

FINANCIAL STATEMENTS

TOWN OF PONCE INLET, FLORIDA

For the Year Ended September 30, 2019
With Independent Auditors' Reports

MAYOR

Honorable Gary Smith

VICE MAYOR

Mary Hoss

TOWN COUNCIL MEMBERS

Lois Paritsky
Bill Milano
Joe Perrone

TOWN MANAGER

Jeaneen Witt, CMC

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FINANCIAL SECTION

THIS SECTION IS COMPOSED OF THE FOLLOWING FIVE PARTS:

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

***COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES***

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TABLE OF CONTENTS
ANNUAL FINANCIAL REPORT
September 30, 2019
TOWN OF PONCE INLET, FLORIDA

	<u>Page</u>
INTRODUCTORY SECTION	
Title Page	1
Table of Contents	3
FINANCIAL SECTION	
Independent Auditors' Report.....	9
Management's Discussion and Analysis.....	15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	29
Statement of Activities.....	30
Fund Financial Statements:	
Balance Sheet - Governmental Funds	32
Reconciliation of the Balance Sheet of Governmental Funds to the	
Statement of Net Position.....	35
Statement of Revenues, Expenditures and Changes in Fund	
Balances - Governmental Funds.....	36
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund	
Balances of Governmental Funds to the Statement of Activities	39
Statement of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual - General Fund.....	40
Statement of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual – Pollard Park Special Revenue Fund	43
Statement of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual – Davies Lighthouse Park Special Revenue Fund.....	44
Statement of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual – Public Land Acquisition and Facility Special Revenue Fund	45
Statement of Fund Net Position - Proprietary Funds	46
Statement of Revenues, Expenses and Changes in Fund Net Position -	
Proprietary Funds	47
Statement of Cash Flows - Proprietary Funds.....	48
Notes to the Financial Statements	53
Required Supplementary Information:	
Change in Total OPEB Liability	90
Schedule of Changes – Sponsor's Total OPEB Liability	91
FRS- Schedule of Proportionate Share of Net Pension Liability and Schedule of	
Contributions.....	92
HIS- Schedule of Proportionate Share of Net Pension Liability and Schedule of	
Contributions.....	94

TABLE OF CONTENTS (Continued)
ANNUAL FINANCIAL REPORT
 September 30, 2019
 TOWN OF PONCE INLET, FLORIDA

	<u>Page</u>
Other Supplementary Information:	
Combining Balance Sheet-Nonmajor Governmental Funds	98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-	
Nonmajor Governmental Funds	100
Schedules of Revenues, Expenditures and Changes in	
Fund Balances – Budget to Actual:	
Debt Service (Major) Fund	102
Tree Bank Special Revenue Fund	103
Sidewalks Special Revenue Fund	104
Parks and Recreation Special Revenue Fund	105
Police Education Special Revenue Fund.....	106
Contraband/Forfeitures Special Revenue Fund.....	107
Fire Department Capital Special Revenue Fund	108

COMPLIANCE SECTION

Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	111
Management Letter	113
Independent Accountants’ Report on (Compliance with Section 218.415, Florida Statutes)	115

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
and Members of the Town Council
Town of Ponce Inlet, Florida

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 Town of Ponce Inlet, Florida (the "Town") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Ponce DeLeon Inlet Lighthouse Preservation Association, Inc., the discretely presented component unit, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Ponce DeLeon Inlet Lighthouse Preservation Association, Inc., the discretely presented component unit, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Ponce DeLeon Inlet Lighthouse Preservation Association, Inc., the discretely presented component unit, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

To the Honorable Mayor
and Members of the Town Council
Town of Ponce Inlet, Florida
Page 2

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 financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ponce Inlet, Florida, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Pollard Park Fund, Davies Lighthouse Park, and Public Land Acquisition and Facility Special Revenue Fund for the year then ended in conformity 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, the required Schedules of Change in Total OPEB Liability and Change in Sponsor's Total OPEB Liability, and the Required Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions – FRS Plan, Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions – HIS Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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

To the Honorable Mayor
and Members of the Town Council
Town of Ponce Inlet, Florida
Page 3

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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020, on our consideration of the Town of Ponce Inlet, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Ponce Inlet, Florida's internal control over financial reporting and compliance.

BMC CPAs

March 30, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the Town of Ponce Inlet, Florida, (hereinafter referred to as the "Town"), we offer the readers of these basic financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year that ended on September 30, 2019. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the Town's financial statements, which follow this information.

Financial Highlights

- The Town's overall combined assets and deferred outflows totaled \$23,969,841 at the close of the 2018 - 2019 fiscal year compared to \$22,740,105 in the 2017 - 2018 fiscal year. Total assets and deferred outflows exceeded liabilities by \$12,317,004 (*combined net position*) compared with \$11,414,741 one year earlier. The unrestricted component of the Town's combined net position totaled 774,611 at September 30, 2019, compared with the previous year total of \$514,342. This represents the amount that may be used to meet the Town's ongoing obligations to citizens and creditors.
- Net position of the Town's governmental activities totaled \$10,241,560, an increase of \$951,700 compared to last year's reported \$9,289,860, or 10.2%. The net position of its business-type activities totaled \$2,075,444, a decrease of \$49,437 compared to last year's \$2,124,881, or -2.3%.
- During the 2018 - 2019 fiscal year, the Town incurred governmental expenses of \$6,270,774, which were \$905,015 less than the \$7,175,789 generated from revenues (inclusive of taxes and all other governmental sources and transfers) from various governmental activities and programs. Included in this amount is an addition of \$86,271. This represents net interfund transfers from the Town's business-type funds for partial reimbursement of administrative costs. The 2018 - 2019 fiscal year increase in net position of governmental operations resulted in a positive balance of \$951,700 compared to the prior year negative balance of \$679,659, equating to a difference of \$1,631,359. This increase is primarily due to the significant decrease in legal fees.
- The Town's business-type activities produced a combined operating profit, before contributions and operating transfers, of \$31,744 (based exclusively on consumptive water/sewer/ solid waste utility sales and other revenues of \$2,735,056 in the 2018 - 2019 fiscal year). These utility sales and other revenues totaled \$2,673,207 in the 2017 - 2018 fiscal year. After recognition of this combined operating profit of \$31,744, plus capital contributions of \$5,090, less net interfund transfers of \$86,271, the decrease in combined net position totaled \$49,437 in the 2018 - 2019 fiscal year, compared to an increase of \$62,832 in the 2017 - 2018 fiscal year.
- Combined fund balances in the General Fund increased by \$450,730 in the 2018 - 2019 fiscal year and totaled \$3,332,644, compared to the decrease in the 2017 - 2018 fiscal year of \$230,257 resulting in a total of \$2,881,914. The Town's cost of legal services, most of which was incurred defending the Town in a civil suit, totaled \$394,233 in fiscal year 2018 - 2019, compared to \$873,201 one year earlier and represents approximately 6.7% and 13.8%, respectively, of total General Fund expenditures. Amounts committed by the Town Council for a stabilization reserve equaling \$1,643,106 and other unassigned fund balance equaling \$1,254,240 totaled \$2,897,346 at September 30, 2019. This amount increased in fiscal year 2018 - 2019 and was \$519,989 more than the \$2,377,357 reported one year earlier. These amounts of reported General Fund expenditures represent approximately 49% (179 days) for fiscal year 2019 and 37% (135 days) for fiscal year 2018.

- The Town's total long-term debt represented by loan obligations totaled \$3,723,714 at September 30, 2019, compared to \$4,150,601 one year earlier. This change in long-term debt is due to the State Revolving Fund loan agreement with Florida Department of Environmental Protection (business-type activities) plus the principal reductions on the Town's governmental activities long-term debt of \$426,887. In addition to its long-term loans, the Town has \$356,432 and \$389,057 in compensated absences liabilities outstanding at September 30, 2019 and 2018, respectively, (e.g., accrued sick and personal leave).

Overview of the Financial Statements

The Town's basic financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, including notes to the financial statements, and 3) required supplementary information, including budgetary comparisons and fiduciary fund data.

Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements and required supplementary information. The MD&A represents management's examination and analysis of the Town's financial condition and financial performance as a whole. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, and other management tools were used for this analysis.

The basic financial statements include two kinds of statements that present different views of the Town. The first two statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the Town's overall financial status, including its governmental activities and its business-type activities. These statements report information about the Town using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the Town's assets and liabilities, both financial and capital, and short-term and long-term debt are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported. However, rate-regulated accounting principles applicable to private sector utilities are not used by governmental utilities. The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide financial statements. The governmental funds' statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the Town's water, sewer and refuse utility systems.

The financial statements also include notes which provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Town's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. This section also contains budgetary comparisons for the Town's governmental fund activities.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. The basic financial statements of the Town include a statement of net position and a statement of activities, which are described as follows:

- A statement of net position presents information on all of the Town's assets and liabilities at the end of its fiscal year, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Town's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial condition.
- The statement of activities presents the results of business operations over the course of the fiscal year and information as to how the Town's net position changed during the 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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent taxes; personal leave earned but not used).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*government 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 Town include general government services, public safety (police, fire and building inspection), transportation and streets (public works), stormwater management and recreation and leisure services. The business-type activities of the Town include its water, sewer and refuse utility systems.

The government-wide financial statements include not only the Town of Ponce Inlet itself (known as the primary government), but also the financial data of the Ponce DeLeon Inlet Lighthouse Preservation Association, Inc. (the "Lighthouse Association"), for which the Town is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. Complete financial statements of the Lighthouse Association component unit can be obtained directly from the Association's Administrative Office at 4931 South Peninsula Drive, Ponce Inlet, FL 32127 or from the Town of Ponce Inlet.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds - not the Town as a whole. 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 Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted into cash. Such information may be useful in evaluating the government'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 are supplemented with a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains eleven 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, Pollard Park Special Revenue Fund, Davies Lighthouse Park Special Revenue Fund, Public Land Acquisition and Facility Special Revenue Fund, and Debt Service Fund, all of which are considered to be major funds. Data from the other six ~~five~~ governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining and individual fund budgetary statements in the other supplementary information section of this report.

Proprietary Funds. Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary fund financial statements, like the government-wide statements, provide both long and short-term financial information. The Town's three enterprise funds (water, sewer and refuse utility systems, all of which are considered major funds of the Town) are aggregated in the business-type activities presented in the government-wide statements. Since the accounting for these operations is similar to that provided in the government-wide financial statements, the fund financial statements provide limited supplemental information in more detail, such as cash flows data.

Financial Analysis of the Town as a Whole

Net position. As noted previously, net position may serve over time as a useful indicator of a government's financial position. This year, the Town's combined total assets exceeded liabilities (net position) by \$12,317,004 at September 30, 2019 compared to \$11,414,741 at September 30, 2018, which is summarized below:

Net Position
September 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets.....	\$ 4,612,818	\$ 4,103,937	\$ 1,696,191	\$ 1,467,656	\$ 6,309,009	\$ 5,571,593
Restricted assets.....	-	-	176,958	173,500	176,958	173,500
Capital assets, net.....	<u>12,286,762</u>	<u>12,022,218</u>	<u>2,355,654</u>	<u>2,483,765</u>	<u>14,642,416</u>	<u>14,505,983</u>
Total assets.....	<u>16,899,580</u>	<u>16,126,155</u>	<u>4,228,803</u>	<u>4,124,921</u>	<u>21,128,383</u>	<u>20,251,076</u>
Deferred outflows of resources.....	<u>2,642,052</u>	<u>2,287,668</u>	<u>199,406</u>	<u>201,361</u>	<u>2,841,458</u>	<u>2,489,029</u>
Liabilities:						
Long-term debt.....	2,708,463	3,084,165	1,015,251	1,066,436	3,723,714	4,150,601
Other liabilities.....	<u>6,210,065</u>	<u>5,617,769</u>	<u>1,298,160</u>	<u>1,097,817</u>	<u>7,508,225</u>	<u>6,715,586</u>
Total liabilities.....	<u>8,918,528</u>	<u>8,701,934</u>	<u>2,313,411</u>	<u>2,164,253</u>	<u>11,231,939</u>	<u>10,866,187</u>
Deferred inflows of resources.....	<u>381,544</u>	<u>422,029</u>	<u>39,354</u>	<u>37,148</u>	<u>420,898</u>	<u>459,177</u>
Net Position:						
Invested in capital assets, net of related debt.....	9,578,299	8,938,053	1,336,526	1,413,257	10,914,825	10,351,310
Restricted.....	450,610	377,394	176,958	171,695	627,568	549,089
Unrestricted.....	<u>212,651</u>	<u>(25,587)</u>	<u>561,960</u>	<u>539,929</u>	<u>774,611</u>	<u>514,342</u>
Total net position.....	<u>\$10,241,560</u>	<u>\$ 9,289,860</u>	<u>\$ 2,075,444</u>	<u>\$ 2,124,881</u>	<u>\$12,317,004</u>	<u>\$11,414,741</u>

One of the most significant components of the Town's net position (89%) is its investment in capital assets (land, buildings, improvements, and equipment) less any related debt used to acquire or construct those assets, which is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town'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.

