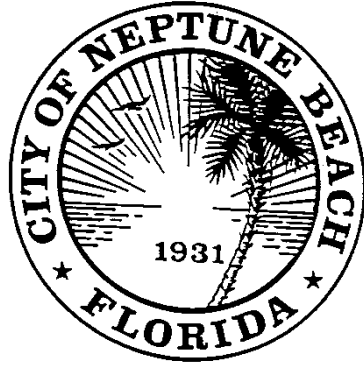
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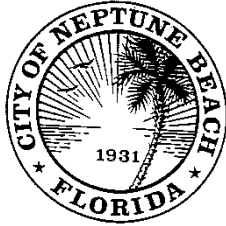
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Introductory Section

Annual Financial Report



City of Neptune Beach, Florida

Principal Officials

(As of September 30, 2019)

Elected Officials

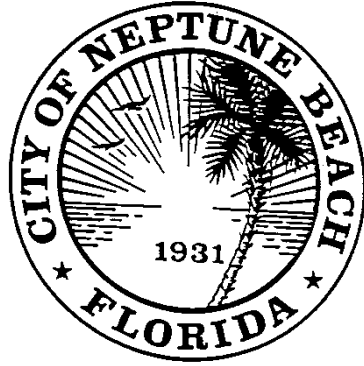
Elaine Brown - Mayor
Fred Jones – Vice Mayor
Scott Wiley - Councilor
Josh Messinger - Councilor
Kerry Chin - Councilor

City Council Appointed Officials

Leon Smith– Interim City Manager
Zachary Roth - City Attorney
Catherine Ponson - City Clerk

Appointed by City Manager/Confirmed by City Council

Richard J. Pike - Director of Public Safety
Peter Kajokas- Director of Finance



Financial Section

Annual Financial Report

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Councilors, and City Manager
City of Neptune Beach, Florida
Neptune Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Neptune Beach, Florida, (the City), 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 Responsibilities for the Financial Statements

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

Auditor's Responsibility

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Gainesville | Ocala | Tallahassee | Sarasota | Orlando

purvisgray.com

*Members of American and Florida Institutes of Certified Public Accountants
An Independent Member of the BDO Alliance USA.*

Honorable Mayor, City Councilors, and City Manager
City of Neptune Beach, Florida
Neptune Beach, Florida

INDEPENDENT AUDITOR'S REPORT

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 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 required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 (RSI) in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major fund financial statements, and schedule of expenditures of the City of Jacksonville grant funds per Ordinance Code Chapter 118.205(e), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

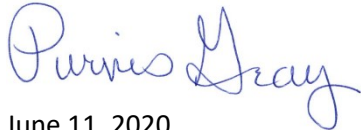
The combining and individual non-major fund financial statements and the schedule of expenditures of the City of Jacksonville grant funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Honorable Mayor, City Councilors, and City Manager
City of Neptune Beach, Florida
Neptune Beach, Florida

INDEPENDENT AUDITOR'S REPORT

Other Reports Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report, dated June 11, 2020, 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 the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Purvis Gray". The signature is written in a cursive style with a large initial "P".

June 11, 2020
Gainesville, Florida

Management's Discussion and Analysis

(Unaudited)

As management of the City of Neptune Beach (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of fiscal year 2019 by \$21,011,000 (net position). The net position of the City increased by \$2,626,000.
- At September 30, 2019, the City's governmental funds reported combined ending fund balances of \$3,508,387, an increase of \$739,863 in comparison with the prior year.
- At September 30, 2019, unassigned fund balance for the General Fund was \$2,289,290 or 41.2% of total General Fund expenditures.
- General fund revenues increased by \$337,054 or 5.93% above the prior fiscal year due to an increase in property taxes, and an increase in intergovernmental revenues related to FEMA reimbursements.
- The City's outstanding notes payable and bonded debt decreased by \$804,619 or 16.65% during fiscal year 2019. This decrease was due to normal debt payments made during the fiscal year.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include water and sewer, sanitation, stormwater, and paid parking. The government-wide financial statements can be found on pages 12 - 13 of this report.

Management's Discussion and Analysis

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the better Jacksonville half-cent tax fund, which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all funds. Budgetary comparison schedules have been provided for all governmental funds to demonstrate compliance with budget.

Proprietary Funds

The City maintains four proprietary or enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The City uses enterprise funds to account for its water and sewer fund, the sanitation fund, stormwater fund, and the paid parking fund.

Proprietary funds provide the same type information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and the sanitation fund, considered to be major funds of the City and the stormwater fund and the paid parking fund are reported as a non-major funds. The basic proprietary fund financial statements can be found on pages 18 - 20 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City (e.g., pension beneficiaries). Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary financial statements can be found on pages 22 - 23 of this report.

Management's Discussion and Analysis

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 50 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide the Police Officers pension benefits and other post-employment benefits. Required supplementary information can be found on pages 51-59 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on the pension. Combining and individual fund statements and schedules can be found on pages 60-73 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$21,011,000 at the close of the fiscal year ended September 30, 2019.

City of Neptune Beach's Net Position September 30, 2019 (In Thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|-------------------------|-----------------|--------------------------|------------------|------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and Other Assets | \$ 3,915 | \$ 3,351 | \$ 3,341 | \$ 3,194 | \$ 7,256 | \$ 6,545 |
| Capital Assets | 4,899 | 4,853 | 15,759 | 14,897 | 20,658 | 19,750 |
| Total Assets | <u>8,814</u> | <u>8,204</u> | <u>19,100</u> | <u>18,091</u> | <u>27,914</u> | <u>26,295</u> |
| Deferred Outflows | 729 | 642 | 20 | 0 | 749 | 642 |
| Long-Term Liabilities Outstanding | 1,547 | 1,769 | 3,837 | 4,455 | 5,384 | 6,224 |
| Other Liabilities | 662 | 732 | 1,445 | 1,389 | 2,107 | 2,121 |
| Total Liabilities | <u>2,209</u> | <u>2,501</u> | <u>5,282</u> | <u>5,844</u> | <u>7,491</u> | <u>8,345</u> |
| Deferred Inflows | 151 | 207 | 10 | 0 | 161 | 207 |
| Net Position | | | | | | |
| Net Invested in Capital Assets | 4,899 | 4,854 | 11,658 | 10,562 | 16,557 | 15,416 |
| Restricted | 1,020 | 766 | 386 | 345 | 1,406 | 1,111 |
| Unrestricted | 1,264 | 518 | 1,784 | 1,340 | 3,048 | 1,858 |
| Total Net Position | <u>\$ 7,183</u> | <u>\$ 6,138</u> | <u>\$ 13,828</u> | <u>\$ 12,247</u> | <u>\$ 21,011</u> | <u>\$ 18,385</u> |

The largest portion of the City's net position \$16,557,000 (78.9%) reflects its investment in capital assets (e.g., land, buildings, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in 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.

Management's Discussion and Analysis

Government-wide Financial Analysis (Concluded)

A portion of the City's net position, \$1,406,000 (6.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the net position, \$3,048,000 (14.5%) represents unrestricted net position. At the end of the current fiscal year, the City is able to report positive balances in total net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The 2019 governmental activities unrestricted net position balance increased \$746,000 compared to the prior year.

Following is a summary of activities for the City during the fiscal years ended September 30, 2019 and 2018:

City of Neptune Beach's Change in Net Position (In Thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-----------------|--------------------------|------------------|------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 429 | \$ 426 | \$ 6,698 | \$ 6,573 | \$ 7,127 | \$ 6,999 |
| Operating Grants and Contributions | 1,248 | 983 | 0 | 0 | 1,248 | 983 |
| Capital Grants and Contributions | 36 | 35 | 156 | 0 | 192 | 35 |
| General Revenues: | | | | | | |
| Property Taxes | 2,846 | 2,636 | 0 | 0 | 2,846 | 2,636 |
| Sales and Use Taxes | 803 | 791 | 0 | 0 | 803 | 791 |
| Franchise and Utility Taxes | 621 | 637 | 0 | 0 | 621 | 637 |
| Discretionary Sales Surtax | 516 | 498 | 0 | 0 | 516 | 498 |
| State Revenue Sharing | 206 | 199 | 0 | 0 | 206 | 199 |
| Interest Revenue | 50 | 43 | 49 | 34 | 99 | 77 |
| Miscellaneous | 278 | 255 | 0 | 0 | 278 | 255 |
| Total Revenues | 7,033 | 6,503 | 6,903 | 6,607 | 13,936 | 13,110 |
| Expenses | | | | | | |
| General Government | 1,139 | 1,298 | 0 | 0 | 1,139 | 1,298 |
| Public Safety | 3,383 | 3,299 | 0 | 0 | 3,383 | 3,299 |
| Public Works | 1,064 | 1,307 | 0 | 0 | 1,064 | 1,307 |
| Culture and Recreation | 497 | 439 | 0 | 0 | 497 | 439 |
| Water and Sewer | 0 | 0 | 3,406 | 3,530 | 3,406 | 3,530 |
| Sanitation | 0 | 0 | 1,454 | 1,450 | 1,454 | 1,450 |
| Stormwater | 0 | 0 | 342 | 272 | 342 | 272 |
| Paid Parking | 0 | 0 | 25 | 0 | 25 | 0 |
| Total Expenses | 6,083 | 6,343 | 5,227 | 5,252 | 11,310 | 11,595 |
| Net Increase (Decrease) In Net Position Before Transfers | 950 | 160 | 1,676 | 1,355 | 2,626 | 1,515 |
| Transfers | 95 | 176 | (95) | (176) | 0 | 0 |
| Increase (Decrease) in Net Position | 1,045 | 336 | 1,581 | 1,179 | 2,626 | 1,515 |
| Net Position – Beginning | 6,138 | 5,802 | 12,247 | 11,068 | 18,385 | 16,870 |
| Net Position – Ending | \$ 7,183 | \$ 6,138 | \$ 13,828 | \$ 12,247 | \$ 21,011 | \$ 18,385 |

Management's Discussion and Analysis

Governmental Activities

Governmental activities increased the City's net position by \$1,045,000 accounting for a 17.0% increase in governmental net position.

Business-type Activities

Business-type activities increased the City's net position by \$1,581,000, accounting for a 12.9% increase in business-type activities net position.

Overall Financial Position

The overall financial position of the City has improved by \$2,602,000, thereby accounting for a total increase in net position of 14.2%. This was attributable to the explanations given above for the governmental and business-type activities.

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 *spendable resources*. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of fiscal year 2019, the City's governmental funds reported combined ending fund balances of \$3,508,387, an increase of \$739,863 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of fiscal year 2019, unassigned fund balance of the general fund was \$2,289,290. Unassigned fund balance represents 41.3% of the total general fund expenditures and transfers out. The fund balance of the City's general fund increased by \$498,361 during the current fiscal year.

A special revenue fund is used to account for the City's share of revenue obtained from the Better Jacksonville Half-cent Sales Surtax. The net increase in fund balance during the current year for this fund was \$295,327.

Non-major governmental funds consisting of special revenue funds have a combined fund balance of \$300,895. The net decrease in fund balance during the current year in non-major governmental funds was \$53,825.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position in the proprietary funds at the end of the year amounted to \$1,784,895.

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$20,658,902 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 4.5%.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|-----------------|--------------------------|------------------|------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Capital Assets not Being Depreciated, Land, and Construction in Progress | \$ 138 | \$ 161 | \$ 165 | \$ 132 | \$ 303 | \$ 293 |
| Buildings and Other Improvements | 4,406 | 4,366 | 14,262 | 13,917 | 18,668 | 18,283 |
| Equipment | 355 | 327 | 1,332 | 847 | 1,687 | 1,174 |
| Total | \$ 4,899 | \$ 4,854 | \$ 15,759 | \$ 14,896 | \$ 20,658 | \$ 19,750 |

Additional information on the City of Neptune Beach's capital assets can be found in Note 5 on pages 37-38 of this report.

Long-term Debt

At the end of fiscal year 2019, the City had total bonded debt outstanding of \$4,029,137. The City's debt represents bonds, Florida Department of Environmental Protection loans, and Bank loans secured solely by specified revenue sources (i.e., revenue bonds).

City of Neptune Beach's Outstanding Debt **General Obligation, Revenue Bonds, and SRF Loans** (In Thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------|-------------------------|-------------|--------------------------|-----------------|-----------------|-----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenue Bonds | \$ 0 | \$ 0 | \$ 190 | \$ 375 | \$ 190 | \$ 375 |
| Sewer Line Loan | 0 | 0 | 2,615 | 2,865 | 2,615 | 2,865 |
| State Revolving Fund Loans | 0 | 0 | 1,224 | 1,594 | 1,224 | 1,594 |
| Total | \$ 0 | \$ 0 | \$ 4,029 | \$ 4,834 | \$ 4,029 | \$ 4,834 |

Management's Discussion and Analysis

Long-Term Debt (Concluded)

The City's total debt decreased by \$804,619 (16.6%) during the current fiscal year. This decrease was due to normal debt payments made during the fiscal year.

Under Florida Statutes, no debt limit margin is placed on local governments.

Additional information on the City's long-term debt can be found in Note 6 on pages 38 - 41 of this report.

Economic Factors and Next Year's Budgets and Rates

The State of Florida, by constitution, does not have a state personal income tax and, therefore, the State operates primarily using sales, gasoline, and corporate income taxes. Local governments (cities, counties, and school boards) primarily rely on property and a limited array of permitted other taxes (sales, gasoline, utilities services, etc.) and fees (franchise, occupational license, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one time) grants from both state and federal governments.

Other Economic Factors:

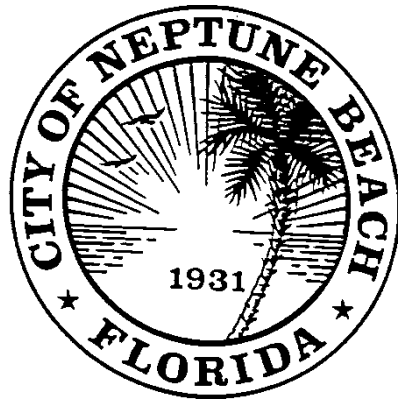
- The unemployment rate for the municipal service area is 3.2%. This compares favorably with the state's average unemployment rate and the national average unemployment rate.
- Inflationary trends in the region compare favorably to national indices.

Budget Highlights:

- The City adopted the ad valorem tax rate of 3.3656 mills for its millage rate this budget year. The prior year rate was 3.3656 mills.

Requests for Information

This financial report is designed to provide a general overview of the City of Neptune Beach's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Neptune Beach, Finance Department Director, 116 First Street, Neptune Beach, Florida 32266.



Basic Financial Statements

Annual Financial Report

STATEMENT OF NET POSITION
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 3,263,850 | \$ 2,128,969 | \$ 5,392,819 |
| Equity in Pooled Investments | 140,257 | - | 140,257 |
| Accounts Receivable | - | 495,151 | 495,151 |
| Due from Other Governments | 348,912 | - | 348,912 |
| Internal Balances | 162,000 | (162,000) | - |
| Restricted Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | - | 878,955 | 878,955 |
| Capital Assets: | | | |
| Land | 37,861 | - | 37,861 |
| Construction in Progress | 99,710 | 165,197 | 264,907 |
| Buildings | 4,938,152 | 3,347,870 | 8,286,022 |
| Improvements Other than Buildings | 3,372,544 | 23,706,572 | 27,079,116 |
| Equipment | 3,142,600 | 5,272,527 | 8,415,127 |
| (Accumulated Depreciation) | (6,691,218) | (16,732,913) | (23,424,131) |
| Total Assets | 8,814,668 | 19,100,328 | 27,914,996 |
| Deferred Outflows of Resources | | | |
| Pension Related | 685,610 | - | 685,610 |
| OPEB Related | 43,274 | 19,748 | 63,022 |
| Total Deferred Outflows of Resources | 728,884 | 19,748 | 748,632 |
| Liabilities | | | |
| Accounts Payable and Accrued Liabilities | 306,640 | 249,697 | 556,337 |
| Unearned Revenue | 65,443 | 2,478 | 67,921 |
| Deposits | 24,286 | - | 24,286 |
| Due to Other Governments | 10,263 | - | 10,263 |
| Compensated Absences - Current | 255,586 | 92,608 | 348,194 |
| Payable from Restricted Assets: | | | |
| Deposits | - | 271,804 | 271,804 |
| Accrued Interest Payable | - | 15,970 | 15,970 |
| Current Portion of Leases Payable | - | 81,021 | 81,021 |
| Current Portion of Bonds Payable | - | 95,000 | 95,000 |
| Current Portion of Loans Payable | - | 636,037 | 636,037 |
| Non-Current Liabilities: | | | |
| Compensated Absences - Non-Current | 109,134 | 54,213 | 163,347 |
| Leases Payable Long-Term | - | 212,250 | 212,250 |
| Bonds Payable Long-Term | - | 95,000 | 95,000 |
| Loans Payable Long-Term | - | 3,203,100 | 3,203,100 |
| OPEB Liability | 596,982 | 272,427 | 869,409 |
| Net Pension Liability | 840,837 | - | 840,837 |
| Total Liabilities | 2,209,171 | 5,281,605 | 7,490,776 |
| Deferred Inflows of Resources | | | |
| Pension Related | 130,041 | - | 130,041 |
| OPEB Related | 20,992 | 9,580 | 30,572 |
| Total Deferred Inflows of Resources | 151,033 | 9,580 | 160,613 |
| Net Position | | | |
| Net Investment in Capital Assets | 4,899,649 | 11,657,735 | 16,557,384 |
| Restricted for: | | | |
| Capital Projects | 933,408 | - | 933,408 |
| Debt Service | - | 315,831 | 315,831 |
| Renewal and Replacement | - | 70,430 | 70,430 |
| Other Purposes | 86,398 | - | 86,398 |
| Unrestricted | 1,263,893 | 1,784,895 | 3,048,788 |
| Total Net Position | \$ 7,183,348 | \$ 13,828,891 | \$ 21,012,239 |

See accompanying notes.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

| Function/Program Activities | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-Type Activities | |
| Primary Government | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 1,139,154 | \$ 252,237 | \$ 397,976 | \$ - | \$ (488,941) | \$ - | \$ (488,941) |
| Public Safety | 3,382,392 | 77,453 | 200,660 | 36,301 | (3,067,978) | - | (3,067,978) |
| Public Works | 1,064,246 | - | 367,820 | - | (696,426) | - | (696,426) |
| Culture and Recreation | 497,228 | 99,946 | 281,240 | - | (116,042) | - | (116,042) |
| Total Governmental Activities | 6,083,020 | 429,636 | 1,247,696 | 36,301 | (4,369,387) | - | (4,369,387) |
| Business-Type Activities: | | | | | | | |
| Water and Sewer | 3,405,510 | 4,885,951 | - | 156,335 | - | 1,636,776 | 1,636,776 |
| Sanitation | 1,454,341 | 1,371,456 | - | - | - | (82,885) | (82,885) |
| Storm Water Utility | 342,282 | 440,460 | - | - | - | 98,178 | 98,178 |
| Parking | 25,079 | 318 | - | - | - | (24,761) | (24,761) |
| Total Business-Type Activities | 5,227,212 | 6,698,185 | - | 156,335 | - | 1,627,308 | 1,627,308 |
| Total Primary Government | \$ 11,310,232 | \$ 7,127,821 | \$ 1,247,696 | \$ 192,636 | (4,369,387) | 1,627,308 | (2,742,079) |
| General Revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes | | | | | 2,846,130 | - | 2,846,130 |
| Sales and Use Taxes | | | | | 803,250 | - | 803,250 |
| Franchise and Utility Taxes | | | | | 620,709 | - | 620,709 |
| State Revenue Sharing | | | | | 206,234 | - | 206,234 |
| Discretionary Sales Surtax | | | | | 515,995 | - | 515,995 |
| Interest Revenue | | | | | 50,461 | 49,001 | 99,462 |
| Miscellaneous | | | | | 253,483 | - | 253,483 |
| Gain of Sale of Fixed Assets | | | | | 23,614 | - | 23,614 |
| Transfers | | | | | 95,000 | (95,000) | - |
| Total General Revenues and Transfers | | | | | 5,414,876 | (45,999) | 5,368,877 |
| Change in Net Position | | | | | 1,045,489 | 1,581,309 | 2,626,798 |
| Net Position, Beginning of Year | | | | | 6,137,859 | 12,247,582 | 18,385,441 |
| Net Position, End of Year | | | | | \$ 7,183,348 | \$ 13,828,891 | \$ 21,012,239 |

See accompanying notes.

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

| | General Fund | Better Jacksonville Half-Cent Tax Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|-------------------------|---|---|---|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 2,390,631 | \$ 489,414 | \$ 383,805 | \$ 3,263,850 |
| Equity in Pooled Investments | 140,257 | - | - | 140,257 |
| Due from Other Governments | 260,740 | 50,788 | 37,384 | 348,912 |
| Due from Other Funds | - | 162,000 | - | 162,000 |
| Total Assets | 2,791,628 | 702,202 | 421,189 | 3,915,019 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts Payable and Accrued Liabilities | 186,346 | - | 120,294 | 306,640 |
| Due to Other Governments | 10,263 | - | - | 10,263 |
| Unearned Revenue | 65,443 | - | - | 65,443 |
| Deposits | 24,286 | - | - | 24,286 |
| Total Liabilities | 286,338 | - | 120,294 | 406,632 |
| Fund Balances | | | | |
| Restricted for: | | | | |
| Public Safety | - | - | 14,697 | 14,697 |
| Capital Outlay | - | 702,202 | 231,206 | 933,408 |
| Other | - | - | 71,701 | 71,701 |
| Assigned: | | | | |
| Community Development | - | - | 10,667 | 10,667 |
| Subsequent Year's Budget | 216,000 | - | - | 216,000 |
| Unassigned | 2,289,290 | - | (27,376) | 2,261,914 |
| Total Fund Balances | 2,505,290 | 702,202 | 300,895 | 3,508,387 |
| Total Liabilities and Fund Balances | \$ 2,791,628 | \$ 702,202 | \$ 421,189 | \$ 3,915,019 |

See accompanying notes.

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

Fund Balances - Total Governmental Funds \$ 3,508,387

**Amounts Reported for Governmental Activities in the Statement of Net
Position are Different Because:**

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet:

Capital Assets - Net 4,899,649

Certain pension and OPEB related amounts are being deferred and amortized over a period of years or are being deferred as contributions to the pension or OPEB plan made after the measurement date:

| | |
|--------------------------------------|-----------|
| Deferred Outflows Related to OPEB | 43,274 |
| Deferred Inflows Related to OPEB | (20,992) |
| Deferred Outflows Related to Pension | 685,610 |
| Deferred Inflows Related to Pension | (130,041) |

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:

| | |
|-----------------------------------|-------------|
| Net Pension Liability | (840,837) |
| Postemployment Benefit Obligation | (596,982) |
| Compensated Absences | (364,720) |
| | (1,802,539) |

Net Position of Governmental Activities **\$ 7,183,348**

See accompanying notes.

**STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

| | General Fund | Better Jacksonville Half-Cent Tax Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|---------------------|---|------------------------------------|--------------------------------|
| Revenues | | | | |
| Taxes | \$ 3,466,839 | \$ 515,995 | \$ 302,115 | \$ 4,284,949 |
| Charges for Services | 17,558 | - | 40,226 | 57,784 |
| Licenses and Permits | 234,758 | - | - | 234,758 |
| Intergovernmental | 1,976,328 | - | 108,431 | 2,084,759 |
| Fines and Forfeitures | 51,230 | - | 26,144 | 77,374 |
| Investment Income | 49,087 | 7,726 | 3,749 | 60,562 |
| Miscellaneous | 220,074 | - | 73,636 | 293,710 |
| Total Revenues | <u>6,015,874</u> | <u>523,721</u> | <u>554,301</u> | <u>7,093,896</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 1,067,787 | 38,726 | - | 1,106,513 |
| Public Safety | 3,551,455 | - | 34,108 | 3,585,563 |
| Public Works | 611,382 | - | 323,171 | 934,553 |
| Culture and Recreation | 253,676 | - | 168,494 | 422,170 |
| Capital Outlay | 46,994 | 117,335 | 259,519 | 423,848 |
| (Total Expenditures) | <u>(5,531,294)</u> | <u>(156,061)</u> | <u>(785,292)</u> | <u>(6,472,647)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>484,580</u> | <u>367,660</u> | <u>(230,991)</u> | <u>621,249</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds on Sale of Capital Assets | 23,614 | - | - | 23,614 |
| Transfers in | 105,000 | - | 187,166 | 292,166 |
| Transfers (out) | (114,833) | (72,333) | (10,000) | (197,166) |
| Total Other Financing Sources (Uses) | <u>13,781</u> | <u>(72,333)</u> | <u>177,166</u> | <u>118,614</u> |
| Net Changes in Fund Balances | 498,361 | 295,327 | (53,825) | 739,863 |
| Fund Balances, Beginning of Year | <u>2,006,929</u> | <u>406,875</u> | <u>354,720</u> | <u>2,768,524</u> |
| Fund Balances, End of Year | <u>\$ 2,505,290</u> | <u>\$ 702,202</u> | <u>\$ 300,895</u> | <u>\$ 3,508,387</u> |

See accompanying notes.

**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

Net Change in Fund Balances - Total Governmental Funds \$ 739,863

**Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives as depreciation expense:

| | | |
|---------------------------------|------------------|--------|
| Expenditures for Capital Assets | \$ 423,848 | |
| (Gain)/Loss on Disposal | 2,938 | |
| (Current Year Depreciation) | <u>(380,587)</u> | 46,199 |

The changes in net pension liability and pension related deferred outflows and inflows of resources result in an adjustment to pension expense in the Statement of Activities, but not in the governmental fund statements. 346,610

The changes in net OPEB obligation and OPEB related deferred outflows and inflows of resources result in an adjustment to OPEB expense in the Statement of Activities, but not in the governmental fund statements. (33,352)

Some revenues have been deferred in the governmental funds because they were not available at year-end, but have been recognized in the Statement of Activities. (84,001)

Some expenses reported in the Statement of Activities do not require use of current financial resources and, therefore, are not reported as expenditures in the funds:

| | | |
|--|--|---------------|
| Change in Compensated Absences Payable | | <u>30,170</u> |
|--|--|---------------|

Change in Net Position of Governmental Activities \$ 1,045,489

See accompanying notes.

**STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2019
 CITY OF NEPTUNE BEACH, FLORIDA**

| | Business-Type Activities - Enterprise Funds | | | | |
|---|--|-------------------|---------------------|------------------|-------------------|
| | Major Fund | Non-Major | | | Total |
| | Water and | Major Fund | Stormwater | Non-Major | |
| Sewer | Sanitation | Utility | Paid Parking | | |
| Assets | | | | | |
| Current Assets: | | | | | |
| Equity in Pooled Cash and Cash | | | | | |
| Equivalents | \$ 1,743,114 | \$ 33,794 | \$ 352,001 | \$ 60 | \$ 2,128,969 |
| Accounts Receivable, Net of Allowance | 384,424 | 91,029 | 19,698 | - | 495,151 |
| Total Current Assets | 2,127,538 | 124,823 | 371,699 | 60 | 2,624,120 |
| Non-Current Assets: | | | | | |
| Equity in Pooled Restricted Cash | | | | | |
| and Cash Equivalents | 878,955 | - | - | - | 878,955 |
| Capital Assets: | | | | | |
| Buildings | 3,347,870 | - | - | - | 3,347,870 |
| Improvements Other than Buildings | 23,631,652 | - | 74,920 | - | 23,706,572 |
| Equipment | 4,076,646 | 301,456 | 751,159 | 143,266 | 5,272,527 |
| Construction in Progress | 68,887 | - | 96,310 | - | 165,197 |
| (Less Accumulated Depreciation) | (15,880,648) | (301,456) | (547,732) | (3,077) | (16,732,913) |
| Total Capital Assets | 15,244,407 | - | 374,657 | 140,189 | 15,759,253 |
| Total Non-Current Assets | 16,123,362 | - | 374,657 | 140,189 | 16,638,208 |
| Total Assets | 18,250,900 | 124,823 | 746,356 | 140,249 | 19,262,328 |
| Deferred Outflows of Resources | | | | | |
| OPEB Related | 16,415 | 2,161 | 1,172 | - | 19,748 |
| Total Deferred Outflows of Resources | 16,415 | 2,161 | 1,172 | - | 19,748 |

See accompanying notes.

**STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2019
 CITY OF NEPTUNE BEACH, FLORIDA**

| | Business-Type Activities - Enterprise Funds | | | | |
|--|--|--------------------|---------------------|--------------------|----------------------|
| | Major Fund | Non-Major | | | Total |
| | Water and | Major Fund | Stormwater | Non-Major | |
| Sewer | Sanitation | Utility | Paid Parking | | |
| Liabilities | | | | | |
| Current Liabilities Payable from Unrestricted | | | | | |
| Assets: | | | | | |
| Accounts Payable and Accrued Liabilities | \$ 99,981 | \$ 107,705 | \$ 39,001 | \$ 3,010 | \$ 249,697 |
| Current Portion of Leases Payable | 54,014 | - | 27,007 | - | 81,021 |
| Current Portion of Bonds Payable | 95,000 | - | - | - | 95,000 |
| Current Portion of Loans Payable | 636,037 | - | - | - | 636,037 |
| Unearned Revenues | 2,478 | - | - | - | 2,478 |
| Compensated Absences | 85,741 | - | 6,867 | - | 92,608 |
| Due to Other Funds | - | - | - | 162,000 | 162,000 |
| Total Current Liabilities Payable from Unrestricted Assets | <u>973,251</u> | <u>107,705</u> | <u>72,875</u> | <u>165,010</u> | <u>1,318,841</u> |
| Current Liabilities Payable from Restricted | | | | | |
| Assets: | | | | | |
| Deposits | 271,804 | - | - | - | 271,804 |
| Accrued Interest Payable | 15,970 | - | - | - | 15,970 |
| Total Current Liabilities Payable from Restricted Assets | <u>287,774</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>287,774</u> |
| Non-Current Liabilities: | | | | | |
| Compensated Absences | 50,193 | - | 4,020 | - | 54,213 |
| Leases Payable | 141,500 | - | 70,750 | - | 212,250 |
| Bonds Payable | 95,000 | - | - | - | 95,000 |
| Loans Payable | 3,203,100 | - | - | - | 3,203,100 |
| Other Postemployment Benefits | 226,445 | 29,811 | 16,171 | - | 272,427 |
| Total Non-Current Liabilities | <u>3,716,238</u> | <u>29,811</u> | <u>90,941</u> | <u>-</u> | <u>3,836,990</u> |
| Total Liabilities | <u>4,977,263</u> | <u>137,516</u> | <u>163,816</u> | <u>165,010</u> | <u>5,443,605</u> |
| Deferred Inflows of Resources | | | | | |
| OPEB Related | 7,963 | 1,048 | 569 | - | 9,580 |
| Total Deferred Inflows of Resources | <u>7,963</u> | <u>1,048</u> | <u>569</u> | <u>-</u> | <u>9,580</u> |
| Net Position | | | | | |
| Net Investment in Capital Assets | 11,240,646 | - | 276,900 | 140,189 | 11,657,735 |
| Restricted for: | | | | | |
| Debt Service | 315,831 | - | - | - | 315,831 |
| Renewal and Replacement | 70,430 | - | - | - | 70,430 |
| Unrestricted | 1,655,182 | (11,580) | 306,243 | (164,950) | 1,784,895 |
| Total Net Position | <u>\$ 13,282,089</u> | <u>\$ (11,580)</u> | <u>\$ 583,143</u> | <u>\$ (24,761)</u> | <u>\$ 13,828,891</u> |

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

| | Business-Type Activities - Enterprise Funds | | | | Total |
|--|---|--------------------------|------------------------------------|------------------------------|----------------------|
| | Major Fund Water and Sewer | Major Fund Sanitation | Non-major Stormwater Utility | Non-major Paid Parking | |
| Operating Revenues | | | | | |
| Charges for Services | \$ 4,861,901 | \$ 1,371,456 | \$ 440,460 | \$ 318 | \$ 6,674,135 |
| Connection Fees | 24,050 | - | - | - | 24,050 |
| Total Operating Revenues | <u>4,885,951</u> | <u>1,371,456</u> | <u>440,460</u> | <u>318</u> | <u>6,698,185</u> |
| Operating Expenses | | | | | |
| Personal Services | 1,677,021 | 211,915 | 126,166 | - | 2,015,102 |
| Utilities | 198,612 | - | - | - | 198,612 |
| Supplies and Materials | 263,132 | 5,984 | 18,278 | 3,334 | 290,728 |
| Contractual Services | 198,028 | 1,202,462 | 132,207 | 18,000 | 1,550,697 |
| Depreciation and Amortization | 668,335 | - | 36,918 | 3,077 | 708,330 |
| Repairs and Maintenance | 127,572 | 9,647 | 16,475 | - | 153,694 |
| Insurance | 89,902 | 14,003 | 8,323 | - | 112,228 |
| Other Operating | 27,750 | 10,330 | 993 | 668 | 39,741 |
| (Total Operating Expenses) | <u>(3,250,352)</u> | <u>(1,454,341)</u> | <u>(339,360)</u> | <u>(25,079)</u> | <u>(5,069,132)</u> |
| Operating Income | <u>1,635,599</u> | <u>(82,885)</u> | <u>101,100</u> | <u>(24,761)</u> | <u>1,629,053</u> |
| Non-Operating Revenues (Expenses) | | | | | |
| Intergovernmental Revenue | 156,335 | - | - | - | 156,335 |
| Interest Revenue | 43,255 | 643 | 5,103 | - | 49,001 |
| Interest/Amortization Expense | (155,158) | - | (2,922) | - | (158,080) |
| Total Non-Operating Revenues (Expenses) | <u>44,432</u> | <u>643</u> | <u>2,181</u> | <u>-</u> | <u>47,256</u> |
| Income Before Operating Transfers | <u>1,680,031</u> | <u>(82,242)</u> | <u>103,281</u> | <u>(24,761)</u> | <u>1,676,309</u> |
| Transfers (out) | <u>(95,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(95,000)</u> |
| Change in Net Position | <u>1,585,031</u> | <u>(82,242)</u> | <u>103,281</u> | <u>(24,761)</u> | <u>1,581,309</u> |
| Total Net Position, Beginning of Year | <u>11,697,058</u> | <u>70,662</u> | <u>479,862</u> | <u>-</u> | <u>12,247,582</u> |
| Total Net Position, End of Year | <u>\$ 13,282,089</u> | <u>\$ (11,580)</u> | <u>\$ 583,143</u> | <u>\$ (24,761)</u> | <u>\$ 13,828,891</u> |