The Town also has a small investment (5%) in other restricted net position, consisting of unspent local option fuel taxes (\$251,620), judgments and fines restricted for police education (\$10,643), court ordered confiscations, capital fire equipment (\$150,000), and forfeitures restricted for police investigations (\$7,033), amounts restricted for building permit fee related costs (\$26,275), amounts restricted for debt service payments (\$5,039), and utility impact fees restricted for utility expansion (\$176,958). Consequently, the remaining 6% of unrestricted net position represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, which totaled \$774,611 at September 30, 2019 and \$514,342 at September 30, 2018.

Changes in Net position. While the statement of net position shows a snapshot of the Town's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and sources of those changes. During the 2018 – 2019 fiscal year, the Town's total revenues increased by \$780,180 (or 8.6%) and totaled \$9,878,877, compared to \$9,098,697 in the prior year.

During the 2018 – 2019 fiscal year, approximately 50% of the Town’s total revenue was derived from property taxes, while 55 cents of every dollar raised came from some form of tax. Another 37% was produced from fees charged for services, while the substantial portion of the remainder is from capital/operating grants and contributions, intergovernmental revenues and other sources (8%). The total costs of providing all of the Town’s routine programs and services decreased by \$738,910 in the current year, which represents a decrease of approximately 7.6% overall. Amounts totaled \$8,976,614 for the 2018 – 2019 fiscal year, compared to \$9,715,524 one year earlier.

Overall, the Town’s revenues increased by about 8.6% compared to last year. The Town’s expenses for its combined governmental and business activities decreased by approximately 7.6% compared to the prior year. The Town’s combined net position increased in the current year by \$902,263, compared to a decrease in the prior year of \$621,345. The following is a summary of changes in net position for the fiscal year:

Changes in Net Position
For the Years Ended September 30, 2019 and 2018

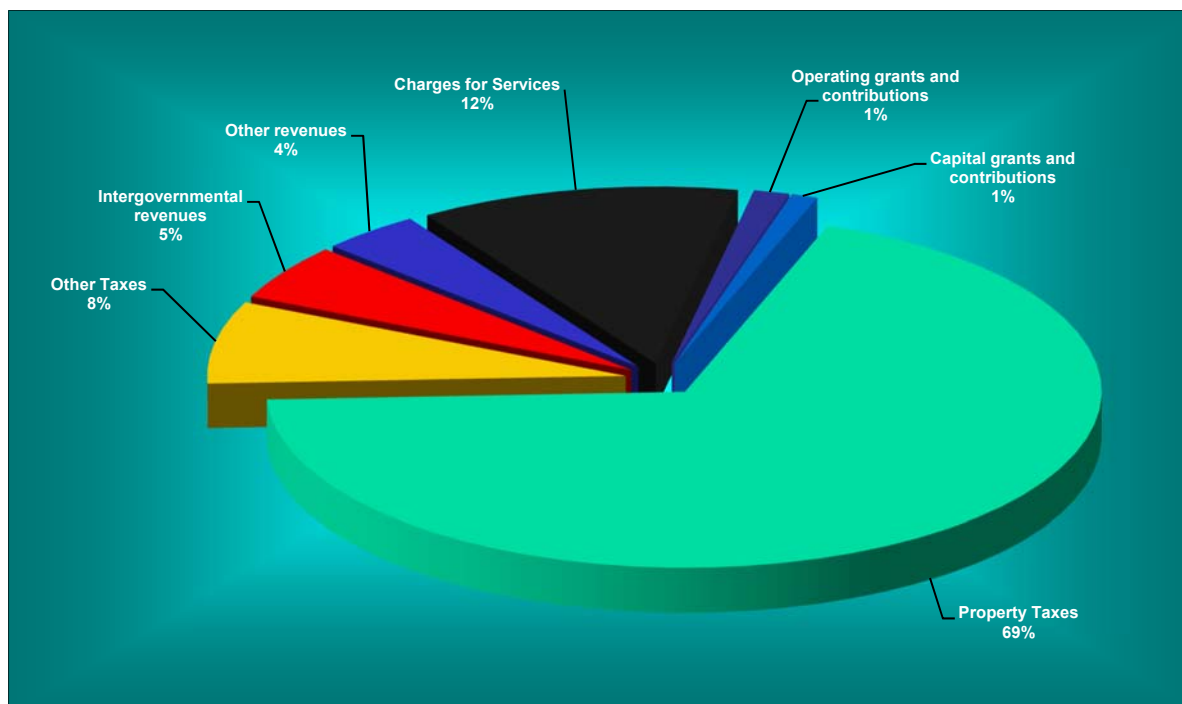
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Current charges for services.....	\$ 882,425	\$ 833,093	\$ 2,735,056	\$ 2,673,207	\$ 3,617,481	\$ 3,506,300
Operating grants/contributions.....	98,496	98,144	-	-	98,496	98,144
Capital grants/contributions.....	72,496	72,466	5,090	15,270	77,586	87,736
General revenues:						
Property taxes.....	4,906,239	4,483,921	-	-	4,906,239	4,483,921
Other taxes.....	537,124	531,450	-	-	537,124	531,450
Intergovernmental.....	364,988	267,378	-	-	364,988	267,378
Other revenues.....	<u>274,435</u>	<u>122,756</u>	<u>2,528</u>	<u>1,012</u>	<u>276,963</u>	<u>123,768</u>
Total revenues.....	<u>7,136,203</u>	<u>6,409,208</u>	<u>2,742,674</u>	<u>2,689,489</u>	<u>9,878,877</u>	<u>9,098,697</u>
Expenses:						
General government.....	1,452,335	2,058,889	-	-	1,452,335	2,058,889
Public safety.....	3,252,724	3,578,337	-	-	3,252,724	3,578,337
Physical environment.....	6,019	29,539	-	-	6,019	29,539
Transportation.....	562,031	500,752	-	-	562,031	500,752
Culture/recreation.....	517,835	491,129	-	-	517,835	491,129
Information Technology	369,836	397,036	-	-	369,836	397,036
Interest expense.....	109,994	120,107	-	-	109,994	120,107
Water system.....	-	-	1,531,538	1,344,270	1,531,538	1,344,270
Sewer system.....	-	-	1,011,765	1,038,592	1,011,765	1,038,592
Refuse/solid waste system.....	-	-	<u>162,537</u>	<u>156,873</u>	<u>162,537</u>	<u>156,873</u>
Total expenses.....	<u>6,270,774</u>	<u>7,175,789</u>	<u>2,705,840</u>	<u>2,539,735</u>	<u>8,976,614</u>	<u>9,715,524</u>
Transfers in (out).....	<u>86,271</u>	<u>86,922</u>	<u>(86,271)</u>	<u>(86,922)</u>	-	-
Increase in net assets.....	951,700	(679,659)	(49,437)	62,832	902,263	(616,827)
Net position- beginning	<u>9,289,860</u>	<u>9,969,519</u>	<u>2,124,881</u>	<u>2,062,049</u>	<u>11,414,741</u>	<u>12,031,568</u>
Net position- end of year.....	<u>\$ 10,241,560</u>	<u>\$ 9,289,860</u>	<u>\$ 2,075,444</u>	<u>\$ 2,124,881</u>	<u>\$ 12,317,004</u>	<u>\$ 11,414,741</u>

Governmental Activities

Revenues for the Town's governmental activities were approximately 11% greater than the amount of revenue earned in the prior fiscal year. This was mainly due to an increase in property taxes of \$422,318 and an increase of \$97,610 in intergovernmental (Hurricane Irma). Overall, the Town's governmental revenues totaled \$7,136,203 in the current year, which represents an increase of \$726,995 over last year's reported revenues of \$6,409,208.

The following is a summary of the Town's governmental revenues by source:

Revenues by Source - Governmental Activities

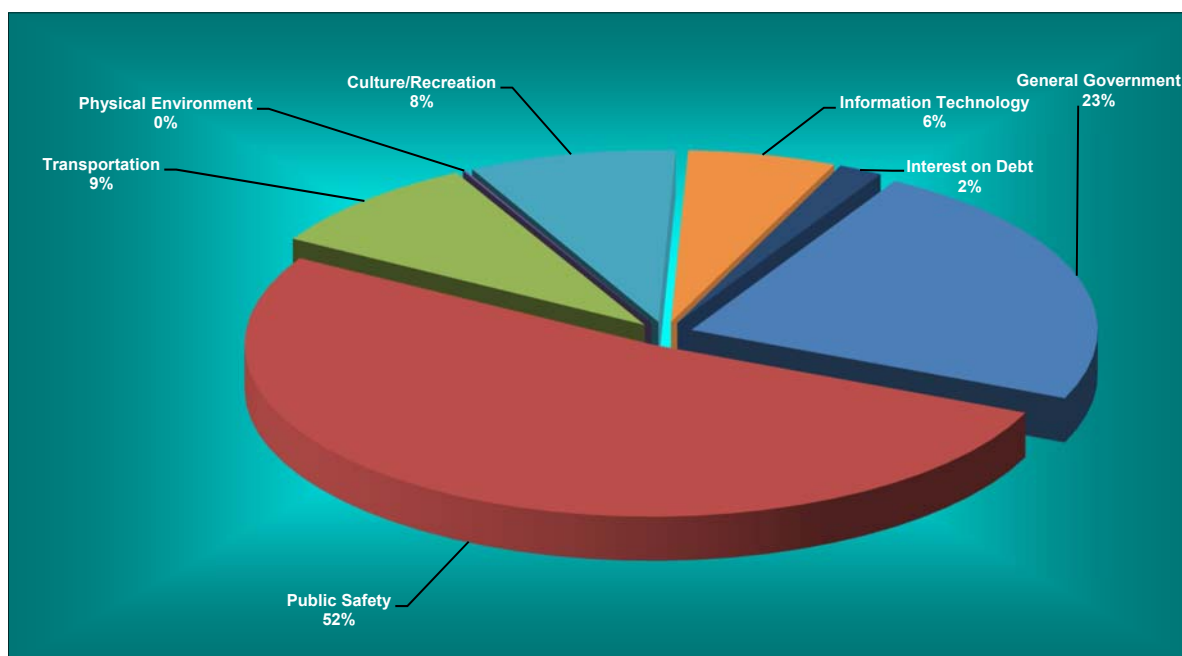


Overall, the Town experienced a decrease in expenses for the Town's combined governmental activities. Governmental fund expenses decreased by \$905,015 (-12.6%), and totaled \$6,270,774 for the year ended September 30, 2019, compared to a total of \$7,175,789 incurred during the prior year. The largest decrease experienced in the current year was in legal expenses incurred to defend the Town in a civil suit. Legal department expenses decreased by \$478,968 in the current year and totaled \$394,233, compared to a total of \$873,201 one year earlier.

The Town's public safety (police, fire and inspection) function expenses are the most significant component of cost. During the 2018 - 2019 fiscal year, public safety costs totaled \$3,252,724, or 52% (compared to 50% last year), of the Town's total governmental expenses. The Town's general government function expenses are the next largest segment and totaled \$1,452,335 for the current year, or 23.2% (compared to 28.7% last year), of the Town's total operating expenses. The Town's stormwater, transportation and recreation functions combined totaled \$1,085,885 for the current year, or 17.3% (compared to 14.2% last year), of the total governmental expense. The Town's information technology function totaled \$369,836 for the current year, or 5.9% (compared to 5.5% last year). Interest expense on all of the Town's general long-term debt obligations totaled \$109,993 for the current year, or 1.6% (compared to 1.6% last year), of the total governmental expense.

The following is a summary of the Town's governmental expenses by function:

Expenses by Function - Governmental Activities



Business-type Activities

The major sources of operating revenues for the Town's business-type activities are charges for services attributed to its water, sewer and refuse utilities. Potable water is purchased in bulk from the City of Port Orange and sold to the Town's customers under rates established by the Town. Sewer collection services are billed by the Town on behalf of the City of Port Orange under rates established by Port Orange, all of which is remitted to Port Orange monthly. The Town collects an annual administrative fee for billing, collecting, and remitting all sewer charges and payments. The Town also bills utility connection and capacity fees on behalf of Port Orange under rates established by Port Orange, which are collected and subsequently remitted to Port Orange. Solid waste and recycling fees are charged to the Town's customers under rates established by the Town. An independent contractor is engaged by the Town to perform all collection and disposal activities.

Combined utility sales totaled \$2,735,056 in the current year, compared to \$2,673,207 one year earlier. The Town also collected water and sewer impact/connection fees (included in reported total sales for the 2018 – 2019 fiscal year) totaling \$9,025 and \$14,008, respectively, which were remitted to the City of Port Orange. In addition to these charges, the Town received \$5,090 in capital contributions and \$2,528 in investment earnings during the recent fiscal year.

Combined operating expenses of the Town's business-type activities totaled \$2,705,840 in the current year compared to \$2,539,735 one year earlier. Depreciation expense on utility fund assets included in this amount totaled \$165,038 and \$164,489 for the years ended September 30, 2019 and 2018, respectively.

Financial Analysis of the Town's Funds

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the Town completed the year, its governmental funds reported a combined fund balance of \$4,192,806, which was \$347,693 more than the \$3,845,113 reported one year earlier.

The general fund is the chief operating fund of the Town. At September 30, 2019, the unassigned fund balance in the general fund totaled \$1,254,240, compared to \$830,873, one year earlier. Unassigned balances do not contain Town Council established stabilization (commitment) amounts of \$1,643,106 and \$1,546,484 for September 30, 2019 and 2018, respectively. Combined unassigned fund balances and stabilization amounts represent approximately 49% (26 weeks/179 days) of the Town's general fund spending for 2018 - 2019 compared to 37% (19 weeks/135 days) one year earlier.

The Public Land Acquisition and Facility special revenue fund was established in 2003 to separately account for the collection and disposition of the Town's franchise fee collections on solid waste and utility service taxes on providers of electricity and liquid propane in the Town (and pledged for debt service on the Town's Capital Improvement Revenue Note, Series 2005). These funds are restricted for the acquisition and improvement of real property in the Town. At September 30, 2019, unreserved fund balance in this fund was \$124,804 compared to \$505,052 one year earlier. To better describe the activity of this fund in regard to the obligation of the aforementioned Revenue Note, Series 2005 (the Town Hall capital project), the Town continues to budget approximately \$328,400 per year in revenue towards loan payments so some of this fund's reserve each year is allocated in the budget to meet this obligation.

Fund balances in the remainder of the Town's non-major special revenue and capital projects funds increased by \$145,715 in the current year and totaled \$239,601, compared to \$93,886 at the end of the prior year.

Proprietary Funds. The Town's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Utility Fund at the end of the current year amounted to \$527,701. Unreserved equity in the Town's Sewer Utility Fund (which is operated on a pass-through basis in conjunction with an Agreement with the City of Port Orange, Florida), totaled \$6,273 at September 30, 2019, all of which will ultimately be transferred to the Town's General Fund. Unreserved fund equity in the Town's Refuse Utility Fund totaled \$27,986 at September 30, 2019. Net operating transfers totaling \$86,271 were transferred to governmental funds during the current year in the form of excess equity, reimbursements for capital acquisitions and operating transfers. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the Town Council revised the Town's operating budget. These budget amendments fall into two categories:

- Amendments and supplemental appropriations were approved midway through the year to reflect the actual opening account balances (correcting estimated amounts in the budget adopted at the beginning of the year).
- Increases/decreases in line item budget appropriations to prevent budget overruns.

Actual earned revenues were \$23,171 more than the final amounts anticipated to be received during the year in the Town's General Fund. Actual expenditures incurred were \$414,563 below the \$6.3 million amended budget appropriations provided in the current year operating budget. The Town's General Fund operated at an income, \$450,730 with transfer activities included. This was primarily due to the unexpected, significant decrease in legal fees due to the Pacetta lawsuit settlement.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2019, the Town had \$22.5 million invested in a broad range of capital assets, including land, buildings, park facilities, police equipment, public works equipment and water lines. This investment in capital assets, net of depreciation, for all activities is reflected in the following schedule:

	Capital Assets					
	September 30, 2019 and 2018					
	Governmental Activities		Business-type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land and land rights.....	\$ 4,605,517	\$ 4,605,517	\$ 4,033	\$ 4,033	\$ 4,609,550	\$ 4,609,550
Buildings.....	5,446,629	5,429,739	-	-	5,446,629	5,429,739
Improvements other than buildings.....	5,288,885	5,155,725	4,075,223	4,075,223	9,364,108	9,230,948
Equipment and furniture.....	<u>2,780,175</u>	<u>2,658,643</u>	<u>353,023</u>	<u>317,189</u>	<u>3,133,198</u>	<u>2,975,832</u>
	18,121,206	17,849,624	4,432,279	4,396,445	22,553,485	22,246,069
Less: accumulated depreciation.....	<u>(6,378,636)</u>	<u>(5,894,944)</u>	<u>(2,076,625)</u>	<u>(1,912,680)</u>	<u>(8,455,261)</u>	<u>(7,807,624)</u>
	11,742,570	11,954,680	2,355,654	2,483,765	14,098,224	14,438,445
Construction in progress.....	<u>544,192</u>	<u>67,538</u>	-	-	<u>544,192</u>	<u>67,538</u>
Net capital assets.....	<u>\$ 12,286,762</u>	<u>\$ 12,022,218</u>	<u>\$ 2,355,654</u>	<u>\$ 2,483,765</u>	<u>\$ 14,642,416</u>	<u>\$ 14,505,983</u>

Long-term Debt. At September 30, 2019, the Town had \$3,723,714 in governmental and business-type activities long-term note and promissory loan obligations outstanding, compared to \$4,150,601 one year earlier. All of the Town’s long-term debt is secured solely by specified revenue sources and is not backed with the full faith and credit of the government. These obligations and the Town’s compensated absences liabilities are reflected in the following schedule:

General Long-Term Debt						
September 30, 2019 and 2018						
	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u> </u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Capital Improvement Revenue						
Note, Series 2005.....	\$ 1,713,957	\$ 1,961,957	\$ -	\$ -	\$ 1,713,957	\$ 1,961,957
Florida Department of Environmental Protection State Revolving Fund Loans.....	<u>994,506</u>	<u>1,122,208</u>	<u>1,015,251</u>	<u>1,066,436</u>	<u>2,009,757</u>	<u>2,188,644</u>
	2,708,463	3,084,165	1,015,251	1,066,436	3,723,714	4,150,601
Net pension liability.....	5,342,765	4,872,676	546,948	428,897	5,889,713	5,301,573
Other post-employment benefits.....	132,610	136,676	14,074	14,494	146,684	151,170
Compensated absences.....	<u>309,564</u>	<u>345,956</u>	<u>46,868</u>	<u>43,101</u>	<u>356,432</u>	<u>389,057</u>
General long-term debt.....	<u>\$ 8,493,402</u>	<u>\$ 8,439,473</u>	<u>\$ 1,623,141</u>	<u>\$ 1,552,928</u>	<u>\$ 10,116,543</u>	<u>\$ 9,992,401</u>

The Town has a 2005 capital improvement revenue note obligation payable to Bank of America totaling \$1,713,957 at September 30, 2019. The proceeds of this Series 2005 loan were used to finance the acquisition of land and the construction of a Town Hall and Public Safety Complex. The Town makes semi-annual debt service payments on this obligation until 2024.

The Town has a low interest loan program offered by the Florida Department of Environmental Protection Clean Water State Revolving Fund Loan Program. The proceeds of this construction loan were used to develop and rehabilitate the Town’s stormwater management infrastructure. The Town makes semi-annual debt service payments on this obligation until 2026. The balance due on this loan at September 30, 2019 was \$994,506.

The Town has a low interest loan program offered by the Florida Department of Environmental Protection Drinking Water State Revolving Fund Loan Program. The proceeds of this construction loan were used to finance the construction of public water systems. The Town makes semi-annual debt service payments on this obligation until 2037. The balance due on this loan at September 30, 2019 was \$1,015,251.

Economic Factors and Next Year’s Budgets and Rates

Many factors are considered each year by the Town Council in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop uniform utility fees that are reasonable, and more importantly, capable of cost recovery. Some of the major factors considered in this process are the local economy, civilian labor force, unemployment rates, and inflation rates.

- The most recent estimates available for unemployment data in Volusia County, Florida are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Information Database Application (FREIDA). This agency estimates a countywide unemployment rate of 3.2% at the end of September 2019, which is the same rate experienced one year earlier.

These estimates are consistent with the State of Florida's 2.9% unemployment rate, while the reported overall national unemployment rate is slightly higher at 3.3%, as of September 2019.

- Inflationary trends for Volusia County are consistent with those trends experienced at the state and national levels.
- The overall Taxable Value (Just Value less statutory exemptions) of real and personal property on the 2019 levy increased 5.8% from \$865 million to \$915 million in October 2018 and 2019, respectively. The Town Council voted to adopt the operating millage for the 2019 levy of 5.9 mills. This is the same millage rate as the 2018 levy.

In the process of presenting a balanced operating budget for the General Fund for the 2019-2020 fiscal year and to meet the challenges discussed above, a complete departmental review of the operational needs of each department was considered and submitted to the Town Manager for approval prior to being compiled and submitted to the Town Council for inclusion in the final budget.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Office of the Town Manager, Town of Ponce Inlet, Florida, 4300 South Atlantic Avenue, Ponce Inlet, Florida 32127.

BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET POSITION
September 30, 2019
TOWN OF PONCE INLET, FLORIDA

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Lighthouse Association
Assets:				
Cash and cash equivalents.....	\$ 1,831,629	\$ 1,389,968	\$ 3,221,597	\$ 1,020,355
Investments.....	2,402,254	-	2,402,254	628,311
Receivables, net.....	343,855	302,660	646,515	-
Inventories.....	4,911	-	4,911	249,403
Prepaid expenses.....	30,169	3,563	33,732	10,838
Temporarily restricted assets:				
Cash and cash equivalents.....	-	176,958	176,958	337,704
Capital assets:				
Land, construction in progress and other.	5,149,709	4,033	5,153,742	1,452,387
Other capital assets, net of depreciation...	<u>7,137,053</u>	<u>2,351,621</u>	<u>9,488,674</u>	<u>1,882,316</u>
Total assets.....	<u>16,899,580</u>	<u>4,228,803</u>	<u>21,128,383</u>	<u>5,581,314</u>
Deferred outflows on pensions.....	<u>2,642,052</u>	<u>199,406</u>	<u>2,841,458</u>	<u>-</u>
Liabilities:				
Accounts payable and accrued liabilities.....	373,912	424,895	798,807	43,307
Deposits/unearned revenue.....	29,973	265,375	295,348	-
Accrued interest payable.....	21,241	-	21,241	-
Other postemployment benefits.....	132,610	14,074	146,684	-
Net pension liability.....	5,342,765	546,948	5,889,713	-
Long-term debt:				
Due within one year.....	389,107	51,703	440,810	-
Due in more than one year.....	2,319,356	963,548	3,282,904	-
Compensated absences.....	<u>309,564</u>	<u>46,868</u>	<u>356,432</u>	<u>-</u>
Total liabilities.....	<u>8,918,528</u>	<u>2,313,411</u>	<u>11,231,939</u>	<u>43,307</u>
Deferred inflows on pensions.....	<u>381,544</u>	<u>39,354</u>	<u>420,898</u>	<u>-</u>
Net Position:				
Net investment in capital assets.....	9,578,299	1,336,526	10,914,825	3,334,703
Restricted for:				
Utility expansion.....	-	176,958	176,958	-
Public safety.....	193,951	-	193,951	-
Debt service.....	5,039	-	5,039	-
Transportation.....	251,620	-	251,620	-
Recreation.....	-	-	-	-
Unrestricted.....	<u>212,651</u>	<u>561,960</u>	<u>774,611</u>	<u>2,203,304</u>
Total net position.....	<u>\$ 10,241,560</u>	<u>\$ 2,075,444</u>	<u>\$ 12,317,004</u>	<u>\$ 5,538,007</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019
TOWN OF PONCE INLET, FLORIDA