See accompanying notes.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

| | Business-Type Activities - Enterprise Funds | | | | Total |
|--|---|--------------------------|------------------------------------|------------------------------|---------------------|
| | Major Fund Water and Sewer | Major Fund Sanitation | Non-Major Stormwater Utility | Non-Major Paid Parking | |
| Cash Flows from Operating Activities | | | | | |
| Cash Received from Customers | \$ 4,915,889 | \$ 1,401,397 | \$ 448,895 | \$ 318 | \$ 6,766,499 |
| Cash Paid to Suppliers | (951,953) | (1,235,546) | (142,532) | (18,992) | (2,349,023) |
| Cash Paid to Employees | (1,691,241) | (215,701) | (124,744) | - | (2,031,686) |
| Net Cash Provided by (Used in) Operating Activities | 2,272,695 | (49,850) | 181,619 | (18,674) | 2,385,790 |
| Cash Flows from Non-Capital Financing Activities | | | | | |
| Transfers from/(to) Other Funds | (95,000) | - | - | 162,000 | 67,000 |
| Net Cash Provided by (Used in) Non-Capital Financing Activities | (95,000) | - | - | 162,000 | 67,000 |
| Cash Flows from Capital and Related Financing Activities | | | | | |
| Payments on Leases | (30,356) | - | (15,178) | - | (45,534) |
| Payments on Loans and Bonds | (804,620) | - | - | - | (804,620) |
| Intergovernmental Revenues | 156,335 | - | - | - | 156,335 |
| Interest Paid on Revenue Bonds | (156,586) | - | (2,922) | - | (159,508) |
| Capital Lease | 225,870 | - | 112,935 | - | 338,805 |
| Acquisition and Construction of Capital Assets | (1,266,569) | - | (161,131) | (143,266) | (1,570,966) |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | (1,875,926) | - | (66,296) | (143,266) | (2,085,488) |
| Cash Flows from Investing Activities | | | | | |
| Interest Received | 43,255 | 643 | 5,103 | - | 49,001 |
| Net Cash Provided by (Used in) Investing Activities | 43,255 | 643 | 5,103 | - | 49,001 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 345,024 | (49,207) | 120,426 | 60 | 416,303 |
| Cash and Cash Equivalents, Beginning of Year | 2,277,045 | 83,001 | 231,575 | - | 2,591,621 |
| Cash and Cash Equivalents, End of Year | \$ 2,622,069 | \$ 33,794 | \$ 352,001 | \$ 60 | \$ 3,007,924 |
| Reconciliation of Cash and Cash Equivalents to Statement of Net Position | | | | | |
| Equity in Pooled Cash and Investments | \$ 1,743,114 | \$ 33,794 | \$ 352,001 | \$ 60 | \$ 2,128,969 |
| Restricted Equity in Pooled Cash and Investments | 878,955 | - | - | - | 878,955 |
| Total Cash and Cash Equivalents | \$ 2,622,069 | \$ 33,794 | \$ 352,001 | \$ 60 | \$ 3,007,924 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities | | | | | |
| Operating Income (Loss) | \$ 1,635,599 | \$ (82,885) | \$ 101,100 | \$ (24,761) | \$ 1,629,053 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | | | | | |
| Depreciation and Amortization | 668,335 | - | 36,918 | 3,077 | 708,330 |
| Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease): | | | | | |
| Accounts Receivable | 42,845 | 29,941 | 8,435 | - | 81,221 |
| Accounts Payable | (68,500) | 3,471 | 31,835 | 3,010 | (30,184) |
| Compensated Absences | 7,082 | - | 1,028 | - | 8,110 |
| Unearned Revenues | 1,125 | - | - | - | 1,125 |
| Prepaid Expenses | 21,543 | 3,409 | 1,909 | - | 26,861 |
| Customer Deposits | (14,032) | - | - | - | (14,032) |
| Other Postemployment Benefits | (21,302) | (3,786) | 394 | - | (24,694) |
| Total Adjustments | 637,096 | 33,035 | 80,519 | 6,087 | 756,737 |
| Net Cash Provided by (Used in) Operating Activities | \$ 2,272,695 | \$ (49,850) | \$ 181,619 | \$ (18,674) | \$ 2,385,790 |

See accompanying notes.

**STATEMENT OF NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

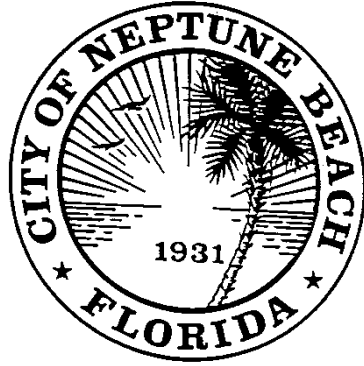
| | <u>Police Officers' Plan</u> |
|------------------------------------|--------------------------------------|
| Assets | |
| Cash and Short-Term Investments | \$ 240,029 |
| Contributions Receivable | 17,907 |
| Accrued Interest Receivable | 34,232 |
| Investments: | |
| U.S. Government Obligations | 1,469,701 |
| Corporate Bonds | 1,641,372 |
| Electronically Traded Funds (ETFs) | 982,822 |
| Foreign Bonds | 101,851 |
| Mutual Funds - Equity | 929,712 |
| Common Equity Securities | 5,033,152 |
| Total Investments | <u>10,158,610</u> |
| Total Assets | <u>10,450,778</u> |
| Liabilities | |
| DROP Benefits Payable | <u>408,828</u> |
| Total Liabilities | <u>408,828</u> |
| Net Position | |
| Held in Trust for Pension Benefits | <u>\$ 10,041,950</u> |

See accompanying notes.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

| | Police Officers' Plan |
|---|--------------------------------------|
| | |
| Additions | |
| Contributions: | |
| Employees | \$ 109,318 |
| Employer | 427,552 |
| State of Florida | 63,500 |
| Total Contributions | 600,370 |
| Investment Income: | |
| Net Appreciation in Fair Value of Investments | 328,949 |
| Interest and Dividends | 273,363 |
| Miscellaneous Income | 748 |
| Total Investment Earnings | 603,060 |
| (Less Investment Expense) | (50,737) |
| Net Investment Earnings | 552,323 |
| Total Additions | 1,152,693 |
| Deductions | |
| Regular Benefit Payments | 474,267 |
| DROP Benefits | 755,025 |
| Administrative Expenses | 63,646 |
| (Total Deductions) | (1,292,938) |
| Change in Net Position | (140,245) |
| Net Position, Beginning of Year | 10,182,195 |
| Net Position, End of Year | \$ 10,041,950 |

See accompanying notes.



Notes to Financial Statements

Annual Financial Report

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

Note 1 - Summary of Significant Accounting Policies

The City of Neptune Beach, Florida, (the City), was organized under Section 6 of Chapter 15356 Laws of Florida, 1931, and is currently governed as a municipal corporation under the Home Rule Charter of the City, adopted by Laws of Florida Chapter 88-481, effective October 1, 1988. The City operates under an elected mayor-council form of government under the administration of an appointed City Manager and provides the following services as authorized by its charter: Public Safety (Police, Fire, Animal Control, and Beach Patrol), Highways and Streets, Water and Sewer, Sanitation, Public Improvements, Planning, Development, and Zoning and General Administrative Services.

The financial statements of the City have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to governmental units. The more significant of the City's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the financial position, results of operations, and cash flows of the applicable fund types governed by the City Council (City Council) of the City, the reporting entity of government for which the City Council is considered to be financially accountable. The City has also considered all other potential organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. These criteria include appointing a majority of an organization's governing body and: (1) the ability of the City to impose its will on that organization; or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the City. Other considerations are whether the organization is legally separate, whether the City holds the corporate powers of the organization, and whether there is fiscal dependency by the organization on the City. Based upon the application of these criteria, the City has no component units.

Basic Financial Statements

The government-wide and fund financial statements along with the notes to the financial statements comprise the basic 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. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

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

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

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 funds and fiduciary 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 considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues 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, other postemployment benefits, pension benefits, and claims and judgments are recorded only when payment is due.

Taxes, inter-governmental revenue, licenses and permits, charges for services, and investment earnings associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The City has presented the following governmental funds:

■ **Major Governmental Fund Types**

The General Fund is the City's primary operation fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Better Jacksonville Half-cent Tax fund is also considered a major fund. This fund accounts for the City's share of revenue obtained from the Better Jacksonville Half-cent Sales Surtax. Expenditures are used for projects to benefit all residents with respect to growth management, road improvements and construction, environmental protection and preservation, and public facilities.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

■ **Non-Major Governmental Fund Types**

- **Special Revenue Funds**—These funds account for specific revenue sources that are restricted by law or administrative action to expenditures for specific purposes. Non-major special revenue funds include the Police Education Fund, Community Development Block Grant Fund, Convention Development Tax Fund, Forfeiture Proceeds Fund, Street Improvement Fund, Local Option Gas Tax Fund, Radio Communications Fund, and Holiday Décor Fund.

■ **Capital Projects Funds**

These funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds. The City has two Capital Projects Funds.

■ **Proprietary Fund Types**

- **Proprietary Funds**—These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determination of operation income and changes in net position, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position. The City's proprietary funds are all classified as enterprise funds. The City has presented the following proprietary funds:

- ▶ **Major Proprietary Funds**—The Water and Sewer Fund accounts for the activities of the City's water distribution system, sewage treatment plant, sewage pumping stations, and collection systems. The Sanitation Fund accounts for the activities of the City's sanitation and recycling services.

- ▶ **Non-Major Proprietary Funds**—The City has two non-major proprietary funds, the Stormwater Utility Fund and the Paid Parking Fund. The Stormwater Utility Fund accounts for the operation and maintenance of the stormwater system. The Paid Parking Fund is used to account for the operation of the pay-for-parking program in the Beaches Town Center area.

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.

■ **Fiduciary Fund Types**

- **Police Officers' Plan Fund**—This fund accounts for the activities of the Police Officers' Retirement System Fund, which accumulates resources for pension and disability benefit payments to retired or disabled police.

■ **Fund Balance Classifications**

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

- **Non-Spendable Fund Balance**—Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balance**—Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

- **Committed Fund Balance**—Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance**—Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates authority.
- **Unassigned Fund Balance**—Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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

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

Budgets and Budgetary Accounting

Annual appropriated budgets are adopted for the General and Better Jacksonville Half-Cent tax fund and the following non-major funds: Police Education, Community Development Block Grant, Convention Development Tax, Forfeiture Proceeds, Street Improvement, Local Option Gas Tax, Radio Communications, Holiday Décor, and a Capital Projects Fund. The legally adopted budgets are prepared on a basis consistent with GAAP.

The legal level of budgetary control is at the department level. Special revenue funds are treated as departments for budgetary control purposes and are categorized into one function. With the approval of the City Manager, department heads can amend line item expenditures within a department or special revenue fund. Line item transfers must net to zero. All unencumbered appropriations lapse at fiscal year-end. Encumbered budget appropriations are carried forward into the next fiscal year's budget.

The adopted budgets are integrated into the accounting system. The City has elected to present Budgetary Comparison Schedule data for all governmental funds with annual budgets. The Budgetary Comparison Schedule compares expenditures with the final amended budget. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule of the General, Better Jacksonville Half-cent Tax, and Special Revenue Funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

The individual accounts that comprise the Water and Sewer Fund, Sanitation Fund, Stormwater Utility Fund, and Paid Parking Fund have legally adopted annual budgets. Budget to Actual comparisons for enterprise funds are not required and have not been presented in these financial statements as this is not required as part of the basic financial statements.

Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term, highly-liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less. The cash and cash equivalents presented on the Statement of Cash Flows – Proprietary Funds are composed of restricted and unrestricted cash and cash equivalents. The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit (CDs).

Investments

The City has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415(17), Florida Statutes. The City may invest any surplus public funds in the following:

- a. The State Board of Administration Local Government Surplus Trust Funds (SBA Investment Pool), or any inter-governmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act*;
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c. Interest bearing time deposits or savings accounts in qualified public depositories; and
- d. Direct obligations of the United States Treasury.

Securities listed in paragraphs c. and d. shall be invested to provide sufficient liquidity to pay obligations as they come due.

The Local Government Surplus Funds Trust Fund was created by Act of the Florida Legislature effective October 1, 1977 (Chapter 218, Part IV, Florida Statutes), which allowed the State Board of Administration to establish a pooled investment account (SBA Investment Pool). The SBA administers and provides regulatory oversight over Florida PRIME. The City’s investment in the Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares. Separate financial reports for the SBA investment can be obtained from the Florida State Board of Administration, 1801 Hermitage Blvd., Tallahassee, Florida 32308.

Investments within the Police Officers’ Plan Fund made through financial brokers are held with trustees and are stated at fair value as determined in an active market. All foreign securities held by the pension plan are traded in U.S. Dollars.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

For the investment policy governing the police retirement pension plan, the City is authorized to invest in the following:

- a. Equities traded on the national exchange or electric network. Not more than 5% of Plan's assets, at the time of purchase, shall be invested in common stock, capital stock, or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
- b. Fixed income investments that have a minimum rating of "A" or higher as reported by a major credit rating service; except no more than 10% of the total portfolio may be invested in securities that fall below these rating guidelines but must be rated "investment grade" or higher as reported by a major credit rating service. The value of bonds issued by a single corporation shall not exceed 10% of the total fund.
- c. Money market funds or short-term investment fund options provided by the Plan's custodian and have a minimum rating of Standards & Poor's "A1" or Moody's "P1".

Receivable and Inter-Fund Obligations

Receivables consist of trade receivables, amounts due from other governments, and interest receivable and are recorded net of allowance for doubtful accounts. The City, as of September 30, 2019, has provided an allowance for doubtful accounts due to aged receivables in the proprietary funds that the City has reason to believe will not be collected.

The unbilled portion of Water and Sewer, Sanitation, and Stormwater Utility earned revenues accrued at year-end is based upon a proration of the October billing cycle.

Outstanding balances between funds at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of inter-fund loans or "advances to/from other funds" for the non-current portion. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent cash and cash equivalents set aside for debt service payments, reserve requirements, renewal and replacement expenditures, construction, and repayment of deposits to utility customers.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Where cost could not be determined from the available records, estimated historical costs were used to record the estimated value of the assets. Assets acquired by gift or bequests are recorded at their fair market value at the date of donation.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

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

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

General infrastructure assets acquired prior to October 1, 2002, are not reported in the basic financial statements.

General infrastructure assets acquired subsequent to October 1, 2002, are included in the basic financial statements.

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

| Assets | Years |
|-----------------------------------|-------|
| Buildings | 20-40 |
| Improvements Other than Buildings | 10-40 |
| Infrastructure | 10-40 |
| Equipment | 5-20 |

Unearned Revenue

Governmental funds and business-type funds defer revenue recognition in connection with resources that have been received, but not yet earned.

Deferred Outflows and Inflows of Resources

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

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the bond premium or discount. Bond issuance costs are expensed when incurred, with the exception of bond insurance, which is amortized over the term of the related debt.

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

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

Compensated Absences

City employees are entitled to certain compensated absences (personal leave) based on their length of employment. All leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported.

Pension Plans

The City's defined benefit plan investments are recorded at market value, and it is the City's policy to record pension costs in the period salaries are earned.

General employees are enrolled in a defined contribution 401(a) pension plan. The assets, liabilities, fund equity, and operations of this plan are not presented on the City's financial statements as the plan is independently administered.

Net Position

Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Property Taxes

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

Details of the tax calendar are presented below:

| | |
|-----------------------------|--|
| Lien Date | January 1 |
| Levy Date | October 1 |
| Installment Payments: | |
| 1 st Installment | No Later than June 30 th |
| 2 nd Installment | No Later than September 30 th |
| 3 rd Installment | No Later than December 31 st |
| 4 th Installment | No Later than March 31 st |
| Regular Payments: | |
| Discount Periods | November – February |
| No Discount Period | March |
| Delinquent Date | April 1 st |

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

Recent GASB Standards

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

Statement No. 87, *Leases*, establishes a single approach to accounting for leases where all leases are recognized by lessees on their balance sheet through a lease asset and corresponding lease liability. This statement is currently under review and management will consider the impact, if any, upon financial reporting. The provisions of this statement are effective for the City’s fiscal year beginning October 1, 2021.

Note 2 - Cash Deposits and Investments

The City maintains a cash and investment pool for all funds. Each fund’s portion of this pool is included in the balance sheet account “Equity in pooled cash and cash equivalents.” Interest earnings are allocated in accordance with the participating fund’s relative percentage of investments.

At September 30, 2019, the cash deposits and investments included the following:

| | |
|--------------------------------------|----------------------------|
| Investments Controlled by City: | |
| SBA Investment Pool | \$ 19,878 |
| Certificate of Deposit | <u>120,379</u> |
| Total Investments Controlled by City | <u>140,257</u> |
| Cash: | |
| Cash Deposits | 5,390,719 |
| Restricted Cash | 878,955 |
| Cash on Hand | <u>2,100</u> |
| Total Cash | <u>6,271,774</u> |
| Total Cash and Investments | <u>\$ 6,412,031</u> |

All of the City’s deposits are insured by the Federal Deposit Insurance Corporation or collateralized in accordance with *Florida Security for Public Deposits Act*, (the Act). Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral having a market value equal to 50% of the average daily balance for each month that all public deposits are in excess of any applicable deposit insurance. If the public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits.