Functions / Programs	Program Revenues			
	Expenses	Charges For Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government.....	\$ 1,452,335	\$ 327,305	\$ -	\$ -
Public safety.....	3,252,724	517,239	-	-
Physical environment.....	6,019	-	-	-
Transportation.....	562,031	-	98,496	72,496
Culture/recreation.....	517,835	37,881	-	-
Information technology.....	369,836	-	-	-
Interest on long-term debt.....	<u>109,993</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities.....	<u>6,270,774</u>	<u>882,425</u>	<u>98,496</u>	<u>72,496</u>
Business-type Activities:				
Water utilities.....	1,531,538	1,492,723	-	5,090
Sewer utilities.....	1,011,765	1,033,988	-	-
Refuse utilities.....	<u>162,537</u>	<u>208,345</u>	<u>-</u>	<u>-</u>
Total business-type activities.....	<u>2,705,840</u>	<u>2,735,056</u>	<u>-</u>	<u>5,090</u>
Total primary government.....	<u>\$ 8,976,614</u>	<u>\$ 3,617,481</u>	<u>\$ 98,496</u>	<u>\$ 77,586</u>
Component Units:				
Lighthouse Association.....	<u>\$ 1,725,318</u>	<u>\$ 1,916,619</u>	<u>\$ 91,968</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes.....				
Public service taxes.....				
Other taxes.....				
Intergovernmental revenues.....				
Investment earnings (loss).....				
Miscellaneous.....				
Transfers.....				
Total general revenues and transfers.....				
Change in net position.....				
Net position - beginning of year				
Net position - end of year.....				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Lighthouse Association
\$ (1,125,030)	\$ -	\$ (1,125,030)	
(2,735,485)	-	(2,735,485)	
(6,019)	-	(6,019)	
(391,039)	-	(391,039)	
(479,954)	-	(479,954)	
(369,836)	-	(369,836)	
<u>(109,993)</u>	<u>-</u>	<u>(109,993)</u>	
<u>(5,217,357)</u>	<u>-</u>	<u>(5,217,357)</u>	
-	(33,725)	(33,725)	
-	22,223	22,223	
<u>-</u>	<u>45,808</u>	<u>45,808</u>	
<u>-</u>	<u>34,306</u>	<u>34,306</u>	
<u>\$ (5,217,357)</u>	<u>\$ 34,306</u>	<u>\$ (5,183,051)</u>	
			<u>\$ 283,269</u>
4,906,239	-	4,906,239	-
527,392	-	527,392	-
9,732	-	9,732	-
364,988	-	364,988	-
67,874	2,528	70,402	34,179
206,561	-	206,561	3,541
<u>86,271</u>	<u>(86,271)</u>	<u>-</u>	<u>-</u>
<u>6,169,057</u>	<u>(83,743)</u>	<u>6,085,314</u>	<u>37,720</u>
<u>951,700</u>	<u>(49,437)</u>	<u>902,263</u>	<u>320,989</u>
<u>9,289,860</u>	<u>2,124,881</u>	<u>11,414,741</u>	<u>5,217,018</u>
<u>\$ 10,241,560</u>	<u>\$ 2,075,444</u>	<u>\$ 12,317,004</u>	<u>\$ 5,538,007</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2019
TOWN OF PONCE INLET, FLORIDA

	General	Pollard Park	Public Land Acquisition and Facility	Davies Lighthouse Park
Assets:				
Cash and cash equivalents.....	\$ 960,902	\$ 387,110	\$ 83,207	\$ 155,878
Investments.....	2,402,254	-	-	-
Receivables, net.....	68,204	-	41,597	-
Due from other governments.....	111,232	114,307	-	8,407
Inventories.....	4,911	-	-	-
Prepaid expenses.....	<u>30,169</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets.....	<u>\$ 3,577,672</u>	<u>\$ 501,417</u>	<u>\$ 124,804</u>	<u>\$ 164,285</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued expenses.....	\$ 198,928	\$ 174,356	\$ -	\$ 628
Unearned revenue.....	<u>46,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities.....	<u>245,028</u>	<u>174,356</u>	<u>-</u>	<u>628</u>
Fund Balances:				
Nonspendable.....	35,080	-	-	-
Restricted.....	277,895	-	-	-
Committed.....	1,643,106	-	124,804	-
Assigned.....	122,323	327,061	-	163,657
Unassigned.....	<u>1,254,240</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances.....	<u>3,332,644</u>	<u>327,061</u>	<u>124,804</u>	<u>163,657</u>
Total liabilities and fund balances.....	<u>\$ 3,577,672</u>	<u>\$ 501,417</u>	<u>\$ 124,804</u>	<u>\$ 164,285</u>

The accompanying notes are an integral part of the financial statements.

Debt Service	Other Governmental Funds	Total- Governmental Funds
\$ 5,039	\$ 239,493	\$ 1,831,629
-	-	2,402,254
-	-	109,801
-	108	234,054
-	-	4,911
-	-	<u>50,169</u>
<u>\$ 5,039</u>	<u>\$ 239,601</u>	<u>\$ 4,612,818</u>
\$ -	\$ -	\$ 373,912
-	-	<u>46,100</u>
-	-	<u>420,012</u>
-	-	35,080
5,039	167,676	450,610
-	-	1,767,910
-	71,925	684,966
-	-	<u>1,254,240</u>
<u>5,039</u>	<u>239,601</u>	<u>4,192,806</u>
<u>\$ 5,039</u>	<u>\$ 239,601</u>	<u>\$ 4,612,818</u>

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**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**
September 30, 2019
TOWN OF PONCE INLET, FLORIDA

Total governmental activities fund balances.....		\$ 4,192,806
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		12,286,762
Revenues in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenue in the funds:		
Delinquent tax revenues.....		16,127
The (increase) decrease in net pension liabilities, deferred outflows and inflows, and postemployment benefits costs are reported in the statement of activities, but not in individual governmental fund statements as follows:		
Deferred outflows of pension plans.....	\$ 2,642,052	
Deferred inflows of pension plans.....	(381,544)	
Net pension liabilities.....	(5,342,765)	
Other postemployment benefit obligation payable.....	<u>(132,610)</u>	(3,214,867)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable, and capital lease obligations.....	(2,708,463)	
Accrued interest payable.....	(21,241)	
Compensatory wages payable.....	<u>(309,564)</u>	<u>(3,039,268)</u>
Net position of governmental activities.....		<u>\$ 10,241,560</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2019
TOWN OF PONCE INLET, FLORIDA

	General	Pollard Park	Public Land Acquisition and Facility	Davies Lighthouse Park
Revenue:				
Taxes:				
Property taxes.....	\$ 4,907,245	\$ -	\$ -	\$ -
Local option gas taxes.....	170,992	-	-	-
Public service taxes.....	145,047	-	382,345	-
Business taxes.....	9,732	-	-	-
Permits, fees and assessments.....	512,620	-	33,866	-
Intergovernmental revenue	364,988	-	-	-
Charges for services.....	187,054	-	-	-
Fines and forfeitures.....	144,114	-	-	-
Investment earnings (loss).....	66,048	-	1,826	-
Miscellaneous revenue.....	64,583	134,484	-	8,407
Total revenue.....	<u>6,572,423</u>	<u>134,484</u>	<u>418,037</u>	<u>8,407</u>
Expenditures:				
Current:				
General government.....	1,436,880	-	-	-
Public safety.....	3,240,138	-	-	-
Physical environment.....	6,019	-	-	-
Transportation.....	471,722	-	-	-
Culture/recreation.....	404,916	461,499	-	19,750
Information technology.....	341,496	-	-	-
Debt service:				
Principal.....	-	-	-	-
Interest.....	-	-	-	-
Total expenditures.....	<u>5,901,171</u>	<u>461,499</u>	<u>-</u>	<u>19,750</u>
Excess of revenue over expenditures.....	<u>671,252</u>	<u>(327,015)</u>	<u>418,037</u>	<u>(11,343)</u>
Other Financing Sources (Uses):				
Operating transfers in.....	61,271	294,647	-	175,000
Operating transfers (out).....	(281,793)	-	(798,285)	-
	<u>(220,522)</u>	<u>294,647</u>	<u>(798,285)</u>	<u>175,000</u>
Excess of revenue and other sources (under) expenditures and other uses.....	450,730	(32,368)	(380,248)	163,657
Fund balances - beginning of year.....	<u>2,881,914</u>	<u>359,429</u>	<u>505,052</u>	<u>-</u>
Fund balances - end of year.....	<u>\$ 3,332,644</u>	<u>\$ 327,061</u>	<u>\$ 124,804</u>	<u>\$ 163,657</u>

The accompanying notes are an integral part of the financial statements.

Debt Service	Other Governmental Funds	Total- Governmental Funds
\$ -	\$ -	\$ 4,907,245
-	-	170,992
-	-	527,392
-	-	9,732
-	4,127	550,613
-	-	364,988
-	-	187,054
-	1,484	145,598
-	-	67,874
-	-	<u>207,474</u>
-	<u>5,611</u>	<u>7,138,962</u>
-	-	1,436,880
-	1,592	3,241,730
-	-	6,019
-	-	471,722
-	8,304	894,469
-	-	341,496
375,702	-	375,702
<u>109,522</u>	-	<u>109,522</u>
<u>485,224</u>	<u>9,896</u>	<u>6,877,540</u>
<u>(485,224)</u>	<u>(4,285)</u>	<u>261,422</u>
485,431	-	1,016,349
-	<u>150,000</u>	<u>(930,078)</u>
<u>485,431</u>	<u>150,000</u>	<u>86,271</u>
207	145,715	347,693
<u>4,832</u>	<u>93,886</u>	<u>3,845,113</u>
<u>\$ 5,039</u>	<u>\$ 239,601</u>	<u>\$ 4,192,806</u>

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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2019
TOWN OF PONCE INLET, FLORIDA

Net change in fund balances - total governmental funds..... \$ 347,693

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 allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Expenditures for capital assets.....	\$ 857,965	
Less: net adjusted basis of current year asset disposals.....	(1,753)	
Less: current year provision for depreciation.....	<u>(591,668)</u>	264,544

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:

Increase (decrease) in delinquent taxes.....	(1,006)	
Increase (decrease) in deferred grant revenues.....	<u>-</u>	(1,006)

Deferred outflows and inflows of resources are not available in the current period and, therefore, are not reported in the governmental funds. Deferred outflows and inflows of resources at year end consist of:

Deferred outflows of pension plans.....	354,384	
Deferred inflows of pension plans.....	<u>40,485</u>	394,869

Net pension and postemployment benefits obligations that are actuarially due and payable in the current period which will be accumulated and paid in future periods consist of:

Net pension liabilities.....	(470,089)	
Other postemployment benefit obligation payable.....	<u>36,392</u>	(433,697)

Some expenses reported in the statement of activities do not require the use of current financial resources are not reported as expenditures in the funds:

(Increase) decrease in employee compensated absences.....	4,066	
(Increase) decrease in accrued interest on long-term debt obligations.....	<u>(471)</u>	3,595

Repayment of principal on long-term debt obligations is an expenditure in the governmental fund, but the repayments reduce long-term liabilities in the statement of net assets.....

375,702

Change in net position of governmental activities..... \$ 951,700

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND**
For the Year Ended September 30, 2019
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes:				
Property taxes.....	\$ 4,926,414	\$ 4,926,414	\$ 4,907,245	\$ (19,169)
Local option gas taxes.....	144,773	170,610	170,992	382
Public service taxes.....	154,604	154,248	145,047	(9,201)
Local business taxes.....	7,530	7,805	9,732	1,927
Permits and fees.....	535,516	495,586	512,620	17,034
Intergovernmental:				
Local half-cent sales tax.....	169,291	173,622	179,196	5,574
Other intergovernmental.....	148,182	186,899	185,792	(1,107)
Charges for services.....	145,359	169,473	187,054	17,581
Fines and forfeitures.....	20,687	144,209	144,114	(95)
Miscellaneous:				
Investment earnings (loss).....	26,409	63,744	66,048	2,304
Contributions and donations.....	7,300	9,373	9,583	210
Miscellaneous revenues.....	<u>103,206</u>	<u>47,269</u>	<u>55,000</u>	<u>7,731</u>
Total revenues.....	<u>6,389,271</u>	<u>6,549,252</u>	<u>6,572,423</u>	<u>23,171</u>
Expenditures:				
General Government:				
Legislative.....	143,100	337,566	137,409	200,157
Executive.....	554,447	561,062	555,325	5,737
Finance and administrative.....	41,750	37,630	37,180	450
Legal.....	629,500	420,000	394,233	25,767
Planning and zoning.....	<u>314,373</u>	<u>318,816</u>	<u>312,733</u>	<u>6,083</u>
	<u>1,683,170</u>	<u>1,675,074</u>	<u>1,436,880</u>	<u>238,194</u>
Public Safety:				
Police.....	1,535,541	1,561,102	1,496,018	65,084
Fire.....	1,268,145	1,233,563	1,210,008	23,555
Emergency and disaster relief.....	-	-	4,055	(4,055)
Protective Inspection.....	<u>550,352</u>	<u>556,401</u>	<u>530,057</u>	<u>26,344</u>
	<u>3,354,038</u>	<u>3,351,066</u>	<u>3,240,138</u>	<u>110,928</u>
Physical Environment:				
Stormwater.....	<u>11,000</u>	<u>7,000</u>	<u>6,019</u>	<u>981</u>
Transportation:				
Public works facilities.....	373,619	392,179	366,346	25,833
Road and street facilities.....	<u>151,781</u>	<u>110,738</u>	<u>105,376</u>	<u>5,362</u>
	<u>525,400</u>	<u>502,917</u>	<u>471,722</u>	<u>31,195</u>

The accompanying notes are an integral part of the financial statements

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL FUND**
 For the Year Ended September 30, 2019
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Culture/Recreation.....	\$ 417,611	\$ 416,971	\$ 404,916	\$ 12,055
Information Technology.....	<u>377,839</u>	<u>362,706</u>	<u>341,496</u>	<u>21,210</u>
Total expenditures.....	<u>6,369,058</u>	<u>6,315,734</u>	<u>5,901,171</u>	<u>414,563</u>
Excess of revenue over (under) expenditures	<u>20,213</u>	<u>233,518</u>	<u>671,252</u>	<u>437,734</u>
Other Financing Sources (Uses):				
Transfers from:				
Water Fund.....	37,784	36,271	36,271	-
Sewer Fund.....	10,000	10,000	10,000	-
Refuse Fund.....	12,500	12,500	15,000	2,500
Appropriated fund balance.....	48,796	(13,255)	-	13,255
Capital Fire Equipment.....	-	(150,000)	(150,000)	-
Debt Service Fund.....	<u>(131,793)</u>	<u>(131,793)</u>	<u>(131,793)</u>	<u>-</u>
Total other financing sources (uses).....	<u>(22,713)</u>	<u>(236,277)</u>	<u>(220,522)</u>	<u>15,755</u>
Net change in fund balance.....	(2,500)	(2,759)	450,730	453,489
Fund Balance - Beginning of year.....	<u>2,881,425</u>	<u>2,881,425</u>	<u>2,881,914</u>	<u>-</u>
Fund Balance - End of year.....	<u>\$ 2,878,925</u>	<u>\$ 2,878,666</u>	<u>\$ 3,332,644</u>	<u>\$ 453,489</u>

The accompanying notes are an integral part of the financial statements

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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - POLLARD PARK SPECIAL REVENUE FUND**
 For the Year Ended September 30, 2019
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Grants:				
Contributions and donations.....	\$ 342,650	\$ 17,700	\$ 134,484	\$ 116,784
Total revenues.....	<u>342,650</u>	<u>17,700</u>	<u>134,484</u>	<u>116,784</u>
Expenditures:				
Culture/Recreation:				
Operating expenditures.....	22,000	60,000	58,461	1,539
Capital outlay.....	<u>601,000</u>	<u>159,113</u>	<u>403,038</u>	<u>(243,925)</u>
Total expenditures.....	<u>623,000</u>	<u>219,113</u>	<u>461,499</u>	<u>(242,386)</u>
Excess of revenue over (under) expenditures	<u>(280,350)</u>	<u>(201,413)</u>	<u>(327,015)</u>	<u>(125,602)</u>
Other Financing Sources (Uses):				
Operating transfer from Public Land				
Acquisition and Facility Fund.....	342,650	294,647	294,647	-
Appropriated fund balance.....	<u>(62,300)</u>	<u>(93,234)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses).....	<u>280,350</u>	<u>201,413</u>	<u>294,647</u>	<u>-</u>
Net change in fund balance.....	-	-	(32,368)	(125,602)
Fund Balance - Beginning of year.....	<u>359,429</u>	<u>359,429</u>	<u>359,429</u>	<u>-</u>
Fund Balance - End of year.....	<u>\$ 359,429</u>	<u>\$ 359,429</u>	<u>\$ 327,061</u>	<u>\$ (125,602)</u>

The accompanying notes are an integral part of the financial statements.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - DAVIES LIGHTHOUSE PARK SPECIAL REVENUE FUND**
 For the Year Ended September 30, 2019
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Grants:				
Contributions and donations.....	\$ -	\$ -	\$ 8,407	\$ 8,407
Total revenues.....	-	-	8,407	8,407
Expenditures:				
Culture/Recreation:				
Operating expenditures.....	-	12,226	19,750	(7,524)
Total expenditures.....	-	12,226	19,750	(7,524)
Excess of revenue over (under) expenditures	-	(12,226)	(11,343)	883
Other Financing Sources (Uses):				
Operating transfer from Public Land Acquisition and Facility Fund.....				
	-	175,000	175,000	-
Total other financing sources (uses).....	-	175,000	175,000	-
Net change in fund balance.....	-	162,774	163,657	883
Fund Balance - Beginning of year.....	-	-	-	-
Fund Balance - End of year.....	\$ -	\$ 162,774	\$ 163,657	\$ 883

The accompanying notes are an integral part of the financial statements.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - PUBLIC LAND ACQUISITION AND FACILITY
SPECIAL REVENUE FUND**

For the Year Ended September 30, 2019
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Utility service taxes-electric.....	\$ 361,913	\$ 358,450	\$ 369,587	\$ 11,137
Utility service taxes-liquid propane.....	<u>11,330</u>	<u>14,120</u>	<u>12,758</u>	<u>(1,362)</u>
	<u>373,243</u>	<u>372,570</u>	<u>382,345</u>	<u>9,775</u>
Permits and fees:				
Franchise fees-solid waste.....	<u>32,708</u>	<u>32,791</u>	<u>33,866</u>	<u>1,075</u>
Miscellaneous Revenues:				
Investment earnings (loss).....	<u>725</u>	<u>1,651</u>	<u>1,826</u>	<u>175</u>
Total revenues.....	406,676	407,012	418,037	11,025
Expenditures:				
Physical Environment:				
Operating expenditures.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over (under) expenditures	<u>406,676</u>	<u>407,012</u>	<u>418,037</u>	<u>11,025</u>
Other Financing Sources (Uses):				
Appropriated fund balance.....	(77,676)	391,273	-	(391,273)
Operating transfer to Debt Service Fund.....	(329,000)	(328,638)	(328,638)	-
Operating transfer to Pollard Park Fund.....	-	(294,647)	(294,647)	-
Operating transfer to Davies Lighthouse Park ...	<u>-</u>	<u>(175,000)</u>	<u>(175,000)</u>	<u>-</u>
Total other financing sources (uses).....	<u>(406,676)</u>	<u>(407,012)</u>	<u>(798,285)</u>	<u>(391,273)</u>
Net change in fund balance.....	-	-	(380,248)	(380,248)
Fund Balance - Beginning of year.....	<u>505,052</u>	<u>505,052</u>	<u>505,052</u>	<u>-</u>
Fund Balance - End of year.....	<u>\$ 505,052</u>	<u>\$ 505,052</u>	<u>\$ 124,804</u>	<u>\$ (380,248)</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2019
TOWN OF PONCE INLET, FLORIDA

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Refuse Utility	Totals
Assets:				
Current Assets:				
Cash and cash equivalents.....	\$ 1,229,712	\$ 155,779	\$ 4,477	\$ 1,389,968
Restricted cash and cash equivalents.....	176,958	-	-	176,958
Receivables, net:				
Accounts.....	36,723	26,456	3,561	66,740
Unbilled accounts.....	125,573	76,847	33,500	235,920
Due from other governments.....	-	-	-	-
Prepaid expenses.....	<u>3,563</u>	<u>-</u>	<u>-</u>	<u>3,563</u>
Total current assets.....	<u>1,572,529</u>	<u>259,082</u>	<u>41,538</u>	<u>1,873,149</u>
Noncurrent Capital Assets:				
Land and land rights.....	4,033	-	-	4,033
Infrastructure.....	1,505,602	-	-	1,505,602
Distribution system.....	2,569,621	-	-	2,569,621
General utilities equipment.....	<u>353,023</u>	<u>-</u>	<u>-</u>	<u>353,023</u>
	4,432,279	-	-	4,432,279
Less: accumulated depreciation.....	<u>(2,076,625)</u>	<u>-</u>	<u>-</u>	<u>(2,076,625)</u>
Total noncurrent capital assets.....	<u>2,355,654</u>	<u>-</u>	<u>-</u>	<u>2,355,654</u>
Total assets.....	<u>3,928,183</u>	<u>259,082</u>	<u>41,538</u>	<u>4,228,803</u>
Deferred Outflows on Pensions.....	<u>199,406</u>	<u>-</u>	<u>-</u>	<u>199,406</u>
Liabilities:				
Accounts payable and accrued expenses.....	158,534	252,809	13,552	424,895
Customer deposits.....	265,375	-	-	265,375
Other postemployment benefits.....	14,074	-	-	14,074
Net pension liability.....	546,948	-	-	546,948
Long-term debt:				
Due within one year.....	51,703	-	-	51,703
Due in more than one year.....	963,548	-	-	963,548
Compensated absences.....	<u>46,868</u>	<u>-</u>	<u>-</u>	<u>46,868</u>
Total liabilities.....	<u>2,047,050</u>	<u>252,809</u>	<u>13,552</u>	<u>2,313,411</u>
Deferred Inflows on Pensions.....	<u>39,354</u>	<u>-</u>	<u>-</u>	<u>39,354</u>
Net Position:				
Invested in capital assets, net of related debt.....	1,336,526	-	-	1,336,526
Restricted for utility expansion.....	176,958	-	-	176,958
Unrestricted.....	<u>527,701</u>	<u>6,273</u>	<u>27,986</u>	<u>561,960</u>
Total net position.....	<u>\$ 2,041,185</u>	<u>\$ 6,273</u>	<u>\$ 27,986</u>	<u>\$ 2,075,444</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