Restricted Cash

Restricted cash in the proprietary funds at September 30, 2019, represent monies required to be restricted for debt service and construction under terms of outstanding bond agreements, and impact fees restricted to water and sewer system uses. Restricted cash for the proprietary funds at September 30, 2019, were restricted for the following purposes:

| | |
|------------------------------|--------------------------|
| Proprietary Funds | |
| Construction Loans | \$ 220,890 |
| Debt Service | 315,831 |
| Customer Deposits | 271,804 |
| Impact Fees | <u>70,430</u> |
| Total Restricted Cash | <u>\$ 878,955</u> |

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

Risk

In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them. Credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk are discussed in the following paragraphs.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City, including the Police Officers’ Plan Fund, has an investment policy that states that all fixed income investments shall have a minimum rating of “A” or higher as reported by the major credit rating services at the time of purchase, except that no more than 10% of the total portfolio may be invested in securities that fall below these rating guidelines but must be rated “investment grade” or higher as reported by the major credit rating services. The Plan’s rated debt instruments are presented in the table below using Standard & Poor’s rating scale.

| | QUALITY RATINGS | | | | | | | | | |
|---|-------------------|---------------------|---------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| | AAA | AA+ | AA | AA- | A+ | A | A- | BBB+ | BBB | Unrated |
| Investments Controlled by the City: | | | | | | | | | | |
| Certificates of Deposit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 120,379 |
| SBA Investment Pool | - | - | - | - | - | - | - | - | - | 19,878 |
| Total Investments Controlled by the City | - | - | - | - | - | - | - | - | - | 140,257 |
| Pension Plan Investments: | | | | | | | | | | |
| U.S. Government and Federal Agency Securities | - | 1,469,701 | - | - | - | - | - | - | - | - |
| Corporate Bonds | - | - | 77,176 | 75,216 | 152,497 | 157,995 | 338,439 | 472,860 | 367,189 | - |
| ETFs - Fixed Income | - | - | 982,822 | - | - | - | - | - | - | - |
| Foreign Bonds | 101,851 | - | - | - | - | - | - | - | - | - |
| Mutual Funds - Equity | - | - | - | - | - | - | - | - | - | 929,712 |
| Common Equity Securities | - | - | - | - | - | - | - | - | - | 5,033,152 |
| Total Pension Plan Investments | \$ 101,851 | \$ 1,469,701 | \$ 1,059,998 | \$ 75,216 | \$ 152,497 | \$ 157,995 | \$ 338,439 | \$ 472,860 | \$ 367,189 | \$ 5,962,864 |

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of a counterparty, the City will not be able to recover the value of the investment or collateral securities that are in possession of an outside party.

At September 30, 2019, Police Officers’ Plan Fund investments were uninsured and collateral was held by the pledging bank’s trust department and was not in the City’s name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investments in a single issuer. Investments issued or explicitly guaranteed by the United States government and investments in external investment pools are excluded from the disclosure requirement.

The City’s Police Officers’ Plan Fund had no single investments of more than 5% of the total net assets of the Plan at September 30, 2019.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. All foreign securities held by the pension plan are traded in U.S. dollars.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City’s investments (including investments held by the pension trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City’s investments by maturity:

| | <u>Investment Maturities (in Years)</u> | | | | |
|--|---|---------------------|---------------------|---------------------|---------------------|
| | <u>Fair Value</u> | <u>Less Than 1</u> | <u>1-5</u> | <u>6-10</u> | <u>More Than 10</u> |
| Investment Type | | | | | |
| Investments Controlled by the City: | | | | | |
| Certificates of Deposit | \$ 120,379 | \$ 120,379 | \$ - | \$ - | \$ - |
| SBA Investment Pool | <u>19,878</u> | <u>19,878</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Investments Controlled by the City | <u>\$ 140,257</u> | <u>\$ 140,257</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Pension Plan Investments: | | | | | |
| U.S. Government and Agency Securities | \$ 1,469,701 | \$ 98,499 | \$ 300,311 | \$ 672,654 | \$ 398,237 |
| Corporate Bonds | 1,641,372 | 287,263 | 916,161 | 437,948 | - |
| ETFs – Fixed Income | 982,822 | 982,822 | - | - | - |
| Foreign Bonds | 101,851 | - | 101,851 | - | - |
| Mutual Funds – Equity | 929,712 | 929,712 | - | - | - |
| Common Equity Securities | <u>5,033,152</u> | <u>5,033,152</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Investments | <u>\$ 10,158,610</u> | <u>\$ 7,331,448</u> | <u>\$ 1,318,323</u> | <u>\$ 1,110,602</u> | <u>\$ 398,237</u> |

Fair Value Measurements

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

- **Level 1 Inputs**—are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- **Level 2 Inputs**—are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- **Level 3 Inputs**—are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS
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The Plan's investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value in the hierarchy described above. The fair value measurements for the Plan's operating investments are as follows at September 30, 2019:

| Investments at Fair Value Level | Amount | Fair Value Measurements Using | | |
|---|----------------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Fiduciary Funds: | | | | |
| U.S. Government Obligations and Federal Agency Securities | \$ 1,469,701 | \$ 1,063,578 | \$ 406,123 | \$ - |
| Corporate Bonds | 1,641,372 | - | 1,641,372 | - |
| Foreign Bonds | 101,851 | - | 101,851 | - |
| Common Stock | 5,033,152 | 5,033,152 | - | - |
| ETF - Fixed Income | 982,822 | 982,822 | - | - |
| Mutual Funds - Equity | 929,712 | 929,712 | - | - |
| Total Investments Measured at Fair Value | \$ 10,158,610 | \$ 8,009,264 | \$ 2,149,346 | \$ - |

Equities and U.S. Government Securities are valued based on prices quoted in active markets and are categorized as Level 1 in the fair value hierarchy. Federal Agency Securities are valued using matrix pricing techniques that value securities based on their relationship to benchmark quoted prices. Corporate bonds are valued using quoted prices for similar securities in active markets and are categorized as Level 2 in the fair value hierarchy.

Note 3 - Receivables

Receivables at September 30, 2019, consist of the following:

| | General Fund | Better Jax Surtax Fund | Water and Sewer Fund | Sani-tation Fund | Storm-Water Utility Fund | Police Officers' Plan Fund | Non-Major/Other Funds | Total Funds |
|--------------------------|-------------------|------------------------|----------------------|------------------|--------------------------|----------------------------|-----------------------|-------------------|
| Receivables | | | | | | | | |
| Interest | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 34,232 | \$ - | \$ 34,232 |
| Contributions Receivable | - | - | - | - | - | 17,907 | - | 17,907 |
| Accounts Receivable | - | - | 456,479 | 106,655 | 54,379 | - | - | 617,513 |
| Intergovernmental | 260,740 | 50,788 | - | - | - | - | 37,384 | 348,912 |
| Gross Receivables | 260,740 | 50,788 | 456,479 | 106,655 | 54,379 | 52,139 | 37,384 | 1,018,564 |
| Allowance | - | - | (72,055) | (15,626) | (34,681) | - | - | (122,362) |
| Net Receivables | \$ 260,740 | \$ 50,788 | \$ 384,424 | \$ 91,029 | \$ 19,698 | \$ 52,139 | \$ 37,384 | \$ 896,202 |

Included in accounts receivable are \$244,940 earned but not billed as of September 30, 2019.

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Note 4 - Inter-Fund Transactions

Inter-fund receivables/payables represent temporary loans to cover other funds' deficits in pooled cash and investments. At September 30, 2019, the City had the following due to/from other funds:

| Fund | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|-------------------------------|---------------------------------|-------------------------------|
| Better Jax Half-Cent Tax Fund | \$ 162,000 | \$ - |
| Paid Parking Fund | - | <u>162,000</u> |
| Total | <u>\$ 162,000</u> | <u>\$ 162,000</u> |

Transfers from a fund of resources to the fund through which resources are to be expended are recorded as transfers and are reported as other financing sources (uses) in the governmental funds and as transfers in (out) in the proprietary funds.

Following is a summary of inter-fund transfers for the year ended September 30, 2019:

| | <u>Transfers In</u> | | |
|-------------------------------|-------------------------|----------------------------|------------------------|
| | <u>General Fund</u> | <u>Non-Major Funds</u> | <u>Total Funds</u> |
| Transfers Out | | | |
| General Fund | \$ - | \$ 114,833 | \$ 114,833 |
| Better Jax Half-Cent Tax Fund | - | 72,333 | 72,333 |
| Water/Sewer Fund | 95,000 | - | 95,000 |
| Non-Major Governmental Funds | <u>10,000</u> | - | <u>10,000</u> |
| Total Transfers Out | <u>\$ 105,000</u> | <u>\$ 187,166</u> | <u>\$ 292,166</u> |

Transfers in (out) during the fiscal year 2019, are as follows:

- \$10,000 was transferred from the Convention Development Tax Fund to the General Fund to cover expenses paid for by the General Fund.
- \$20,000 was transferred from the General Fund to the Community Development Block Grant Fund to provide additional funding for expenses in excess of revenues.
- \$94,833 was transferred from the General Fund to the Capital Improvement fund to help fund the purchase of new vehicles.
- \$95,000 was transferred from the Water and Sewer Fund to the General Fund to support the governmental activities.
- \$72,333 was transferred from the Better Jax Half-Cent Fund to the Jarobe Park CIP fund to support the Jarobe Park renovations.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
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Note 5 - Capital Assets

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

| | Balance October 1, 2018 | Increases | Decreases | Balance September 30, 2019 |
|---|--|-------------------|---------------------|---|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 37,861 | \$ - | \$ - | \$ 37,861 |
| Construction in Process | 122,725 | 99,710 | (122,725) | 99,710 |
| Total Capital Assets, Not Being Depreciated | 160,586 | 99,710 | (122,725) | 137,571 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 4,842,223 | 95,929 | - | 4,938,152 |
| Improvements Other than Buildings | 3,181,273 | 191,271 | - | 3,372,544 |
| Equipment | 3,138,699 | 159,665 | (155,764) | 3,142,600 |
| Total Capital Assets Being Depreciated | 11,162,195 | 446,865 | (155,764) | 11,453,296 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (1,760,750) | (157,848) | - | (1,918,598) |
| Improvements Other than Buildings | (1,897,032) | (88,037) | - | (1,985,069) |
| Equipment | (2,811,549) | (134,702) | 158,700 | (2,787,551) |
| Total Accumulated Depreciation | (6,469,331) | (380,587) | 158,700 | (6,691,218) |
| Total Capital Assets Being Depreciated | 4,692,864 | 66,278 | 2,936 | 4,762,078 |
| Total Governmental Activities, Capital Assets, Net | \$ 4,853,450 | \$ 165,988 | \$ (119,789) | \$ 4,899,649 |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Business-Type Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Construction in Process | \$ 131,797 | \$ 47,447 | \$ (14,047) | \$ 165,197 |
| Total Capital Assets, Not Being Depreciated | 131,797 | 47,447 | (14,047) | 165,197 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 3,323,491 | 24,379 | - | 3,347,870 |
| Improvements Other than Buildings | 22,920,567 | 786,005 | - | 23,706,572 |
| Equipment | 4,545,344 | 727,183 | - | 5,272,527 |
| Total Capital Assets Being Depreciated | 30,789,402 | 1,537,567 | - | 32,326,969 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (3,287,580) | (2,799) | - | (3,290,379) |
| Improvements Other than Buildings | (9,039,147) | (463,308) | - | (9,502,455) |
| Equipment | (3,697,855) | (242,224) | - | (3,940,079) |
| Total Accumulated Depreciation | (16,024,582) | (708,331) | - | (16,732,913) |
| Total Capital Assets Being Depreciated | 14,764,820 | 829,236 | - | 15,594,056 |
| Business-Type Activities, Capital Assets, Net | \$ 14,896,617 | \$ 876,683 | \$ (14,047) | \$ 15,759,253 |

**NOTES TO FINANCIAL STATEMENTS
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Depreciation expense was charged to functions/programs as follows:

| | |
|--|--------------------------|
| Governmental Activities | |
| General Government | \$ 42,159 |
| Public Safety | 136,124 |
| Transportation | 126,214 |
| Culture and Recreation | <u>76,090</u> |
| Total Depreciation Expense – Governmental Activities | <u>\$ 380,587</u> |
| Business-Type Activities | |
| Water and Sewer | \$ 668,335 |
| Stormwater Utility | 36,918 |
| Paid Parking Fund | <u>3,077</u> |
| Total Depreciation Expense – Business-Type Activities | <u>\$ 708,330</u> |

Note 6 - Long-Term Liabilities

At September 30, 2019, bonds and loans payable consisted of the following:

| | <u>Governmental</u> | <u>Business-Type</u> |
|--|---------------------|----------------------------|
| Bonds | | |
| Infrastructure Surtax Revenue Bonds, Series 2010A Dated January 12, 2010, for \$1,700,000, Due in Semi-Annual Installments of Principal Ranging from \$65,000 to \$95,000, Bearing an Interest Rate of 2.6%, Final Payment Due October 1, 2020 | \$ - | \$ 190,000 |
| Loans | | |
| Drinking Water State Revolving Fund Construction Loan #1, Due in Semi-Annual Installments of Principal and Interest of \$6,350 through August 15, 2021, Bearing an Interest Rate of 3.52% | - | 24,321 |
| Drinking Water State Revolving Fund Construction Loan #2, Due in Semi-Annual Installments of Principal and Interest of \$59,050 through February 15, 2023, Bearing an Interest Rate of 3.05% | - | 389,216 |
| Clean Water State Revolving Fund Construction Loan, Due in Semi-Annual Installments of Principal and Interest of \$142,402 through August 15, 2022, Bearing an Interest Rate of 3.05% | - | 810,600 |
| Water and Sewer Revenue Note, Series 2013A Dated September 10, 2013, for \$3,280,000, Due in Semi-Annual Installments of Principal Ranging from \$5,000 to \$325,000, Bearing an Interest Rate of 3.35%, Final Payment Due October 1, 2028 | <u>-</u> | <u>2,615,000</u> |
| Total | <u>\$ -</u> | <u>\$ 4,029,137</u> |

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
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Transactions for the year ended September 30, 2019, are summarized as follows:

| | Balance October 1, 2018 | Additions | Reductions | Balance September 30, 2019 | Due Within One Year |
|---|-------------------------------|-------------------|---------------------|----------------------------------|------------------------|
| Governmental Activities | | | | | |
| Net Pension Liability | \$ 1,067,255 | \$ - | \$ (226,418) | \$ 840,837 | \$ - |
| Other Postemployment Benefit Obligations | 541,347 | 55,635 | - | 596,982 | - |
| Compensated Absences | 394,891 | 262,120 | (292,291) | 364,720 | 255,586 |
| Total Governmental Activities - | | | | | |
| Long-Term Liabilities | <u>\$ 2,003,493</u> | <u>\$ 317,755</u> | <u>\$ (518,709)</u> | <u>\$ 1,802,539</u> | <u>\$ 255,586</u> |
| Business-Type Activities | | | | | |
| Bonds Payable: | | | | | |
| Infrastructure Surtax Revenue | | | | | |
| Bonds, 2010A | \$ 375,000 | \$ - | \$ (185,000) | \$ 190,000 | \$ 95,000 |
| Loans Payable: | | | | | |
| Drinking Water Loan #1 | 35,860 | - | (11,539) | 24,321 | 11,949 |
| Drinking Water Loan #2 | 493,046 | - | (103,830) | 389,216 | 107,025 |
| Clean Water Loan | 1,064,850 | - | (254,250) | 810,600 | 262,064 |
| Water and Sewer Revenue Note | | | | | |
| Series 2013A | 2,865,000 | - | (250,000) | 2,615,000 | 255,000 |
| Total Bonds and Loans Payable | <u>4,833,756</u> | <u>-</u> | <u>(804,619)</u> | <u>4,029,137</u> | <u>731,038</u> |
| Lease Payable | - | 338,805 | (45,534) | 293,271 | 81,021 |
| Other Postemployment Benefit Obligations | 286,953 | - | (14,526) | 272,427 | - |
| Compensated Absences | 138,711 | 85,291 | (77,181) | 146,821 | 92,608 |
| Business-Type Activities - Long-Term Liabilities | <u>\$ 5,259,420</u> | <u>\$ 424,096</u> | <u>\$ (941,860)</u> | <u>\$ 4,741,656</u> | <u>\$ 904,667</u> |

The annual requirements to amortize the bonds and loans payable outstanding as of September 30, 2019, are summarized as follows:

Business-Type Activities

| Fiscal Year Ending September 30, | Infrastructure Surtax Revenue Bonds, 2010A | | Drinking Water State Revolving Fund Construction Loan #1 | |
|-------------------------------------|--|------------------|--|------------------|
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 95,000 | \$ 2,527 | \$ 11,949 | \$ 753 |
| 2021 | 95,000 | 1,264 | 12,372 | 328 |
| Total | <u>\$ 190,000</u> | <u>\$ 3,791</u> | <u>\$ 24,321</u> | <u>\$ 1,081</u> |
| Fiscal Year Ending September 30, | Drinking Water State Revolving Fund Construction Loan #2 | | Clean Water State Revolving Fund Construction Loan | |
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 107,025 | \$ 11,074 | \$ 262,064 | \$ 22,740 |
| 2021 | 110,318 | 7,781 | 270,118 | 14,686 |
| 2022 | 113,712 | 4,387 | 278,418 | 6,385 |
| 2023 | 58,161 | 888 | - | - |
| Total | <u>\$ 389,216</u> | <u>\$ 24,130</u> | <u>\$ 810,600</u> | <u>\$ 43,811</u> |

NOTES TO FINANCIAL STATEMENTS
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| Fiscal Year Ending September 30, | Water and Sewer Revenue Note, 2013A | | Business-Type Activities Totals | |
|-------------------------------------|--|-------------------|---------------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 255,000 | \$ 87,603 | \$ 731,038 | \$ 124,697 |
| 2021 | 265,000 | 79,060 | 752,808 | 103,119 |
| 2022 | 275,000 | 70,183 | 667,130 | 80,955 |
| 2023 | 280,000 | 60,970 | 338,161 | 61,864 |
| 2024 | 290,000 | 51,590 | 290,000 | 51,590 |
| 2025-2029 | 1,250,000 | 106,028 | 1,250,000 | 106,028 |
| Total | \$ 2,615,000 | \$ 455,434 | \$ 4,029,137 | \$ 528,253 |

The final draw on the water construction project #1, which was funded by Drinking Water State Revolving Fund Construction Loan #1, was received on December 3, 2001. The full amount of the loan was \$174,183 and was used for water system project construction. Revenues of the Water and Sewer Fund will repay this obligation. Annual principal and interest on the loan is expected to require 0.55% of such revenues and is payable through 2021. At year-end, pledged future revenues totaled \$25,402, which was the amount of remaining principal and interest on the loan.