For the Year Ended September 30, 2019
TOWN OF PONCE INLET, FLORIDA

	Business-type Activities - Enterprise Funds			Totals
	Water Utility	Sewer Utility	Refuse Utility	
Operating Revenues:				
Charges For Services:				
Sales and connection fees.....	\$ 1,468,673	\$ 997,757	\$ -	\$ 2,466,430
Port Orange's connection/impact fees.....	9,025	14,008	-	23,033
Other administrative charges.....	15,025	22,223	-	37,248
Refuse and recycling charges.....	-	-	208,345	208,345
Total operating revenue.....	<u>1,492,723</u>	<u>1,033,988</u>	<u>208,345</u>	<u>2,735,056</u>
Operating Expenses:				
Cost of sales.....	729,981	-	-	729,981
Personal services.....	530,562	-	-	530,562
Materials and supplies.....	14,856	-	-	14,856
Maintenance and repairs.....	16,560	-	-	16,560
Contractual services.....	46,433	997,757	162,537	1,206,727
Other expenses.....	9,861	-	-	9,861
Impact/connect fee payments to Port Orange.....	9,025	14,008	-	23,033
Depreciation.....	165,038	-	-	165,038
Total operating expenses.....	<u>1,522,316</u>	<u>1,011,765</u>	<u>162,537</u>	<u>2,696,618</u>
Operating income (loss).....	<u>(29,593)</u>	<u>22,223</u>	<u>45,808</u>	<u>38,438</u>
Nonoperating revenues (expenses):				
Investment earnings (loss).....	2,528	-	-	2,528
Miscellaneous revenue (expense).....	1,225	-	-	1,225
Interest on long-term debt.....	(10,447)	-	-	(10,447)
Loss on disposal of property.....	-	-	-	-
Net nonoperating revenue (expenses).....	<u>(6,694)</u>	<u>-</u>	<u>-</u>	<u>(6,694)</u>
Income (loss) before contributions and transfers.....	(36,287)	22,223	45,808	31,744
Capital contributions.....	5,090	-	-	5,090
Transfer to General Fund.....	(36,271)	(10,000)	(15,000)	(61,271)
Transfer to Debt Service Fund.....	-	(12,500)	(12,500)	(25,000)
Net increase (decrease) in net position.....	<u>(67,468)</u>	<u>(277)</u>	<u>18,308</u>	<u>(49,437)</u>
Net position - beginning of year.....	<u>2,108,653</u>	<u>6,550</u>	<u>9,678</u>	<u>2,124,881</u>
Net position - end of year.....	<u>\$ 2,041,185</u>	<u>\$ 6,273</u>	<u>\$ 27,986</u>	<u>\$ 2,075,444</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2019
TOWN OF PONCE INLET, FLORIDA

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Refuse Utility	Totals
Cash Flows From Operating Activities:				
Cash received from customers and users.....	\$ 1,478,022	\$ 1,035,730	\$ 192,013	\$ 2,705,765
Cash paid for personal services.....	(409,627)	-	-	(409,627)
Cash paid to suppliers and others.....	<u>(803,668)</u>	<u>(929,200)</u>	<u>(175,175)</u>	<u>(1,908,043)</u>
Net cash provided by (used in) operating activities.....	<u>264,727</u>	<u>106,530</u>	<u>16,838</u>	<u>388,095</u>
Cash Flows From Noncapital and Related Financing Activities:				
Nonoperating revenues received.....	1,225	-	-	1,225
Operating transfers paid.....	<u>(36,271)</u>	<u>(22,500)</u>	<u>(27,500)</u>	<u>(86,271)</u>
Net cash provided by (used in) non- capital and related financing activities.....	<u>(35,046)</u>	<u>(22,500)</u>	<u>(27,500)</u>	<u>(85,046)</u>
Cash Flows From Capital and Related Financing Activities:				
Contributed capital received.....	14,115	-	-	14,115
Capital transfers to Port Orange.....	(9,025)	-	-	(9,025)
Acquisition of capital assets.....	(36,927)	-	-	(36,927)
Repayment of long-term debt.....	<u>(61,827)</u>	<u>-</u>	<u>-</u>	<u>(61,827)</u>
Net cash used in capital and related financing activities.....	<u>(93,664)</u>	<u>-</u>	<u>-</u>	<u>(93,664)</u>
Cash Flows From Investing Activities:				
Interest earnings received.....	<u>2,528</u>	<u>-</u>	<u>-</u>	<u>2,528</u>
Net cash provided by (used in) investing activities.....	<u>2,528</u>	<u>-</u>	<u>-</u>	<u>2,528</u>
Net increase (decrease) in cash and cash equivalents.....	138,545	84,030	(10,662)	211,913
Cash and cash equivalents - Beginning of year.....	<u>1,268,125</u>	<u>71,149</u>	<u>15,139</u>	<u>1,354,413</u>
Cash and cash equivalents - End of year.....	<u>\$ 1,406,670</u>	<u>\$ 155,179</u>	<u>\$ 4,477</u>	<u>\$ 1,566,326</u>
Reconciliation of cash and cash equivalents:				
Unrestricted cash.....	\$ 1,229,712	\$ 155,779	\$ 4,477	\$ 1,389,968
Restricted cash.....	<u>176,958</u>	<u>-</u>	<u>-</u>	<u>176,958</u>
Total - all sources.....	<u>\$ 1,406,670</u>	<u>\$ 155,779</u>	<u>\$ 4,477</u>	<u>\$ 1,566,926</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS - (Continued)
PROPRIETARY FUNDS
For the Year Ended September 30, 2019
TOWN OF PONCE INLET, FLORIDA

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Refuse Utility	Totals
Reconciliation of Operating Income to Net				
Cash Provided by Operating Activities:				
Operating income (loss).....	\$ (29,593)	\$ 22,223	\$ 45,808	\$ 38,438
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation.....	165,038	-	-	165,038
Changes in assets and liabilities:				
Accounts receivable.....	(7,549)	1,742	(16,332)	(22,139)
Prepaid expenses.....	2,059	-	-	2,059
Accounts payable and accrued expenses.....	7,340	82,565	(12,638)	77,267
Other post employment benefits	(420)	-	-	(420)
Compensated absences.....	3,767	-	-	3,767
Pension liability.....	122,212	-	-	122,212
Customer deposits.....	<u>1,873</u>	<u>-</u>	<u>-</u>	<u>1,873</u>
Net cash provided by operating activities.....	<u>\$ 264,727</u>	<u>\$ 106,530</u>	<u>\$ 16,838</u>	<u>\$ 388,095</u>

The accompanying notes are an integral part of the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Ponce Inlet, Florida, is a municipal corporation created by the Laws of Florida, located in Volusia County. The Town was originally incorporated under the general laws of Florida in May 1963 under the provisions of House Bill No. 1133 (amending Article 2, Section 4, of Chapter 63-1829, Laws of Florida, Special Acts of 1963), and the Municipal Home Rule Power Act, F.S. Ch. 166. The legislative branch of the Town is composed of an elected five-member Town Council consisting of the Mayor and four Council members. The Town Council is governed by the Town Charter and by state and local laws and regulations. The Town Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council-appointed Town Manager.

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

Discretely Presented Component Unit. The “component unit” column in the basic financial statements includes the financial data of the Ponce DeLeon Inlet Lighthouse Preservation Association, Inc. (the “Lighthouse Association”). The financial statements of the Lighthouse Association are discretely reported in separate columns to emphasize that it is legally separate from the Town (primary government). The Lighthouse Association was created exclusively to manage the contribution of citizen efforts, services and resources in the development, restoration, improvement and operation of the Ponce DeLeon Inlet Lighthouse, a historical site owned by the Town of Ponce Inlet, under the terms of a maintenance agreement dated May 22, 1985.

The Lighthouse Association was created as a non-profit corporation and is exempt from income taxes under the provisions of Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3). Under its corporate charter, the Lighthouse Association must devote at least 70% of its gross receipts to undertaking its stated purpose. Furthermore, the Town Council has the authority to disapprove any activity(ies) of the Lighthouse Association deemed not to be in harmony with the responsibilities of the Town and all Lighthouse Association assets revert to the Town upon its dissolution.

Complete financial statements of the component unit can be obtained directly from the Association’s administrative offices, which is as follows:

Administrative Office:
Ponce DeLeon Inlet Lighthouse Preservation Association, Inc.
4931 South Peninsula Drive
Ponce Inlet, FL 32127

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report aggregated information for the overall government for all of the activities of the primary government and the discretely presented component unit. The primary government is reported in two columns to separately report governmental activities from business-type activities. Component unit data is aggregated into a single column. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. When applicable, those activities are reported only in fund financial statements. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange revenues are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds.

The statement of net position presents the overall government's financial position at year-end. The statement of activities presents direct expenses of a given function or segment offset by program revenues for the fiscal reporting period. The resulting net expense or revenue is then totaled and offset by general revenues producing the aggregate change in net position for the period. 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 segment of the government, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other nonexchange revenues not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual business-type funds are reported in separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 as soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 3 months of the end of the current fiscal period, except for property taxes, for which the period is 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

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

Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized and grouped into four classes, based on their principal characteristics. The accounting treatment for each type of transaction is as follows:

- ***Derived Tax Revenue***, defined as assessments imposed on exchange transactions. Examples include: sales taxes, franchise tax, utility taxes, etc. Assets from derived tax revenue are recognized in the period when the exchange transaction on which the tax is imposed or when resources are received, whichever occurs first. Revenues are recognized, net of estimated uncollectible amounts, in the same period that the assets are recognized. Resources received in advance are recorded as deferred revenue until the period of the exchange.
- ***Imposed Nonexchange Revenue***, result from assessments on nongovernmental entities, other than assessments on exchange transactions. Examples include: ad valorem (property) taxes, fines and penalties, and property forfeitures. Assets from imposed nonexchange revenues are recognized in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Property taxes are recognized in the period for which the taxes are levied. All other imposed nonexchange revenues are recognized in the same period that the assets are recognized.
- ***Government-mandated Nonexchange Transactions***, frequently establish eligibility requirements before a transaction can occur. Examples include federal awards and state financial assistance. Until the requirements are met, the recipient does not have a receivable and the recognition of revenue received in advance is deferred. The providers (usually federal, state, and county governments) often offer resources on a reimbursement (“expenditure-driven”) basis at the time the recipient has incurred allowable costs under the applicable program.
- ***Voluntary Nonexchange Transactions***, result from legislative or contractual agreements other than exchanges, entered into willingly by two or more parties. Examples include certain grants, entitlements, and donations by nongovernmental entities. Principal characteristics of these types of transactions are (1) they are not imposed on the provider or recipient, and (2) fulfillment of eligibility requirements is essential for a transaction to occur. Assets and revenues are recognized when all applicable eligibility requirements, including time requirements, are met. Resources received in advance are reported as deferred revenue.

Proprietary fund financial statements are reported using the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred. Based on the accounting and reporting standards set forth in Government Accounting Standards Board Statement No. 20, “*Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*”, the Town has opted to apply only those accounting and reporting pronouncements issued by the GASB subsequent to November 30, 1989, as it pertains to the accounting for proprietary fund activity.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

The Town's accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The focus of the governmental and proprietary fund financial statements is on major funds, as defined and determined based on criteria established under Governmental Accounting Standards Boards Statement No. 34.

The Town reports the following major governmental funds:

- The **General Fund** is the principal fund of the Town which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the Town other than proprietary fund activities are financed through revenues received by the General Fund.
- The **Pollard Park Special Revenue Fund** is a special revenue fund established by the Town to separately account for the accumulation of resources from all operating grants, capital grants, and Town contributions which shall be expended on project related expenditures associated with the development of a Town park and recreation area.
- The **Davies Lighthouse Park Special Revenue Fund** is a special revenue fund established by the Town to separately account for the accumulation of resources from all operating grants, capital grants, and Town contributions which shall be expended on project related expenditures associated with the development of a Town park and recreation area.
- The **Public Land Acquisition and Facility Fund** is a special revenue fund established by the Town pursuant to Section 2-322 of the Town's Code of Ordinances to account for the accumulation of franchise fees on garbage services and public service taxes in the sale of electricity, metered natural gas, liquefied petroleum and manufactured gas which shall be expended on acquiring real estate and for the construction of public facilities.
- The **Debt Service Fund** is a debt service fund established by the Town to separately account for the resources accumulated and payments made for principal and interest on general long-term debt of the Town's governmental funds.

The Town reports the following major proprietary funds:

- The **Water Utility Fund** accounts for the costs and recovery of costs in the form of user charges related to the purchase and distribution of potable water within the Town. The maintenance and improvement of utility plant required to provide these goods and services has been financed primarily from user charges and a loan from the Florida Department of Environmental Protection.
- The **Sewer Utility Fund** accounts for the activities of the Town's sewer utility system, which is owned and operated by the City of Port Orange. The costs of wastewater collection and pumping systems are recovered by user charges billed to customers by the Town pursuant to customer rate schedules established by Port Orange. All utility service amounts billed by the Town, and collected from its customers, are subsequently remitted to the City of Port Orange.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

- The *Refuse Utility Fund* accounts for the activities of the Town's refuse collection system which provides the community with refuse and recycling services provided by third-party contracted vendors, the costs of which are recovered by user charges.