On May 7, 2001, the City was approved for a Drinking Water State Revolving Fund Construction Loan #2 for water construction project #2. The full amount of the loan was \$1,740,925 and was used for water system project construction. Revenues of the Water and Sewer Fund will repay this obligation. Annual principle and interest on the loan is expected to require 5% of such revenues and is payable through 2023. At year-end, pledged future revenues totaled \$413,346, which was the amount of remaining principal and interest on the loan.

On January 4, 1999, the City was approved for a Clean Water State Revolving Fund Construction Loan for sewer project construction. The full amount of the loan was \$4,428,579 and was used for sewer project construction. Revenues of the Water and Sewer Fund will repay this obligation. Annual principle and interest on the loan is expected to require 12% of such revenues and is payable through 2022. At year-end, pledged future revenues totaled \$854,411, which was the amount of remaining principal and interest on the loan.

On January 12, 2010, the City issued Infrastructure Surtax Revenue Bonds Series A for \$1,700,000. The proceeds of the bond issue are to improve the sewage treatment plant and to replace in-ground infrastructure of the City's water and sewer utility system. The bonds are secured from the infrastructure surtax. Annual principle and interest on the bonds are expected to require 58% of such revenues and are payable through 2020. However, revenues of the Water and Sewer Fund will repay these bonds. At year-end, pledged future revenues totaled \$193,791, which was the amount of remaining principal and interest on the bonds.

On September 10, 2013, the City approved the Water and Sewer Revenue Note 2013A for \$3,280,000. The proceeds of the loans will be used for improvements to the water and sewer system and refunding the 2001 Water and Sewer Bond and paying related costs. Annual principle and interest on the notes are expected to require 15% of such revenues and are payable through 2028. At year-end, pledged future revenues totaled \$3,070,434, which was the amount of remaining principal and interest on the notes.

NOTES TO FINANCIAL STATEMENTS
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Capital Lease

The City entered into a lease agreement on February 22, 2019 for financing the acquisition of a Menzi Muck Excavator. The City has recorded the equipment into their fixed asset system at the PV of the minimum lease payments of \$338,805. The term of the lease is 4 years or 48 months and at an interest rate of 4.705%.

The asset acquired through the capital leases is as follows:

| | | | | | |
|----------------------------|--|--|----|-----------------------|--|
| Asset | | | | | |
| Radios | | | \$ | 338,805 | |
| (Accumulated Depreciation) | | | | <u>(33,881)</u> | |
| Total | | | \$ | <u><u>304,924</u></u> | |

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019, were as follows:

| Year Ending September 30, | Business-Type Activities |
|---------------------------------------|-------------------------------------|
| 2020 | \$ 93,087 |
| 2021 | 93,087 |
| 2022 | 93,087 |
| 2023 | <u>38,786</u> |
| Total | 318,047 |
| (Amount Representing Interest) | <u>(24,777)</u> |
| Net Present Value | <u><u>\$ 293,270</u></u> |

Note 7 - Employee Benefits

Police Officers' Retirement System

Plan Description

The City Police Officers' Retirement System (Police Officers' Plan Fund), a single-employer contributory defined benefit pension plan, was established pursuant to City Ordinance 1997-10, adopted September 2, 1997, by the City Council. Members of the Police Officers' Plan Fund include full-time state certified police officers. The funding method and determination of benefits payable are provided in various acts of the Florida Legislature (Act), which created funds, including subsequent amendments, thereto. The statutes provide, in general, that funds are to be accumulated from employee contributions, City contributions, state appropriations, and income from investment of accumulated funds. The Act also provides, should the accumulated funds at any time be insufficient to meet and pay the benefits due, the City shall supplement the Police Officers' Plan Fund by an appropriation from current funds or from any revenue which may lawfully be used for said purposes in an amount sufficient to make up the deficiency. The Plan is administered by a Board of Trustees comprised of two council appointees, two members of the department elected by the membership, and a fifth member elected by the other four and appointed by the council. Investments are reported at fair value. The Police Officers' Plan Fund does not issue a stand-alone financial report. Plan membership in the Police Officers' Plan Fund is as follows:

**NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019
 CITY OF NEPTUNE BEACH, FLORIDA**

| | October 1, 2019 |
|---|----------------------------|
| Retirees and Beneficiaries | |
| Inactive Plan Members or Beneficiaries | |
| Currently Receiving Benefits | 14 |
| Inactive Plan Members Entitles to but not yet Receiving Benefits | 10 |
| Active Plan Members | 17 |
| Total Retirees Beneficiaries | 41 |

Plan Benefits

The Police Officers’ Plan Fund provides pension, death, and disability benefits to its members. As stipulated by City ordinance, authority to establish and amend benefit provisions of the Police Officers’ Plan Fund, along with the authority to provide for cost of living adjustments, rests with the City Council.

Police employees attaining the earlier of the age of 55 and 10 years of credited service or 25 years of credited service, are entitled to a retirement benefit equal to 2.75% times years of credited service times average final compensation (as defined by the Police Officers’ Plan Fund). Employees who have attained age 50 and have completed 10 years of credited service are eligible for early retirement and may elect actuarially reduced benefits. Active employees who become disabled receive accrued benefits, but not less than 42% of average monthly earnings (service incurred disability). Employees who become disabled from a non-service incurrence must have 10 years of credited service to receive benefits. The benefits are payable for life or until full recovery is determined by the Board of Trustees. If an employee is terminated before completion of 10 years of continuous service, employee contributions, without interest, are refunded. If an employee terminates his employment either voluntarily or by lawful discharge after the completion of at least 10 years of continuous service, but before becoming eligible for retirement under the Police Officers’ Plan Fund, the employee is entitled to a deferred vested benefit. The deferred vested benefit is based on monthly earnings and continuous service as of the termination date. There are no automatic or ad hoc post-retirement benefit increases.

The Police Officers’ Plan Fund includes a Deferred Retirement Option Program (DROP) under which members eligible for normal retirement may have their monthly pension benefit credited to an account while continuing to be actively employed for up to five years. As of September 30, 2019, Police Officers’ Plan Fund net pension included \$129,786 of DROP account balances.

Contributions

The City’s contribution is actuarially determined. The City’s required contribution as a percentage of covered payroll was 25.14%. Plan members are required to contribute 8% of their annual covered salary.

Measurement Date

The City has elected to use a measurement date to value the net pension liability and related deferred inflows and outflows as of September 30, 2018, one year prior to the reporting date. The City’s Pension Plans do not issue separate financial statements. Therefore, the disclosures required by GASB Statement No. 67 as of September 30, 2019, are also included below.

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Net Pension Liability

The components of the net pension liability for the plan as of September 30, 2019, (reporting date) and for the year then ended, were as follows:

| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
|---|------------------------------------|--|----------------------------------|
| Balances at September 30, 2017 | \$ 10,456,642 | \$ 9,389,387 | \$ 1,067,255 |
| Changes for the Year: | | | |
| Service Cost | 180,830 | - | 180,830 |
| Interest | 786,369 | - | 786,369 |
| Change in Excess State Money | (295,249) | - | (295,249) |
| Share Plan Allocation | 122,043 | - | 122,043 |
| Differences Between Expected and Actual Experience | 72,076 | - | 72,076 |
| Contributions - Employer | - | 406,116 | (406,116) |
| Contributions - Employee | - | 98,542 | (98,542) |
| Contributions - Buy Back | 8,394 | 8,394 | - |
| Net Investment Income | - | 624,428 | (624,428) |
| Benefit Payments, Including Refunds of Contributions | (391,041) | (391,041) | - |
| Administrative Expenses | - | (36,599) | 36,599 |
| Net Changes | 483,422 | 709,840 | (226,418) |
| Balances at September 30, 2018 | <u>\$ 10,940,064</u> | <u>\$ 10,099,227</u> | <u>\$ 840,837</u> |

| | <u>September 30, 2019</u> |
|-------------------------|---------------------------|
| Total Pension Liability | \$ 10,821,070 |
| Plan Net Position | <u>10,028,293</u> |
| Net Pension Liability | <u>\$ 792,777</u> |

**Plan Net Position as a Percentage of
Total Pension Liability** 92.67%

Differences between Plan Fiduciary Net Position presented above and the amounts presented in the financial statements are due to certain accruals, which are the result of timing differences. These differences are not considered to be significant.

For the year ended September 30, 2019, the City recognized total pension expense of \$(346,610). The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | |
|---|-------------------|
| Deferred Outflows of Resources | |
| Difference between Expected and Actual Experience | \$ 85,838 |
| Changes of Assumptions | 26,011 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 80,215 |
| Contributions Made after the Measurement Date | 493,546 |
| Total Deferred Outflows of Resources | <u>\$ 685,610</u> |
| Deferred Inflows of Resources | |
| Difference between Expected and Actual Experience | \$ 130,041 |
| Total Deferred Inflows of Resources | <u>\$ 130,041</u> |

NOTES TO FINANCIAL STATEMENTS
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CITY OF NEPTUNE BEACH, FLORIDA

Contributions made after the measurement date (shown above) will be recognized as a reduction of net pension liability in the fiscal year ending September 30, 2019. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended September 30, | Amount |
|---------------------------------|---------------|
| 2020 | \$ 116,112 |
| 2021 | (43,257) |
| 2022 | (32,144) |
| 2023 | 21,312 |
| 2024 | - |
| Thereafter | - |

Plan Investments

The Board of Trustees is responsible for establishing and amending the Plan's investment policies. The Plan's current investment policy gives the Board discretion to allocate assets with assistance of the Plan's investment consultant. The Board has established the following asset allocation targets for the total fund as of September 30, 2019: (1) domestic equities target is 45% with a suggested range of 35% - 55% using the S&P 500 benchmark index; (2) international equities target is 10% with a suggested range of 5% - 25% using the MSCI-EAFE benchmark index; and (3) broad market fixed income has a target of 45% with suggested ranges of 35% - 55% using the Barclays intermediate aggregate bond index as a benchmark index. The Plan did not hold investments in any one organization that represents 5% or more of the Plan's net position. The money-weighted rate of return on Plan investments, net of investment related expenses, was 5.32% and 6.63% for the years ended September 30, 2019 and 2018, respectively.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2018, updated to September 30, 2019, using the following actuarial assumptions:

| | |
|--|---------------|
| Inflation | 2.50% |
| Salary Increases | Service Based |
| Discount Rate | 7.75% |
| Investment Rate of Return, Including Inflation | 7.75% |

Mortality Rate Healthy Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB

Male: RP2000 Generational, 10% Annuitant White Collar/ 90% Annuitant Blue Collar, Scale BB

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward 2 years/ 40% Annuitant White Collar with no set back, no projected scale.

Male: 60% RP2000 Disabled Male set back 4 years/ 40% Annuitant White Collar with no set back, no projected scale

The most recent actuarial experience study used to review the other significant assumptions was dated August 18, 2015.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plans investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019, and are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------|--------------------------|---|
| Domestic Equity | 45.0% | 7.50% |
| International Equity | 10.0% | 8.50% |
| Broad Market Fixed Income | 45.0% | 2.50% |

Discount Rate

The discount rate used to measure the total pension liability was 7.75% for the reporting date of September 30, 2019 (measurement date of 2018).

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.75%, or 1-percentage-point higher 8.75% than the current rate:

As of September 30, 2019:

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|-----------------------|----------------------------|--------------------------------------|----------------------------|
| Net Pension Liability | \$ 2,029,684 | \$ 792,777 | \$ (239,009) |

As of September 30, 2018:

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|-----------------------|----------------------------|--------------------------------------|----------------------------|
| Net Pension Liability | \$ 2,029,961 | \$ 840,837 | \$ (149,721) |

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

401(a) Money Purchase Plan

The City offers its general employees a single employer defined contribution plan (Defined Plan) created in accordance with Internal Revenue Code Section 401(a). The Defined Plan was established as of March 7, 1994, by adoption of the City Council through Ordinance No. 1994-4. The Defined Plan, available to all full-time employees other than police, provides for an individual investment account. The Defined Plan is administered by the ICMA Retirement Corporation. The Defined Plan does not require a mandatory contribution from participants. The City is obligated to contribute 7% of gross pay for employees with less than ten years of service. Participants with at least ten years of service may elect to contribute up to 9% of gross pay, which the City is required to match. Employees are 100% vested in their personal contributions and receive 100% of investment earnings earned thereon. At September 30, 2019, 49 employees were participating in the Defined Contribution Plan.

Employees vest in the City’s contribution and the related investment earnings, based on years of service as follows:

| <u>Years of Service</u> | <u>Vesting Percentage</u> |
|-------------------------|---------------------------|
| Less than One | 0% |
| One | 20% |
| Two | 40% |
| Three | 60% |
| Four | 80% |
| Five and More | 100% |

Employees are eligible to participate in the Defined Plan after they have been employed for six months. The minimum age for retirement withdrawals is 55. In addition, withdrawals are permitted upon termination, disability, or death of the participant.

| | |
|--|--------------|
| Payroll for Covered Employees | \$ 2,989,771 |
| Employer Contributions Required and Actually Made – 7% of Covered Payroll | 209,284 |

The City has no fiduciary responsibility over the Defined Plan and does not serve in an administrative capacity or give investment advice to the participants.

Other Postemployment Benefits (OPEB)

Pursuant to Section 112.0801 of the Florida Statutes, the City is required to permit participation in the single-employer health insurance program (the Plan) by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active participants. The Plan is not an entity unto itself and, therefore, has no separately issued financial statements.

Plan Description

The City provides postemployment benefits to all eligible individuals including lifetime medical, dental, and life insurance coverage. Eligible individuals include all employees of the City who retire from the City and are participating in the City’s medical program at the time of retirement. Under the medical coverage, eligible individuals also include spouses. Police members are eligible for normal retirement after attaining age 55 with 10 years of service or at any age with 25 years of service. Early retirement may be taken at any time after attaining age 50 with 10 years of service. Non-police members are eligible for normal retirement after attaining age 55 with 5 years of service.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

Participant data of the most recent actuarial valuation date is shown below:

| | September 30, 2019 |
|-------------------------------------|-------------------------------|
| Inactive Employees or Beneficiaries | |
| Currently Receiving Benefits | 13 |
| Active Employees | 69 |
| Total | 82 |

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements and is subject to constant revision. The City has opted to not fund the net OPEB obligation or the resulting unfunded actuarial accrued liability on an annual basis.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In any long-term actuarial valuation, certain demographic, economic, and behavioral assumptions are made concerning the population, the investment discount rates and the benefits provided. These actuarial assumptions form the basis for the actuarial model which is used to project the future population, the future benefits provided, and the contributions collected. Then the investment discount rate assumption is used to discount those projected net OPEB benefits to a present value. This and other related present values are used to calculate the annual OPEB cost.

For the October 1, 2018 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. This method determines a service cost rate as a fixed percentage of compensation for each active participant. The current years' service cost is the participant's compensation multiplied by the service cost rate. Under this method, service cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement.

Other actuarial assumptions are as follows:

| | |
|-----------------------------|--|
| Salary Increases | 3.00% |
| Discount Rate | 3.50% |
| Investment Rate of Return | 0.0% |
| Healthcare Cost Trend Rates | 8.20% for fiscal year-end 2017 (to reflect actual experience), 7.00% for fiscal year-end 2018, decreasing 0.50% per year to the ultimate trend rate of 5.00% |

Mortality. Mortality rates were based on the RP 2014 Mortality Table, fully generation with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

Discount Rate. The discount rate used to measure the total OPEB liability was 3.50% as of September 30, 2019, which is equal to the single rate of return developed pursuant to GASB 75. The discount rate used to determine the liabilities under GASB 75 depends on the City's funding policy. Since the City does not prefund benefits, the discount rate required to be used is based on a yield or index rate of a 20-year tax-exempt general obligation municipal bond rated AA/Aa or higher. The discount rate assumption for determining the total OPEB liability was based on 20-year Municipal GO AA 20-year yield curve rate.

Annual OPEB Cost and OPEB Obligation

The City's total OPEB liability was measured as of September 30, 2019, and was determined by an actuarial valuation as of October 1, 2018.

Changes in the Total OPEB Liability:

| | Total OPEB Liability |
|--|-----------------------------|
| Balance at September 30, 2018 | \$ 828,300 |
| Changes for the Year: | |
| Service Cost | 23,999 |
| Interest | 29,501 |
| Differences Between Expected and Actual Experience | (34,940) |
| Changes in Assumptions | 41,594 |
| Benefit Payments | (19,046) |
| Net Changes | 41,108 |
| Balance at September 30, 2019 | \$ 869,408 |

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

| | 1% Decrease | Discount Rate | 1% Increase |
|-----------------------|----------------|------------------|----------------|
| OPEB Liability | \$ 1,012,595 | \$ 869,408 | \$ 755,053 |

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

| | 1% Decrease | Healthcare Cost Trend Rates | 1% Increase |
|-----------------------|----------------|--------------------------------|----------------|
| OPEB Liability | \$ 825,107 | \$ 869,408 | \$ 929,157 |

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$54,331.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

At September 30, 2019, the City reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

| | |
|---|-------------------------|
| Deferred Outflows of Resources | |
| Changes of Assumptions | \$ 36,395 |
| Contributions Made after the Measurement Date | <u>26,627</u> |
| Total Deferred Outflows of Resources | <u><u>\$ 63,022</u></u> |
| | |
| Deferred Inflows of Resources | |
| Difference between Expected and Actual Experience | <u>\$ 30,572</u> |
| Total Deferred Inflows of Resources | <u><u>\$ 30,572</u></u> |

Contributions made after the measurement date (shown above) will be recognized as a reduction of the OPEB liability in the fiscal year ending September 30, 2019. Other amounts reported as deferred inflows and deferred outflows of resources related to OPEB will be recognized in pension expense as follows:

| Year Ended September 30, | Amount |
|--------------------------|--------|
| 2020 | \$ 831 |
| 2021 | 831 |
| 2022 | 831 |
| 2023 | 831 |
| 2024 | 831 |
| Thereafter | 1,668 |

Note 8 - Deferred Compensation Plan

The City maintains for its employees a deferred compensation plan (Deferred Comp Plan) under provisions of the Internal Revenue Code Section 457. The Deferred Comp Plan, available to all full-time employees, allows participants to defer a portion of their salary until future years. Deferred Comp Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. The City has very little administrative involvement, performs no investing function, and has no fiduciary responsibility for the Deferred Comp Plan. All amounts of compensation deferred under the Deferred Comp Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participants and are not subject to claims of the City's creditors. Accordingly, these Deferred Comp Plan assets are not reported as a part of these financial statements.

Note 9 - Interlocal Agreement

In 1985, pursuant to an interlocal agreement authorized by Florida Statutes, Section 163.01, the City joined with the City of Jacksonville Beach and the City of Atlantic Beach (Joint Venture) to construct and operate outfall lines and disposal facilities, together with all the lands, right-of-ways, easements, and other entitlements necessary for the construction and use thereof.

The construction of the outfall lines and disposal facilities was funded by the municipalities in the following proportions:

| | |
|--------------------|-----------------------|
| | Percentage |
| Atlantic Beach | 33.06% |
| Jacksonville Beach | 55.78% |
| Neptune Beach | <u>11.16%</u> |
| Total | <u><u>100.00%</u></u> |

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA

The City of Atlantic Beach provides all accounting and purchasing services for the Joint Venture. Repair and maintenance of the outfall lines and disposal of the facilities is shared by the participating municipalities in the percentages noted above. During fiscal year 2019, there were no significant payments made to the Joint Venture. The Joint Venture has no debt outstanding on applicable financial statements as of September 30, 2019.

Note 10 - Risk Management

The City is exposed to various risks of loss related to general/professional liability, automobile liability, property damage, and workers' compensation. The City purchases commercial insurance with various deductibles for different types of losses. There were no claims paid that exceeded coverage during the last three fiscal years.

The City is insured by Governmental Risk Insurance Trust (GRIT), to cover the risks of loss related to workers' compensation. The City pays GRIT premiums based on appropriate classifications and rates. The total coverage provided is \$1,000,000 bodily injury by accident, per occurrence; \$1,000,000 bodily injury by disease, per occurrence; and \$1,000,000 bodily injury by accident, injury by disease, aggregate limit. There were no claims paid that exceeded coverage in the past three fiscal years.

Note 11 - Other Disclosures

Deficit Fund Balance/Net Position

The following non-major governmental fund and enterprise funds had a deficit fund balance/net position as of September 30, 2019:

| | | |
|----------------------|----|-----------|
| Jarboe Park CIP Fund | \$ | (27,376) |
| Sanitation Fund | | (11,580) |
| Paid Parking Fund | | (164,950) |

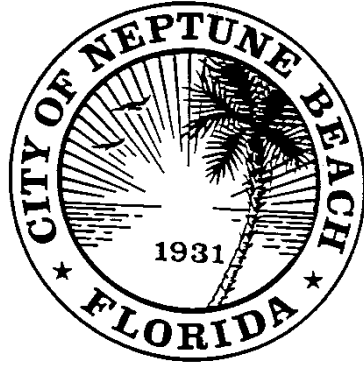
Budget

During the year, the Radio Communication Fund had excesses of expenditures over the related budget of \$296. The General Fund Police Department line had an excess of expenditures over the final budget of \$20,235. This was due to an audit adjustment to accrue additional expenditures, which was identified after the 60 day budget amendment deadline.

Note 12 - Subsequent Event

COVID-19 Subsequent Event

The COVID-19 pandemic has created economic disruptions throughout the country as of the date of this report causing significant declines in the financial markets and economic activity overall. The City expects to experience losses of various local and state shared revenues, declines in user fees, declines in investment values for both the government and in pension plans which could result in increased pension contributions and declines in financial reserves as a result. The ultimate effects of these items is expected to be significant but is not quantifiable at this time.



Required Supplementary Information

(Unaudited)

Annual Financial Report

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

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|--|--------------------|--------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 3,420,149 | \$ 3,497,249 | \$ 3,466,839 | \$ (30,410) |
| Charges for Services | 11,275 | 11,275 | 17,558 | 6,283 |
| Licenses and Permits | 227,145 | 268,145 | 234,758 | (33,387) |
| Intergovernmental | 1,393,356 | 1,876,090 | 1,976,328 | 100,238 |
| Fines and Forfeitures | 54,800 | 54,800 | 51,230 | (3,570) |
| Investment Income | 27,050 | 27,050 | 49,087 | 22,037 |
| Miscellaneous | 112,868 | 112,868 | 220,074 | 107,206 |
| Total Revenues | <u>5,246,643</u> | <u>5,847,477</u> | <u>6,015,874</u> | <u>168,397</u> |
| Expenditures | | | | |
| Current: | | | | |
| Mayor and Council | 33,335 | 38,635 | 38,566 | 69 |
| City Manager | 198,617 | 164,017 | 163,305 | 712 |
| Finance Department | 132,714 | 123,914 | 123,272 | 642 |
| City Attorney | 135,752 | 189,852 | 189,493 | 359 |
| Building Department | 173,259 | 208,259 | 207,950 | 309 |
| City Clerk | 102,530 | 105,530 | 104,777 | 753 |
| Non-Departmental | 278,486 | 313,486 | 265,517 | 47,969 |
| Police Department | 3,332,266 | 3,482,754 | 3,502,989 | (20,235) * |
| Animal Control Division | 72,030 | 70,530 | 70,367 | 163 |
| Public Works Department | 596,371 | 611,871 | 611,382 | 489 |
| Lifeguards/Beach Cleanup | 275,964 | 275,964 | 253,676 | 22,288 |
| (Total Expenditures) | <u>(5,331,324)</u> | <u>(5,584,812)</u> | <u>(5,531,294)</u> | <u>53,518</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(84,681)</u> | <u>262,665</u> | <u>484,580</u> | <u>221,915</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds of Sale of Capital Assets | - | - | 23,614 | 23,614 |
| Transfers in | 105,000 | 105,000 | 105,000 | - |
| Transfers (out) | (20,000) | (114,833) | (114,833) | - |
| Total Other Financing Sources (Uses) | <u>85,000</u> | <u>(9,833)</u> | <u>13,781</u> | <u>23,614</u> |
| Net Change in Fund Balance | 319 | 252,832 | 498,361 | 245,529 |
| Fund Balances, Beginning of Year | - | 56,601 | 2,006,929 | 1,950,328 |
| Fund Balances, End of Year | <u>\$ 319</u> | <u>\$ 309,433</u> | <u>\$ 2,505,290</u> | <u>\$ 2,195,857</u> |

* See note 11 for explanation

**BUDGETARY COMPARISON SCHEDULE
 BETTER JACKSONVILLE HALF-CENT TAX FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2019
 CITY OF NEPTUNE BEACH, FLORIDA**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|-------------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 487,612 | \$ 487,612 | \$ 515,995 | \$ 28,383 |
| Investment Income | 2,000 | 2,000 | 7,726 | 5,726 |
| Total Revenues | <u>489,612</u> | <u>489,612</u> | <u>523,721</u> | <u>34,109</u> |
| Expenditures | | | | |
| Current: | | | | |
| Capital Outlay | 1,130,246 | 333,246 | 156,061 | 177,185 |
| (Total Expenditures) | <u>(1,130,246)</u> | <u>(333,246)</u> | <u>(156,061)</u> | <u>177,185</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(640,634)</u> | <u>156,366</u> | <u>367,660</u> | <u>211,294</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers (out) | - | (73,000) | (72,333) | 667 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(73,000)</u> | <u>(72,333)</u> | <u>667</u> |
| Net Change in Fund Balance | (640,634) | 83,366 | 295,327 | 211,961 |
| Fund Balances, Beginning of Year | <u>650,000</u> | <u>650,000</u> | <u>406,875</u> | <u>(243,125)</u> |
| Fund Balances, End of Year | <u>\$ 9,366</u> | <u>\$ 733,366</u> | <u>\$ 702,202</u> | <u>\$ (31,164)</u> |

**NOTE TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 1 - Budgetary Information

The budget is prepared on a basis consistent with GAAP. The City maintains the legal level of budgetary control at the department level all funds. Total expenditures for each fund may not exceed appropriations without Council approval.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CITY OF NEPTUNE BEACH, FLORIDA**

| | <u>September 30, 2019</u> | <u>September 30, 2018</u> |
|--|-------------------------------|-------------------------------|
| Total Pension Liability | | |
| Service Cost | \$ 209,773 | \$ 180,830 |
| Interest | 816,477 | 786,369 |
| Changes in Excess State Money | - | (295,249) |
| Share Plan Allocation | 31,455 | 122,043 |
| Benefit Payments Paid due from Excess State Money Reserve | - | - |
| Differences Between Expected and Actual Experience | 47,624 | 72,076 |
| Changes of Assumptions | - | - |
| Contributions - Buy Back | 4,969 | 8,394 |
| Benefit Payments, Including Refunds of Member Contributions | (1,229,292) | (391,041) |
| Net Change in Total Pension Liability | <u>(118,994)</u> | <u>483,422</u> |
| Total Pension Liability - Beginning | <u>10,940,064</u> | <u>10,456,642</u> |
| Total Pension Liability - Ending (a) | <u><u>10,821,070</u></u> | <u><u>10,940,064</u></u> |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | 430,046 | 406,116 |
| Contributions - State | 124,608 | - |
| Contributions - Employee | 104,349 | 98,542 |
| Contributions - Buy Back | 4,969 | 8,394 |
| Net Investment Income | 537,577 | 624,428 |
| Benefit Payments, Including Refunds of Employee Contributions | (1,229,292) | (391,041) |
| Administrative Expense | (43,191) | (36,599) |
| Net Change in Plan Fiduciary Net Position | <u>(70,934)</u> | <u>709,840</u> |
| Plan Fiduciary Net Position - Beginning | <u>10,099,227</u> | <u>9,389,387</u> |
| Plan Fiduciary Net Position - Ending (b) | <u><u>10,028,293</u></u> | <u><u>10,099,227</u></u> |
| Net Pension Liability - Ending (a) - (b) | <u><u>\$ 792,777</u></u> | <u><u>\$ 840,837</u></u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 92.67% | 92.31% |
| Covered Employee Payroll* | <u><u>\$ 1,304,356</u></u> | <u><u>\$ 1,231,774</u></u> |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 60.78% | 68.26% |

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

Differences between Plan Fiduciary Net Position presented above and the amounts presented in the financial statements are due to certain accruals which are the result of timing differences. These differences are not considered to be significant.

Notes to Schedule

* The Covered Employee Payroll numbers shown are in compliance with GASB 83, except for 09/30/2015 measurement period which includes drop payroll.

Changes of Benefit Terms:

For measurement date 09/30/2018, the following plan changes were reflected:

Pursuant to the provisions of Chapter 2015-39, the "default methodology" to calculate use of Chapter 185 premium tax revenues was applied retroactively to September 30, 2015. This methodology provided funding for a City Reserve Credit, allocations for the Share Plan, and a credit applied toward the Unfunded Actuarial Liability.

Ordinance 2015-06 passed on January 19th, 2016, approving the issuance of a one-time thirteenth check for retirees. The total amount of the thirteenth checks paid was taken from the Excess State Monies reserve balance.

| September 30, 2017 | September 30, 2016 | September 30, 2015 | September 30, 2014 |
|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 186,399 | \$ 206,787 | \$ 176,459 | \$ 200,463 |
| 758,549 | 747,888 | 705,481 | 680,670 |
| 31,981 | (11,031) | 28,631 | 26,003 |
| - | - | - | - |
| - | 43,251 | - | - |
| (212,331) | (95,501) | 158,907 | - |
| - | 104,045 | 13,848 | - |
| 38,780 | 9,448 | - | - |
| (509,179) | (517,103) | (592,783) | (501,198) |
| 294,199 | 487,784 | 490,543 | 405,938 |
| 10,162,443 | 9,674,659 | 9,184,116 | 8,778,178 |
| <u>10,456,642</u> | <u>10,162,443</u> | <u>9,674,659</u> | <u>9,184,116</u> |
| 363,572 | 349,485 | 359,489 | 295,253 |
| 58,873 | 59,112 | 55,523 | 52,895 |
| 88,219 | 84,801 | 78,060 | 101,569 |
| 38,780 | 9,448 | 13,848 | - |
| 1,006,730 | 427,781 | 15,377 | 746,595 |
| (509,179) | (517,103) | (592,783) | (501,198) |
| <u>(32,531)</u> | <u>(32,292)</u> | <u>(23,445)</u> | <u>(13,046)</u> |
| 1,014,464 | 381,232 | (93,931) | 682,068 |
| 8,374,923 | 7,993,691 | 8,087,622 | 7,405,554 |
| <u>9,389,387</u> | <u>8,374,923</u> | <u>7,993,691</u> | <u>8,087,622</u> |
| <u>\$ 1,067,255</u> | <u>\$ 1,787,520</u> | <u>\$ 1,680,968</u> | <u>\$ 1,096,494</u> |
| 89.79% | 82.41% | 82.63% | 88.06% |
| <u>\$ 1,102,738</u> | <u>\$ 1,060,008</u> | <u>\$ 1,330,898</u> | <u>\$ 966,824</u> |
| 96.78% | 168.63% | 126.30% | 113.41% |

Notes to Schedule

For measurement date 09/30/2016, the following assumption changes have been made:

- The return assumption was lowered from 8.00% to 7.75% per year, net of investment related expenses.
- The salary increases assumption was changed from a flat 6.50% to a service-based table.
- The assumed rates of termination were changed from an age-based table to a service-based table.
- The assumed rates of normal retirement were changed from 100% at first eligibility to a table based method.
- Assumed rates of mortality were changed from RP-2000 Combined Healthy Tables to the mortality tables of special risk employees used by the Florida Retirement System in the July 1, 2015 valuation.
- Inflation rate was lowered from 3.00% to 2.50%.