Additionally, the Town reports the following fund types:

- *Special Revenue Funds* - are used to account for the proceeds of specific revenue sources (other than special assessments, or capital projects) which are legally restricted to finance particular functions or activities of the Town. These funds include the Tree Bank Fund, Sidewalks Fund, Parks and Recreation Fund, Police Education Fund and Contraband/Forfeitures Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments, when applicable. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for utility sales and services. The Town recognizes as operating revenue the portion of impact fees intended to recover the cost of connecting new customers to the water system. Impact and connection fees are also assessed and collected from sewer customers which are remitted directly to the City of Port Orange to recover their costs connecting new customers to the sewer system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Town's investment policies are governed by state statutes and local ordinance. These policies authorize the Town to invest in the Local Government Surplus Funds Trust Fund, authorized intergovernmental investment pools, Securities and Exchange Commission registered money market funds (with rating exceptions), interest-bearing savings accounts, interest bearing certificates of deposits, interest bearing time deposits and direct obligations of the U.S. Treasury.

All of the Town's investments are reported at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances," when applicable.

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered quarterly. Unbilled water, sewer and refuse accounts receivable are accrued by the Town at September 30th, to recognize the sales revenues earned between the last meter reading dates made in mid-September through the end of the fiscal year.

All unpaid property taxes receivable at year end are at least 180 days past due, at which time the applicable property is subject to lien, and penalties and interest are assessed.

3. Inventories and Prepaid Items

The cost of stored fuel inventory is accounted for on the consumption basis wherein inventories are charged as expenditures when used, rather than when purchased. All inventories are valued at cost, which approximates net realizable value. The effect of this method is to flow the costs of the fuel in the order in which they are purchased and to assign a balance sheet inventory valuation more nearly at current replacement value. No required minimum levels of inventory are maintained.

All other inventories are valued at average cost and consist of the merchandise held for sale in the Lighthouse Association gift shop (a discretely presented component unit).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/ expenses when consumed rather than when purchased.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

4. Restricted Assets

Certain proceeds from the imposition of the Town’s impact fee requirements and from building permits are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable legal indentures.

5. Capital Assets

Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the Town. The Town has elected to report all known infrastructure assets and related depreciation expense on all infrastructure assets in the entity-wide statement of net position and statement of activities.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Infrastructure assets are capitalized when their costs exceed \$5,000 and possess useful lives of more than two years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized if they meet the dollar threshold above for capitalization.

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, but charged to operating expense as incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Proprietary fund capital assets that are constructed include construction period interest that is capitalized net of interest earned on unexpended construction funds and, therefore, depreciated over the remaining useful life of the related asset, when applicable.

Depreciation is provided for by utilization of the straight-line method calculated on a service-life basis to amortize the cost of the assets over their economic estimated useful lives which are as follows:

Buildings.....	15 - 40 years
Source of supply plant.....	25 - 50 years
Pumping plant.....	25 - 50 years
Water treatment plant	25 - 50 years
Transmission and distribution plant	25 - 50 years
Infrastructure	15 - 50 years
Equipment.....	3 - 25 years

6. Compensated Absences

The portion of payroll costs paid subsequent to year-end attributable to services performed prior to year-end, including accumulated unpaid vacation and sick-leave, is recorded and recognized as a current liability. The portion of the liability for compensated absences attributable to periods beyond the current year is recognized as a long-term liability. The General Fund and Water Utility Fund employ personnel and are responsible for liquidating compensated absence obligations.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

It is the Town's policy to grant employees personal leave based upon the number of years of employment with the Town. Annual leave for full-time general employees accrues at the rate of 144 to 264 hours per year based on number of years of employment. Annual leave for part-time (20-39 hours per week) general employees accrues at the rate of 72 to 132 hours per year based on number of years of employment. Annual leave for firefighters accrues at the rate of 204 to 372 hours per year based on number of years of employment. A cumulative total of 480 hours (60 days) is the maximum personal leave which may be carried over to the next calendar year. Upon termination, without cause, all accrued annual leave is paid.

7. Unearned Revenue

Unearned revenues are reported when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

8. Long-term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Debt issuance costs, when incurred, are charged to expense in the fund receiving debt proceeds.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports 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 periods and so will not be recognized as an outflow of resources expense until then. The Town has one item that qualifies for reporting in this category. It is the deferred amount on defined benefit pension liabilities associated with the Florida Retirement System (FRS) and Florida Retirement System Health Insurance Subsidy (HIS). The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. A deferred amount on pension results from the recognition of the Town's proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to the pension plan. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liabilities in future reporting years.

In addition to liabilities, the statement of financial position reports 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 periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item that qualifies for reporting in this category. It is the deferred inflows on defined benefit pension contributions, earnings and other liabilities associated with the Florida Retirement System (FRS) and Florida Retirement System Health Insurance Subsidy (HIS) that qualify for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

10. Pensions / Net Pension Liabilities

In the financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting. In general, the Town recognizes a net pension liability, which represents the Town's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the FRS defined benefit plan and the HIS defined benefit plan, and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

11. Fund Balance Flow Assumptions

Sometimes the entity will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

12. Fund Balance Policies

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

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

Restricted. This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation (i.e. when the government assesses, levies, charges, or otherwise mandates payment of resources from external resource providers and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation). The Town has classified law enforcement forfeitures as being restricted because their use is restricted by state statute for police investigative expenditures. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

Building inspection fees are restricted by state statute and county laws and are legally segregated for the funding of inspection services.

Committed. This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. The Town Council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned. This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town Manager through the budgetary process, as is authorized under Part I, Article VI, Section 6.04(d) of the Town Charter.

Unassigned. This classification includes the residual fund balance for the General Fund and fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The Town would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

13. Net Position

The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted. Net investment in capital assets groups all capital assets into one component of net position; accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets reduce the balance in this category. Restricted net position includes all net position with external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Unrestricted net position is the residual amount of net position of the Town that is not restricted for any particular purpose.

In 2009, The Town Council approved Resolution 2009-04, "*Policy for Reserve/Contingency Level of Operating Budget (Policy)*". Under the Policy, a portion of the fund balance of the General Fund is committed for stabilization arrangements, such as might be needed in emergency situations or when revenue shortages or budgetary imbalances occur. The Policy states that, an amount equal to at least 3 months (25%) of the annual operating revenue of the General Fund is to be committed for use in covering current and future risks such as revenue shortfalls, natural disasters, unanticipated expenditures and to ensure stable tax rates. At September 30, 2019, \$1,643,106 of the fund balance for the General Fund was reported as committed for economic stabilization. The Policy recognizes that under extreme conditions, the use of resources may result in the committed fund balance amount dropping below the established threshold. Such amounts are required to be reinstated by the end of the subsequent fiscal year.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

14. Use of Estimates

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

E. New Accounting Standards

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. No action was required by the Town to implement this Statement. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.
- Statement No. 88, *Certain Disclosures Related to Debt*. The objective of this Statement is to better improve the disclosure in notes to governmental financial statements related to debt, including direct borrowings and direct placements. No action was required by the Town to implement this Statement. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

The Town is currently evaluating the effects that the following Governmental Accounting Standards Board (GASB) Statements, which will be implemented in future financial statements, will have on its financial statements for subsequent fiscal years.

- GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It is anticipated that no action will be required by the Town to implement this Statement. The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.
- Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It is anticipated that no action will be required by the Town to implement this Statement. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are to improve relevance and comparability about capital assets and the related cost of borrowing as well as simplify the accounting for interest costs incurred before the end of a construction period. It is anticipated that no action will be required by the Town to implement this Statement. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

- Statement No. 90, *Major Equity Interests*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization. It is anticipated that no action will be required by the Town to implement this Statement. The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.
- Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. It is anticipated that no action will be required by the Town to implement this Statement. The provisions of this Statement are effective for reporting periods beginning after December 15, 2020.
- Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. It is anticipated that no action will be required by the Town to implement this Statement. The provisions of this Statement are effective for reporting periods beginning after June 15, 2020.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net position

Following the governmental fund balance sheet is a reconciliation of the fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-Wide Statement of Activities

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

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

The proprietary funds' budgets are prepared on a full accrual basis of accounting. The Town uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- On or before August 1st, the Town Manager submits a preliminary budget to the Town Council for the ensuing fiscal year.
- Budget workshop sessions are scheduled by the Town Council, as needed.
- A general summary of the budget and notice of public hearing is published in a local newspaper.
- Prior to October 1st, the budget is legally enacted through passage of an ordinance.
- The Town Council, by ordinance, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue in accordance with Section 6.04 of the Town Charter. Prior to the end of the fiscal year, supplemental appropriations are typically made for unanticipated spending requirements by the Council.
- The Town Council must approve all inter-departmental budget amendments and/or appropriations transfers. The Town Manager is authorized to approve all intra-department budget amendments.
- Budgetary control is exercised at the fund level.
- Every appropriation lapses at the close of the fiscal year.

B. Excess of Expenditures over Appropriations

During the year ended September 30, 2019, none of the Town's funds reported actual expenditures that exceeded budgetary appropriations for the year.

NOTE 4 - PROPERTY TAX CALENDAR

Under Florida law, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the offices of the County Property Appraiser and County Finance Director. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The ad valorem millage rate assessed by the Town (2018 levy) was 5.90 mills. Collections on this levy were received during the year ended September 30, 2019. The Town's property tax calendar is as follows:

Assessment Roll Valuation Date

January 1

Property Appraiser prepares the assessment roll with values as of January 1, submits preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.

July 1

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

Town Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year. September

Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy date). November 1

A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November through March, with the following applicable discounts: November 1

<u>Month Paid</u>	<u>Discount</u>
November	4%
December	3%
January	2%
February	1%
March	None

All unpaid taxes on real/tangible personal property become delinquent. April 1

Listings of unpaid real and personal property taxes are advertised. April/May

Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date). June 1

A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent taxes August

NOTE 5 - DEPOSITS AND INVESTMENTS

Deposits. At September 30, 2019, the carrying value of the Town’s cash deposit accounts totaled \$3,398,455 and the bank balances totaled \$3,447,237. Cash deposits and certificates of deposit totaling \$2,402,254, are held by banks that are fully insured and/or collateralized at September 30, 2019, as required by Chapter 280, Florida Statutes. Amounts do not include \$100 in cash funds on hand at the end of the fiscal year.

At September 30, 2019, the carrying value of the Lighthouse Association’s bank deposits totaled \$1,020,355 of which approximately \$361,000 was in excess of the Federal Deposit Insurance Corporation limit of \$250,000. In addition, the Lighthouse Association holds \$628,311 in certificates of deposit, all of which are FDIC insured as well as restricted cash of \$337,704.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

Investments. As of September 30, 2019, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (Years)	
		Less Than 1	From 1 - 5
Certificates of deposit:			
Florida Qualified Public Depositories.....	\$ 752,953	\$ 752,953	\$ -
Custodial and Non-Florida Depositories.....	<u>1,649,301</u>	<u>-</u>	<u>1,649,301</u>
Total certificates of deposit - primary government.....	2,402,254	752,953	1,649,301
Lighthouse Association - component unit.....	<u>628,311</u>	<u>-</u>	<u>628,311</u>
 Total Certificates of Deposits.....	 <u>\$ 3,030,565</u>	 <u>\$ 752,953</u>	 <u>\$ 2,277,612</u>

The Lighthouse Association’s investments consist of amounts invested in certificates of deposit with average maturities of 9 to 36 months.

Interest Rate Risk. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment’s fair value. The Town has developed formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments are governed by the Town’s Investment Policies and related state statutes. Generally, the Town limits the acquisition of investments with maturities of greater than twenty-four months, unless such investments are purchased for holding to maturity. Interest rate risk is minimized for all other investments, which are normally held for periods of less than one year.

GASB 40, “*Deposit and Investment Risk Disclosures*,” requires that interest rate risk be disclosed using one of the five approved methods for all debt investments as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a-7 like pool. The five methods are segmented time distribution, specific identification, weighted average maturity (WAM), duration, and simulation model. Different methods may be presented for different types of investments.