**SCHEDULE OF CONTRIBUTIONS
CITY OF NEPTUNE BEACH, FLORIDA**

| | September 30, 2019 | September 30, 2018 | September 30, 2017 |
|--|-----------------------|-----------------------|-----------------------|
| Actuarially Determined Contribution | \$ 373,568 | \$ 337,875 | \$ 351,994 |
| Contributions in Relation to the Actuarially Determined Contributions | 523,199 | 442,173 | 390,464 |
| Contribution (Excess) Deficiency | <u>\$ (149,631)</u> | <u>\$ (104,298)</u> | <u>\$ (38,470)</u> |
| Covered Employee Payroll | <u>\$ 1,304,356</u> | <u>\$ 1,231,774</u> | <u>\$ 1,102,738</u> |
| Contributions as a Percentage of Covered Employee Payroll | 40.11% | 35.90% | 35.41% |

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

Notes to Schedule:

Valuation Date: 10/1/2017

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

| Mortality: | <p>Healthy Lives: Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB Male: RP2000 Generational, 10% Annuitant White Collar/ 90% Annuitant Blue Collar, Scale BB</p> <p>Disabled Lives: Female: 60% RP2000 Disable Female set forward two years/ 40% Annuitant White Collar with no setback, no projection scale Male: 60% RP2000 Disabled Male setback four years/ 40% Annuitant White Collar with no setback, no projection scale.</p> <p>The assumed rates of mortality were mandated by Chapter 2015-157, Laws of Florida. The law mandates the use of the assumptions in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in the July 1, 2016 FRS actuarial valuation report for special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.</p> | | | | | | | | | | | |
|-----------------------------------|--|-----------------------------------|------|--------------------|-------|------------------|-------|------------------|-------|----|-------|--|
| Interest Rate: | 7.75% per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class. | | | | | | | | | | | |
| Retirement Age: | <table border="1"> <thead> <tr> <th style="text-align: center;">Years Following First Eligibility</th> <th style="text-align: center;">Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">50%</td> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">10%</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">100%</td> </tr> </tbody> </table> | Years Following First Eligibility | Rate | 0 | 50% | 1 | 10% | 2 | 100% | | | |
| Years Following First Eligibility | Rate | | | | | | | | | | | |
| 0 | 50% | | | | | | | | | | | |
| 1 | 10% | | | | | | | | | | | |
| 2 | 100% | | | | | | | | | | | |
| Early Retirement: | None | | | | | | | | | | | |
| Disability Rate: | <table border="1"> <thead> <tr> <th style="text-align: center;">Age</th> <th style="text-align: center;">Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">20</td> <td style="text-align: center;">0.03%</td> </tr> <tr> <td style="text-align: center;">30</td> <td style="text-align: center;">0.04%</td> </tr> <tr> <td style="text-align: center;">40</td> <td style="text-align: center;">0.07%</td> </tr> <tr> <td style="text-align: center;">50</td> <td style="text-align: center;">0.18%</td> </tr> </tbody> </table> | Age | Rate | 20 | 0.03% | 30 | 0.04% | 40 | 0.07% | 50 | 0.18% | |
| Age | Rate | | | | | | | | | | | |
| 20 | 0.03% | | | | | | | | | | | |
| 30 | 0.04% | | | | | | | | | | | |
| 40 | 0.07% | | | | | | | | | | | |
| 50 | 0.18% | | | | | | | | | | | |
| Termination Rate: | <table border="1"> <thead> <tr> <th style="text-align: center;">Service</th> <th style="text-align: center;">Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Less than 15 years</td> <td style="text-align: center;">8.5%</td> </tr> <tr> <td style="text-align: center;">15 or more years</td> <td style="text-align: center;">0.0%</td> </tr> </tbody> </table> | Service | Rate | Less than 15 years | 8.5% | 15 or more years | 0.0% | | | | | |
| Service | Rate | | | | | | | | | | | |
| Less than 15 years | 8.5% | | | | | | | | | | | |
| 15 or more years | 0.0% | | | | | | | | | | | |
| Salary Increases: | <table border="1"> <thead> <tr> <th style="text-align: center;">Service</th> <th style="text-align: center;">Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Less than 5 years</td> <td style="text-align: center;">16%</td> </tr> <tr> <td style="text-align: center;">5-9 years</td> <td style="text-align: center;">10%</td> </tr> <tr> <td style="text-align: center;">10 or more years</td> <td style="text-align: center;">4%</td> </tr> </tbody> </table> | Service | Rate | Less than 5 years | 16% | 5-9 years | 10% | 10 or more years | 4% | | | |
| Service | Rate | | | | | | | | | | | |
| Less than 5 years | 16% | | | | | | | | | | | |
| 5-9 years | 10% | | | | | | | | | | | |
| 10 or more years | 4% | | | | | | | | | | | |
| Funding Method: | Entry Age Normal Actuarial Cost Method. | | | | | | | | | | | |
| Asset Valuation Method: | Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value. | | | | | | | | | | | |

| September 30, 2016 | September 30, 2015 | September 30, 2014 |
|-----------------------|-----------------------|-----------------------|
| \$ 380,225 | \$ 322,780 | \$ 322,145 |
| 376,377 | 386,381 | 322,145 |
| \$ 3,848 | \$ (63,601) | \$ - |
| \$ 1,060,008 | \$ 1,330,898 | \$ 966,824 |
| 35.51% | 29.03% | 33.32% |

**SCHEDULE OF INVESTMENT RETURNS
CITY OF NEPTUNE BEACH, FLORIDA**

| | <u>September 30, 2019</u> | <u>September 30, 2018</u> | <u>September 30, 2017</u> | <u>September 30, 2016</u> | <u>September 30, 2015</u> | <u>September 30, 2014</u> |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Annual Money-Weighted Rate of Return, Net of Investment Expense | 5.32% | 6.63% | 12.09% | 5.39% | 0.19% | 9.98% |

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

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
CITY OF NEPTUNE BEACH, FLORIDA**

| Total OPEB Liability | 2019 | 2018 |
|---|--------------|--------------|
| Service Cost | \$ 23,999 | 23,300 |
| Interest on the Total OPEB Liability | 29,501 | 28,300 |
| Difference Between Expected and Actual Experience | (34,940) | - |
| Changes of Assumptions and Other Inputs | 41,594 | - |
| Benefit Payments | (19,046) | (17,800) |
| Net Change in Total OPEB Liability | 41,108 | 33,800 |
| Total OPEB Liability - Beginning | 828,300 | 794,500 |
| Total OPEB Liability - Ending | 869,408 | 828,300 |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | 19,046 | 17,800 |
| Contributions - Employee | - | - |
| Net Investment Income | - | - |
| Benefit Payments, Including Refunds of Employer Contributions | (19,046) | (17,800) |
| Administrative Expenses | - | - |
| Other | - | - |
| Net Change in Plan Fiduciary Net Position | - | - |
| Plan Fiduciary Net Position - Beginning | - | - |
| Plan Fiduciary Net Position - Ending | - | - |
| Covered-Employee Payroll | \$ 3,618,253 | \$ 3,173,800 |
| Total OPEB Liability as a Percentage of Covered-Employee Payroll | 24.03% | 26.10% |

Note to the Schedule

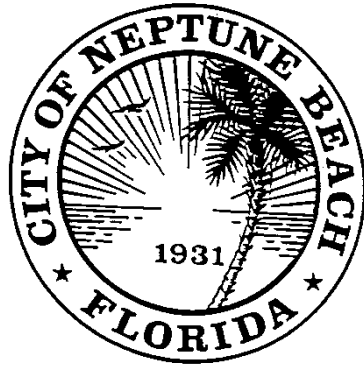
No assets are being accumulated in a trust to pay for the benefits.

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

Difference Between Expected and Actual Experience. Difference Between Expected and Actual Experience reflects the impact of changes to the census data from the prior valuation to the valuation as of September 30, 2018.

Changes of Assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

| | |
|--|-------|
| Fiscal Year Ending September 30, 2019: | 3.64% |
| Fiscal Year Ending September 30, 2018: | 3.50% |



Combining and Individual Fund Statements and Schedules

Annual Financial Report

**DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

- **Police Education Fund**—This fund accounts for revenues derived from county court costs. Expenditures are used to provide criminal justice education degree programs and training courses for Police Department personnel.
- **Community Development Block Grant Fund**—This fund accounts for federal grants through the Jacksonville Entitlement program, which provides funding for community development and improvements for qualified populations within the City.
- **Convention Development Tax Fund**—This fund is used to account for funds received from the levy of the local tourist development tax, which are used to promote convention and tourist development. By special act of the legislature, it can also be used for capital outlay in support of lifeguards and parks.
- **Forfeiture Proceeds Fund**—This fund accounts for revenue derived from confiscated property and cash. Proceeds are used to augment police activities.
- **Street Improvement Fund**—This fund accounts for the Eighth-cent Gasoline Tax. The revenue is restricted per Florida Statutes and may only be used for street construction and paving.
- **Local Option Gas Tax Fund**—This fund accounts for the City's share of county gas tax revenues. Funds may be used to support capital outlay and maintenance for local roads and drainage systems.
- **Radio Communications Fund**—This fund accounts for a portion of the revenues obtained from traffic violations. Expenditures are used to enhance public safety communications and automation.
- **Holiday Décor Fund**—This fund accounts for donations received from residents to be used for holiday decorations.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds. The City has two capital projects funds:

- **Capital Improvement Fund**—This fund accounts for capital expenditures throughout the City (other than those tracked in the Jarboe Park Fund).
- **Jarboe Park Capital Improvement Fund**—This fund accounts for capital expenditures related to the Jarboe Park improvement plan.

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

| | Special Revenue Funds | | | | | |
|--|-----------------------------|---|---------------------------------------|--------------------------------|-------------------------------|------------------------------------|
| | Police Education Fund | Community Development Block Grant Fund | Convention Development Tax Fund | Forfeiture Proceeds Fund | Street Improvement Fund | Local Option Gas Tax Fund |
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 11,892 | \$ 14,928 | \$ 62,775 | \$ 2,496 | \$ 123,900 | \$ 99,148 |
| Due from Other Governments | 309 | - | 6,763 | - | 5,125 | 24,277 |
| Total Assets | 12,201 | 14,928 | 69,538 | 2,496 | 129,025 | 123,425 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable and Accrued Liabilities | - | 4,261 | 18 | - | 30,991 | 5,018 |
| Total Liabilities | - | 4,261 | 18 | - | 30,991 | 5,018 |
| Fund Balances | | | | | | |
| Restricted for: | | | | | | |
| Public Safety | 12,201 | - | - | 2,496 | - | - |
| Capital Outlay | - | - | - | - | 98,034 | 118,407 |
| Other Purposes | - | - | 69,520 | - | - | - |
| Assigned: | | | | | | |
| Community Development | - | 10,667 | - | - | - | - |
| Unassigned | - | - | - | - | - | - |
| Total Fund Balances | 12,201 | 10,667 | 69,520 | 2,496 | 98,034 | 118,407 |
| Total Liabilities and Fund Balances | \$ 12,201 | \$ 14,928 | \$ 69,538 | \$ 2,496 | \$ 129,025 | \$ 123,425 |

| Special Revenue Funds | | | Capital Projects Funds | | | Total Non-Major Governmental Funds |
|--------------------------------------|--------------------------|--------------------------------------|--------------------------------|----------------------------|---------------------------------------|---|
| Radio Communi- cations Fund | Holiday Décor Fund | Total Special Revenue Funds | Capital Improvement Fund | Jarboe Park CIP Fund | Total Capital Projects Funds | |
| \$ 35,916 910 | \$ 2,181 - | \$ 353,236 37,384 | \$ 1,279 - | \$ 29,290 - | \$ 30,569 - | \$ 383,805 37,384 |
| 36,826 | 2,181 | 390,620 | 1,279 | 29,290 | 30,569 | 421,189 |
| 23,340 | - | 63,628 | - | 56,666 | 56,666 | 120,294 |
| 23,340 | - | 63,628 | - | 56,666 | 56,666 | 120,294 |
| - | - | 14,697 | - | - | - | 14,697 |
| 13,486 | - | 229,927 | 1,279 | - | 1,279 | 231,206 |
| - | 2,181 | 71,701 | - | - | - | 71,701 |
| - | - | 10,667 | - | - | - | 10,667 |
| - | - | - | - | (27,376) | (27,376) | (27,376) |
| 13,486 | 2,181 | 326,992 | 1,279 | (27,376) | (26,097) | 300,895 |
| \$ 36,826 | \$ 2,181 | \$ 390,620 | \$ 1,279 | \$ 29,290 | \$ 30,569 | \$ 421,189 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

| | Special Revenue Funds | | | | | |
|--|-----------------------------|---|---------------------------------------|--------------------------------|-------------------------------|------------------------------------|
| | Police Education Fund | Community Development Block Grant Fund | Convention Development Tax Fund | Forfeiture Proceeds Fund | Street Improvement Fund | Local Option Gas Tax Fund |
| Revenues | | | | | | |
| Taxes | \$ - | \$ - | \$ 37,230 | \$ - | \$ - | \$ 264,885 |
| Fines and Forfeitures | 8,956 | - | - | 1,100 | - | - |
| Intergovernmental Revenues | - | 44,895 | - | - | 63,536 | - |
| Charges for Services | - | 40,226 | - | - | - | - |
| Investment Income | 282 | - | 1,096 | 61 | 1,871 | - |
| Miscellaneous | - | 62,636 | - | - | - | - |
| Total Revenues | <u>9,238</u> | <u>147,757</u> | <u>38,326</u> | <u>1,161</u> | <u>65,407</u> | <u>264,885</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Public Safety | 8,726 | - | - | 2,041 | - | - |
| Public Works | - | - | - | - | 72,777 | 250,394 |
| Culture and Recreation | - | 152,514 | 6,567 | - | - | - |
| Capital Outlay | - | - | 47,139 | - | 17,838 | - |
| (Total Expenditures) | <u>(8,726)</u> | <u>(152,514)</u> | <u>(53,706)</u> | <u>(2,041)</u> | <u>(90,615)</u> | <u>(250,394)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>512</u> | <u>(4,757)</u> | <u>(15,380)</u> | <u>(880)</u> | <u>(25,208)</u> | <u>14,491</u> |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | 20,000 | - | - | - | - |
| Transfers (out) | - | - | (10,000) | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>20,000</u> | <u>(10,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | 512 | 15,243 | (25,380) | (880) | (25,208) | 14,491 |
| Fund Balances (Deficits), Beginning of Year | <u>11,689</u> | <u>(4,576)</u> | <u>94,900</u> | <u>3,376</u> | <u>123,242</u> | <u>103,916</u> |
| Fund Balances (Deficits), End of Year | <u>\$ 12,201</u> | <u>\$ 10,667</u> | <u>\$ 69,520</u> | <u>\$ 2,496</u> | <u>\$ 98,034</u> | <u>\$ 118,407</u> |

| Special Revenue Funds | | | Capital Projects Funds | | | Total Non-Major Governmental Funds |
|---------------------------|--------------------|-----------------------------|--------------------------|----------------------|------------------------------|------------------------------------|
| Radio Communications Fund | Holiday Décor Fund | Total Special Revenue Funds | Capital Improvement Fund | Jarboe Park CIP Fund | Total Capital Projects Funds | |
| \$ - | \$ - | \$ 302,115 | \$ - | \$ - | \$ - | \$ 302,115 |
| 16,088 | - | 26,144 | - | - | - | 26,144 |
| - | - | 108,431 | - | - | - | 108,431 |
| - | - | 40,226 | - | - | - | 40,226 |
| 439 | - | 3,749 | - | - | - | 3,749 |
| - | 11,000 | 73,636 | - | - | - | 73,636 |
| 16,527 | 11,000 | 554,301 | - | - | - | 554,301 |
| 23,341 | - | 34,108 | - | - | - | 34,108 |
| - | - | 323,171 | - | - | - | 323,171 |
| - | 9,413 | 168,494 | - | - | - | 168,494 |
| - | - | 64,977 | 94,833 | 99,709 | 194,542 | 259,519 |
| (23,341) | (9,413) | (590,750) | (94,833) | (99,709) | (194,542) | (785,292) |
| (6,814) | 1,587 | (36,449) | (94,833) | (99,709) | (194,542) | (230,991) |
| - | - | 20,000 | 94,833 | 72,333 | 167,166 | 187,166 |
| - | - | (10,000) | - | - | - | (10,000) |
| - | - | 10,000 | 94,833 | 72,333 | 167,166 | 177,166 |
| (6,814) | 1,587 | (26,449) | - | (27,376) | (27,376) | (53,825) |
| 20,300 | 594 | 353,441 | 1,279 | - | 1,279 | 354,720 |
| \$ 13,486 | \$ 2,181 | \$ 326,992 | \$ 1,279 | \$ (27,376) | \$ (26,097) | \$ 300,895 |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

| | Police Education Fund | | | Variance With Final Budget Positive (Negative) |
|--|------------------------------|----------------|---------------------------|---|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| Revenues | | | | |
| Fines and Forfeitures | \$ 5,000 | \$ 5,000 | \$ 8,956 | \$ 3,956 |
| Investment Income | 10 | 10 | 282 | 272 |
| Total Revenues | <u>5,010</u> | <u>5,010</u> | <u>9,238</u> | <u>4,228</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public Safety | 9,010 | 9,010 | 8,726 | 284 |
| (Total Expenditures) | <u>(9,010)</u> | <u>(9,010)</u> | <u>(8,726)</u> | <u>284</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (4,000) | (4,000) | 512 | 4,512 |
| Fund Balances, Beginning of Year | <u>4,000</u> | <u>4,000</u> | <u>11,689</u> | <u>7,689</u> |
| Fund Balances, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,201</u> | <u>\$ 12,201</u> |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

| | Community Development Block Grant Fund | | | |
|--|---|------------------|---------------------------|---|
| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental Revenue | \$ 44,895 | \$ 44,895 | \$ 44,895 | \$ - |
| Charges for Services | 72,858 | 72,858 | 40,226 | (32,632) |
| Grants and Donations | | | | - |
| Miscellaneous | 48,841 | 48,841 | 62,636 | 13,795 |
| Total Revenues | 166,594 | 166,594 | 147,757 | (18,837) |
| Expenditures | | | | |
| Current: | | | | |
| Culture and Recreation | 186,594 | 186,594 | 152,514 | 34,080 |
| (Total Expenditures) | (186,594) | (186,594) | (152,514) | 34,080 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (20,000) | (20,000) | (4,757) | 15,243 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 20,000 | 20,000 | 20,000 | - |
| Total Other Financing Sources (Uses) | 20,000 | 20,000 | 20,000 | - |
| Net Change in Fund Balance | - | - | 15,243 | 15,243 |
| Fund Balances (Deficits), Beginning of Year | - | - | (4,576) | (4,576) |
| Fund Balances (Deficits), End of Year | \$ - | \$ - | \$ 10,667 | \$ 10,667 |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

| | Convention Development Tax Fund | | | Variance With Final Budget Positive (Negative) |
|--|--|-----------------|---------------------------|---|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 28,500 | \$ 36,500 | \$ 37,230 | \$ 730 |
| Investment Income | 75 | 75 | 1,096 | 1,021 |
| Total Revenues | <u>28,575</u> | <u>36,575</u> | <u>38,326</u> | <u>1,751</u> |
| Expenditures | | | | |
| Current: | | | | |
| Culture and Recreation | 48,575 | 53,775 | 53,706 | 69 |
| (Total Expenditures) | <u>(48,575)</u> | <u>(53,775)</u> | <u>(53,706)</u> | <u>69</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (20,000) | (17,200) | (15,380) | 1,820 |
| Other Financing (Uses) | | | | |
| Transfers (out) | (10,000) | (10,000) | (10,000) | - |
| Total Other Financing (Uses) | <u>(10,000)</u> | <u>(10,000)</u> | <u>(10,000)</u> | <u>-</u> |
| Net Change in Fund Balance | (30,000) | (27,200) | (25,380) | 1,820 |
| Fund Balances, Beginning of Year | <u>30,000</u> | <u>30,000</u> | <u>94,900</u> | <u>64,900</u> |
| Fund Balances, End of Year | <u>\$ -</u> | <u>\$ 2,800</u> | <u>\$ 69,520</u> | <u>\$ 66,720</u> |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

| | Forfeiture Proceeds Fund | | | Variance With Final Budget Positive (Negative) |
|--|---------------------------------|----------------|---------------------------|---|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| Revenues | | | | |
| Fines and Forfeitures | \$ - | \$ - | \$ 1,100 | \$ 1,100 |
| Investment Income | 25 | 25 | 61 | 36 |
| Total Revenues | <u>25</u> | <u>25</u> | <u>1,161</u> | <u>1,136</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public Safety | 2,125 | 2,125 | 2,041 | 84 |
| (Total Expenditures) | <u>(2,125)</u> | <u>(2,125)</u> | <u>(2,041)</u> | <u>84</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (2,100) | (2,100) | (880) | 1,220 |
| Fund Balances, Beginning of Year | <u>2,100</u> | <u>2,100</u> | <u>3,376</u> | <u>1,276</u> |
| Fund Balances, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,496</u> | <u>\$ 2,496</u> |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019
 CITY OF NEPTUNE BEACH, FLORIDA**

| | Street Improvement Fund | | | Variance With Final Budget Positive (Negative) |
|--|--------------------------------|------------------|---------------------------|---|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental Revenue | \$ 60,430 | \$ 60,430 | \$ 63,536 | \$ 3,106 |
| Investment Income | 50 | 50 | 1,871 | 1,821 |
| Total Revenues | <u>60,480</u> | <u>60,480</u> | <u>65,407</u> | <u>4,927</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public Works | 155,480 | 155,480 | 90,615 | 64,865 |
| (Total Expenditures) | <u>(155,480)</u> | <u>(155,480)</u> | <u>(90,615)</u> | <u>64,865</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (95,000) | (95,000) | (25,208) | 69,792 |
| Fund Balances, Beginning of Year | <u>95,000</u> | <u>95,000</u> | <u>123,242</u> | <u>28,242</u> |
| Fund Balances, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 98,034</u> | <u>\$ 98,034</u> |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

| | <u>Local Option Gas Tax Fund</u> | | | Variance With Final Budget Positive (Negative) |
|--|----------------------------------|------------------|---------------------------|---|
| | Budgeted Amounts | | Actual Amounts | |
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 256,675 | \$ 256,675 | \$ 264,885 | \$ 8,210 |
| Total Revenues | <u>256,675</u> | <u>256,675</u> | <u>264,885</u> | <u>8,210</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public Works | 267,170 | 267,170 | 250,394 | 16,776 |
| (Total Expenditures) | <u>(267,170)</u> | <u>(267,170)</u> | <u>(250,394)</u> | <u>16,776</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (10,495) | (10,495) | 14,491 | 24,986 |
| Fund Balances, Beginning of Year | <u>80,000</u> | <u>80,000</u> | <u>103,916</u> | <u>23,916</u> |
| Fund Balances, End of Year | <u>\$ 69,505</u> | <u>\$ 69,505</u> | <u>\$ 118,407</u> | <u>\$ 48,902</u> |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

| | Radio Communication Fund | | | Variance With Final Budget Positive (Negative) |
|--|---------------------------------|-----------------|---------------------------|---|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| Revenues | | | | |
| Fines and Forfeiture | \$ 15,000 | \$ 15,000 | \$ 16,088 | \$ 1,088 |
| Investment Income | 45 | 45 | 439 | 394 |
| Total Revenues | <u>15,045</u> | <u>15,045</u> | <u>16,527</u> | <u>1,482</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public Safety | 23,045 | 23,045 | 23,341 | (296) |
| (Total Expenditures) | <u>(23,045)</u> | <u>(23,045)</u> | <u>(23,341)</u> | <u>(296)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (8,000) | (8,000) | (6,814) | 1,186 |
| Fund Balances, Beginning of Year | <u>8,000</u> | <u>8,000</u> | <u>20,300</u> | <u>12,300</u> |
| Fund Balances, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,486</u> | <u>\$ 13,486</u> |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

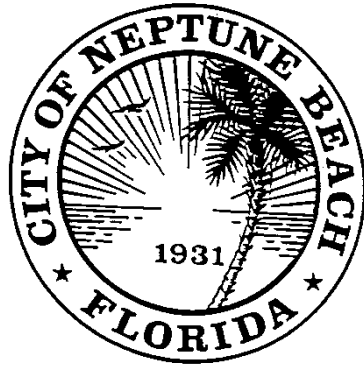
| | Holiday Décor Fund | | | Variance With Final Budget Positive (Negative) |
|--|---------------------------|-----------------|---------------------------|---|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| Revenues | | | | |
| Investment Income | \$ 6 | \$ 6 | \$ - | \$ (6) |
| Miscellaneous | 8,000 | 11,000 | 11,000 | - |
| Total Revenues | <u>8,006</u> | <u>11,006</u> | <u>11,000</u> | <u>(6)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Culture and Recreation | 8,506 | 11,506 | 9,413 | 2,093 |
| (Total Expenditures) | <u>(8,506)</u> | <u>(11,506)</u> | <u>(9,413)</u> | <u>2,093</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (500) | (500) | 1,587 | 2,087 |
| Fund Balances, Beginning of Year | <u>500</u> | <u>500</u> | <u>594</u> | <u>94</u> |
| Fund Balances, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,181</u> | <u>\$ 2,181</u> |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

| | Capital Improvement Fund | | | Variance With Final Budget Positive (Negative) |
|--|---------------------------------|--------------------|---------------------------|---|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| Revenues | | | | |
| Interest | \$ - | \$ - | \$ - | \$ - |
| Total Revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures | | | | |
| Capital Outlay | 98,000 | 98,000 | 94,833 | 3,167 |
| (Total Expenditures) | <u>(98,000)</u> | <u>(98,000)</u> | <u>(94,833)</u> | <u>3,167</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (98,000) | (98,000) | (94,833) | 3,167 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 98,000 | 98,000 | 94,833 | (3,167) |
| Total Other Financing Sources (Uses) | <u>98,000</u> | <u>98,000</u> | <u>94,833</u> | <u>(3,167)</u> |
| Net Change in Fund Balance | - | - | - | - |
| Fund Balances, Beginning of Year | <u>-</u> | <u>-</u> | <u>1,279</u> | <u>1,279</u> |
| Fund Balances, End of Year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,279</u></u> | <u><u>\$ 1,279</u></u> |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

| | Jarboe Park CIP Fund | | | Variance With Final Budget Positive (Negative) |
|--|-----------------------------|--------------------|---------------------------|---|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| Revenues | | | | |
| Interest | \$ - | \$ - | \$ - | \$ - |
| Total Revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures | | | | |
| Capital Outlay | - | 162,000 | 99,709 | 62,291 |
| (Total Expenditures) | <u>-</u> | <u>(162,000)</u> | <u>(99,709)</u> | <u>62,291</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (162,000) | (99,709) | 62,291 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | 73,000 | 72,333 | (667) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>73,000</u> | <u>72,333</u> | <u>(667)</u> |
| Net Change in Fund Balance | - | (89,000) | (27,376) | 61,624 |
| Fund Balances, Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ -</u> | <u>\$ (89,000)</u> | <u>\$ (27,376)</u> | <u>\$ 61,624</u> |



Schedule of Expenditures of the City of Jacksonville Grant Funds

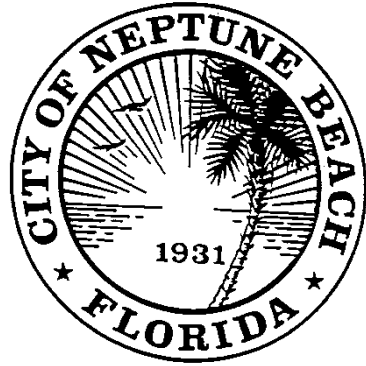
Annual Financial Report

**SCHEDULE OF EXPENDITURES OF THE CITY OF JACKSONVILLE GRANT FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF NEPTUNE BEACH, FLORIDA**

**Community Development Block Grant Funds
Passed Through City of Jacksonville, Florida**

**Contract Number 6494-52
Project Number 004604**

| | Approved Budget | Actual |
|--|----------------------------|------------------|
| Receipts | <u>\$ 44,895</u> | <u>\$ 44,895</u> |
| Total Receipts | <u>44,895</u> | <u>44,895</u> |
| Expenditures | | |
| Salaries/Wages | 37,176 | 37,176 |
| Employee Benefits | <u>7,719</u> | <u>7,719</u> |
| (Total Expenditures) | <u>(44,895)</u> | <u>(44,895)</u> |
| Excess (Deficiencies) of Source Over (Under) Expenditures | <u>\$ -</u> | <u>\$ -</u> |



Other Reports

Annual Financial Report

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

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

Honorable Mayor, City Councilors, and City Manager
City of Neptune Beach, Florida
Neptune Beach, 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 Neptune Beach, Florida, (the City), 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 and have issued our report thereon dated June 11, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described below as an item that we consider to be a material weakness.

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Honorable Mayor, City Councilors, and City Manager
City of Neptune Beach, Florida
Neptune Beach, Florida

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

2019-01 – Financial Close and Reporting

Condition—During final fieldwork, we identified several areas that required audit adjustments to correct the City's accounting records. While most of these adjustments were below materiality, material adjustments were made to accrue accounts payable for approximately \$80,000, and to record a Deferred Retirement Option Program (DROP) payable for approximately \$408,000. The DROP payable entry was due to a DROP employee retiring from the City prior to year-end (but not paid until after year-end), which triggered the recognition of an expense and payable.

Effect—Although the City has corrected all identified misstatements, if these adjustments had not been identified during the audit process, the City's financial statements would have been misstated.

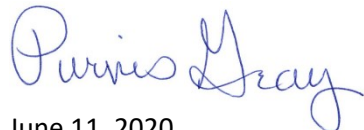
Recommendation—We recommend that the City's finance department evaluates their yearly financial close and reporting processes and procedures, and make any changes, if necessary.

Compliance and Other Matters

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

Purpose of this Report

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



June 11, 2020
Gainesville, Florida

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

Honorable Mayor, City Councilors, and City Manager
City of Neptune Beach, Florida
Neptune Beach, Florida

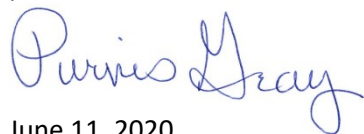
We have examined the City of Neptune Beach, Florida's (the City) compliance with Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2019. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the 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 non-compliance, 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 legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2019.

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



June 11, 2020
Gainesville, Florida

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MANAGEMENT LETTER

Honorable Mayor, City Councilors, and City Manager
City of Neptune Beach, Florida
Neptune Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Neptune Beach, Florida, (the City), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 11, 2020.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with AICPA *Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated June 11, 2020, 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 financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

Official Title and Legal Authority

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

Financial Condition and Management

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

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Honorable Mayor, City Councilors, and City Manager
City of Neptune Beach, Florida
Neptune Beach, Florida

MANAGEMENT LETTER

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 review of financial information provided by same.

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

2019-02 – Utility Billing System Error

Condition—During our testing of utility billing, we noted that two large customer accounts had their stormwater charges being incorrectly recorded to water base and volume charges within the accounts receivable system. An entry of \$29,000 was made to move the incorrectly allocated accounts receivable from the Utility Fund to the Stormwater Fund. Management is currently investigating as to why this error occurred.

Effect—Until management identifies the cause of the billing error, there is a potential for additional errors.

Recommendation—We recommend that management continue to investigate the cause of this error, and to analyze the billing cycles each month for any unusual items.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate non-compliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we had the following finding:

2019-03 – Budget Compliance

Condition—During our testing of budget compliance, we noted several compliance errors relating to the budgeting and amending process. The City budgeted appropriated fund balance of \$650,000 in the Better Jacksonville Half-Cent Tax Fund. Although the budgeting of fund balance is allowed, the Better Jacksonville Half-Cent Tax Fund had an opening fund balance of less than \$650,000. In the current year, the City added the Jarboe Park Capital Improvement Fund. This occurred after the original budget process. The City approved a budget amendment; however, the amendment had expenditures in excess of revenues by \$89,000.

Honorable Mayor, City Councilors, and City Manager
City of Neptune Beach, Florida
Neptune Beach, Florida

MANAGEMENT LETTER

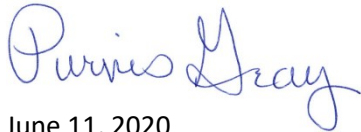
Effect—Due to the oversight, the City budgeted expenditures in excess of available revenues for both of the funds mentioned above.

Recommendation—We recommend that the City review their budgeting policies and procedures, and make any adjustments, if necessary to ensure that appropriated fund balance does not exceed the fund's actual fund balance.

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 Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

A handwritten signature in blue ink that reads "Purvis Gray". The signature is written in a cursive style with a large initial "P".

June 11, 2020
Gainesville, Florida

City of Neptune Beach



Stefen Wynn, M.P.A.
City Manager

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

June 10th, 2020

RE: Response to Management Letter Dated May 27, 2020

Management Letter

2019-01 – Financial Close and Reporting

Condition – During final fieldwork, we identified several areas that required audit adjustments to correct the City's accounting records. While most of these adjustments were below materiality, material adjustments were made to accrue accounts payable for approximately \$80,000, and to record a Deferred Retirement Option Program (DROP) payable for approximately \$408,000. The DROP payable entry was due to a DROP employee retiring from the City prior to year-end (but not paid until after year-end), which triggered the recognition of an expense and payable.

Effect – Although the City has corrected all identified misstatements, if these adjustments had not been identified during the audit process, the City's financial statements would have been misstated.

Recommendation – We recommend that the City's finance department evaluates their yearly financial close and reporting processes and procedures, and make any changes, if necessary.

Management Response to Comment 2019-01

The City's Finance Department and management will continue to evaluate its annual financial close and reporting processes and procedures, and will continue to make necessary changes. Management is aware of the requirements of GASB 67/68 and will apply appropriate standards for its accounting processes.

2019-02 – Utility Billing System Error

Condition – During our testing of utility billing, we noted that two large customer accounts had their stormwater charges being incorrectly recorded to water base and volume charges within the accounts receivable system. An entry of \$29,000 was made to move the incorrectly allocated accounts receivable from the Utility Fund to the Stormwater Fund. Management is currently investigating as to why this error occurred.

Effect- Until management identifies the cause of the billing error, there is a potential for additional errors.

Recommendation – We recommend that management continues to investigate the cause of this error, and to analyze the billing cycles each month for any unusual items.

Management Response to Comment 2019-02

The two large accounts referred in comment are classified as commercial accounts in the software system, but are from building complexes for the Duval County Public Schools. The City's Finance Department will continue to routinely review all commercial accounts to ensure that each account is correctly allocated in the appropriate account receivable fund. Human error played a part in miscoding the two accounts belonging to the Duval County Public Schools in the utility billing software. Both of the referenced accounts are scheduled to be written off in 2020 due to Duval County Public Schools citation of: *City of Key West v. Fla. Keys Cmty. College, 81 So. 3d 494 (Fla. 3d DCA 2012)*.

2019-03 Budget Compliance

Condition – During our testing of budget compliance, we noted several compliance errors relating to the budgeting and amending process. The City budgeted appropriated fund balance of \$650,000 in the Better Jacksonville Half-Cent Tax Fund. Although the budgeting of fund balance is allowed, the Better Jacksonville Half-Cent Tax Fund had an opening fund balance of less than \$650,000. In the current year, the City added the Jarboe Park Capital Improvement Fund. This occurred after the original budget process. The City approved a budget amendment; however, the amendment had expenditures in excess of revenues by \$89,000.

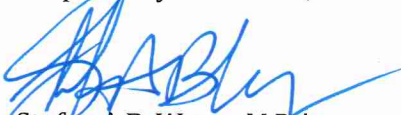
Effect – Due to the oversight, the City budgeted expenditures in excess of available revenues for both of the funds mentioned above.

Recommendation – We recommend that the City review their budgeting policies and procedures, and make any adjustments as necessary to ensure that appropriated fund balance does not exceed the fund's actual fund balance.

Management Response to Comment 2019-03

The City has reviewed their budget policies and procedures and have implemented measures to ensure that proposed projects are done in stages so that the appropriated fund balance does not exceed the fund's actual fund balance. The City will continue to review it's budget policies and procedures and adjust them as necessary.

Respectfully Submitted,



Stefen A.B. Wynn, M.P.A.
Neptune Beach City Manager
116 First Street

Neptune Beach, Fl. 32266

cm@nbfl.us

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