Credit Risk. The Town’s investment policies allow the government to invest in Local Government Surplus Trust Fund Investment Pool, United States Government Securities, United States Government Agencies, federal instrumentalities, interest bearing time deposits or savings accounts, repurchase agreements, commercial paper, bankers’ acceptances, state and/or local governmental taxable and/or tax-exempt debt, registered investment companies (money market and mutual funds), and authorized intergovernmental investment pools.

Concentrations of Credit Risk. The Town’s investment policies place limits on portfolio composition, individual issuers and maturity limitations, all of which vary for each allowable investment type. Supplemental due diligence requirements have been established that must be met prior to investing with registered investment companies and intergovernmental investment pools.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a failure of a depository, the Town’s deposits may not be returned to it. Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act* (“the Act”), the State of Florida, Department of Financial Services, Division of Treasury, Bureau of Collateral Management have established specific requirements relative to security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State’s Chief Financial Officer as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State’s Chief Financial Officer to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Chief Financial Officer’s office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by a Qualified Public Depository Oversight Board with members appointed by the State Chief Financial Officer.

NOTE 6 – DISAGGREGATION OF RECEIVABLES AND PAYABLES

Amounts are aggregated into single accounts receivable (net of allowance for uncollectible accounts) and accounts payable/accrued liability lines for certain funds and aggregated columns. Below is a detail for the governmental and business-type activities anticipated to be collected within an operating cycle:

	Primary Government			Component Unit
	Government Activities	Business Type Activities	Total	Lighthouse
<u>Assets</u>				
Accounts receivable.....	\$ 109,801	\$ 69,501	\$ 179,302	\$ -
Delinquent taxes receivable.....	16,126	-	16,126	-
Unbilled accounts receivable.....	-	235,920	235,920	-
Due from other governments.....	234,054	-	234,054	-
	359,981	305,421	665,402	-
Less: allowance for doubtful accounts....	(16,126)	(2,761)	(18,887)	-
Net receivables.....	<u>\$ 343,855</u>	<u>\$ 302,660</u>	<u>\$ 646,515</u>	<u>\$ -</u>
<u>Liabilities</u>				
Accounts payable.....	\$ 228,591	\$ 156,770	\$ 385,361	\$ 43,307
Accrued wages.....	145,321	15,316	160,637	-
Due to other governments.....	-	252,809	252,809	-
Net payables.....	<u>\$ 373,912</u>	<u>\$ 424,895</u>	<u>\$ 798,807</u>	<u>\$ 43,307</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

Interfund Transfers - Transfers occur to move revenues from various funds to debt service funds as debt service principal and interest payments become due and to move funds to finance various programs, provide grant matching funds, or to subsidize operations that the Town must account for in other funds in accordance with budgetary authorizations. Interfund transfers between the Town’s governmental and business-type funds during the fiscal year ended September 30, 2019, are as follows:

	Transfer <u>From</u>	Transfer <u>To</u>
Governmental Activities:		
General Fund:		
Debt Service Fund.....	\$ -	\$ 131,793
Fire Department Capital Fund.....	-	150,000
Water Utility Fund.....	36,271	-
Sewer Utility Fund.....	10,000	-
Refuse Utility Fund.....	15,000	-
Debt Service Fund:		
General Fund.....	131,793	-
Public Land Acquisition and Facility Fund.....	328,638	-
Sewer Utility Fund.....	12,500	-
Refuse Utility Fund.....	12,500	-
Pollard Park Special Revenue Fund:		
Public Land Acquisition and Facility Fund.....	294,647	-
Davies Lighthouse Park Special Revenue Fund:		
Public Land Acquisition and Facility Fund.....	175,000	-
Fire Department Capital Special Revenue Fund:		
General Fund.....	150,000	-
Public Land Acquisition and Facility Fund:		
Pollard Park Fund.....		294,647
Davies Lighthouse Park Fund.....		175,000
Debt Service Fund.....	-	328,638
	<u>\$ 1,166,349</u>	<u>\$ 1,080,078</u>
	<u>\$ (86,271)</u>	
Business-type Activities:		
Water Utility Fund:		
General Fund.....	\$ -	\$ 36,271
Sewer Utility Fund:		
General Fund.....	-	10,000
Debt Service Fund.....	-	12,500
Refuse Utility Fund:		
General Fund.....	-	15,000
Debt Service Fund.....	-	12,500
	<u>\$ -</u>	<u>\$ 86,271</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities

The following is a summary of changes in capital assets during the year:

	Balances 9/30/2018	Additions	Deletions	Balances 9/30/2019
Capital assets, not being depreciated,				
Land.....	\$ 4,605,517	\$ -	\$ -	\$ 4,605,517
Construction in progress.....	<u>67,538</u>	<u>476,654</u>	<u>-</u>	<u>544,192</u>
	<u>4,673,055</u>	<u>476,654</u>	<u>-</u>	<u>5,149,709</u>
Capital assets, being depreciated,				
Buildings.....	5,429,739	16,890	-	5,446,629
Improvements other than buildings.....	5,155,725	133,160	-	5,288,885
Equipment and furniture.....	<u>2,658,643</u>	<u>231,261</u>	<u>(109,729)</u>	<u>2,780,175</u>
	13,244,107	381,311	(109,729)	13,515,689
Less: accumulated depreciation.....	<u>(5,894,944)</u>	<u>(591,668)</u>	<u>107,976</u>	<u>(6,378,636)</u>
	<u>7,349,163</u>	<u>(210,357)</u>	<u>(1,753)</u>	<u>7,137,053</u>
Net capital assets.....	<u>\$ 12,022,218</u>	<u>\$ 266,297</u>	<u>\$ (1,753)</u>	<u>\$ 12,286,762</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government.....	\$ 105,465
Public safety.....	103,522
Transportation.....	151,212
Culture/recreation.....	204,528
Information technology.....	<u>26,941</u>

Total depreciation expense..... \$ 591,668

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

B. Business-Type Activities

The following is a summary of changes in capital assets during the year:

	Balances 9/30/2018	Additions	Deletions	Balances 9/30/2019
Capital assets, not being depreciated,				
Land.....	\$ 4,033	\$ -	\$ -	\$ 4,033
	<u>4,033</u>	<u>-</u>	<u>-</u>	<u>4,033</u>
Capital assets, being depreciated,				
Improvements other than buildings.....	4,075,223		-	4,075,223
Equipment and furniture.....	<u>317,189</u>	<u>36,927</u>	<u>(1,093)</u>	<u>353,023</u>
	4,392,412	36,927	(1,093)	4,428,246
Less: accumulated depreciation.....	<u>(1,912,680)</u>	<u>(165,038)</u>	<u>1,093</u>	<u>(2,076,625)</u>
	<u>2,479,732</u>	<u>(128,111)</u>	<u>-</u>	<u>2,351,621</u>
Net capital assets.....	<u>\$ 2,483,765</u>	<u>\$ (128,111)</u>	<u>\$ -</u>	<u>\$ 2,355,654</u>

There was no capitalized interest charged in the current year. Depreciation expense for the year ended September 30, 2019 totaled \$165,038.

C. Discretely Presented Component Unit – Lighthouse Association

The following is a summary of changes in capital assets during the year:

	Balances 9/30/2018	Additions	Deletions	Balances 9/30/2019
Capital assets, not being depreciated,				
Land.....	\$ 407,450	\$ -	\$ -	\$ 407,450
Museum artifact collection.....	<u>1,014,862</u>	<u>30,075</u>	<u>-</u>	<u>1,044,937</u>
	<u>1,422,312</u>	<u>30,075</u>	<u>-</u>	<u>1,452,387</u>
Capital assets, being depreciated,				
Restoration and improvements.....	3,156,265	194,768	(8,675)	3,342,358
Equipment and furniture.....	<u>264,077</u>	<u>14,338</u>	<u>(6,023)</u>	<u>272,392</u>
	3,420,342	209,106	(14,698)	3,614,750
Less: accumulated depreciation.....	<u>(1,637,667)</u>	<u>(107,671)</u>	<u>12,904</u>	<u>(1,732,434)</u>
	<u>1,782,675</u>	<u>101,435</u>	<u>(1,794)</u>	<u>1,882,316</u>
Net capital assets.....	<u>\$ 3,204,987</u>	<u>\$ 131,510</u>	<u>\$ (1,794)</u>	<u>\$ 3,334,703</u>

Depreciation expense for the year ended September 30, 2019 totaled \$107,671.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

NOTE 9 - LEASE INCOME

The Town entered into an operating lease agreement to lease a portion of its real property for the construction of a cellular telephone tower. This lease was dated February 9, 2000, and had an initial term of five years, with four successive five-year renewal options. The third of the four successive five-year renewals was exercised in 2015, and will expire in 2020. The lease provides for annual rentals of \$20,793 throughout the third five-year extension period ending in 2020 and \$23,184 for the fourth five-year extension period ending 2025. This agreement shall continue in force for one-year periods if the agreement has not been terminated at the end of the fourth five-year extension, with rentals equal to that of the final five-year extension term. Lease revenue totaled \$20,793 for the year ended September 30, 2019. There was no revenue from subleases or assignments. The future minimum rentals to be received over the noncancelable remaining term of the lease are \$20,793.

NOTE 10 - LONG-TERM DEBT

The Town's long-term debt is comprised of the following at September 30, 2019:

A. Primary Government – Governmental Activities

Capital Improvement Revenue Note, Series 2005

In April 2005, the Town issued a Capital Improvement Revenue Note, Series 2005, which was originally issued for \$4,030,000 and is payable through July 2025. Proceeds from the note were used to finance the acquisition of real property and for related capital improvements. The note is secured by a pledge of the Town's electric and liquid propane utility tax, solid waste franchise fee, and the Florida Power and Light franchise fee. The note bears interest at a fixed rate of 4.11% and is payable semi-annually on January 1 and July 1 through maturity on July 1, 2025. Principal payments are due annually on July 1 through maturity on July 1, 2025. The balance due on this obligation at September 30, 2019 totaled \$1,713,957. Current maturities due on this obligation totaled \$258,000 at September 30, 2019.

The total remaining principal and interest to be paid on the note totals \$1,968,820. During the current year, electric and liquid propane utility tax, solid waste franchise fee, and the Florida Power and Light franchise fee revenue was \$644,708, compared to annual debt requirements of \$328,638.

Clean Water State Revolving Fund Loan

In October 2004, the Town entered into a state revolving fund loan agreement with the State of Florida Department of Environmental Protection to finance the planning, design, and construction of stormwater pollution control facilities. The loan is secured by specific pledged revenues which include the Town's cell tower lease revenue, one to six cents local option fuel taxes, telecommunications excise taxes and a pledged annual transfer of \$25,000 from the utility enterprise fund. The original loan bears interest at 2.95% per annum for the first disbursement of \$96,559, 2.65% per annum for the first loan amendment disbursement of \$1,668,216, and 2.57% for the second loan amendment disbursement of \$303,500 and 2.62% for the third loan amendment disbursement of \$303,500. The loan is payable in semiannual payments due in March and September and becomes due in September 2026. The aggregate balance due on this obligation at September 30, 2019 was \$994,506. Current maturities due on this obligation totaled \$131,107 at September 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

The total remaining principal and interest to be paid on the loan totals \$1,148,062. During the current year, the pledged revenues identified above totaled \$361,833, compared to annual debt requirements of \$156,586.

C. Business-Type Activities

Drinking Water State Revolving Fund Loan

In June 2015, the Town entered into a state revolving fund loan agreement with the State of Florida Department of Environmental Protection to finance the construction of public water systems. The loan is secured by pledged revenues generated by the Town’s water system. The original loan in the amount of \$1,122,126 bears interest at 1.01% per annum. The loan is payable in semiannual payments due in May and November and becomes due in May 2037. The aggregate balance due on this obligation at September 30, 2019 was \$1,015,251. Current maturities due on this obligation totaled \$51,703 at September 30, 2019.

The total remaining principal and interest to be paid on the loan totals \$1,112,887.

Loan Restrictions and Covenants - Pursuant to Sections 3.01 and 6.01 of the Loan Agreement, the Town is required to make monthly loan deposits to the loan debt service accounts equal to one-sixth of the next succeeding semi-annual interest and principal payments. In the event of a failure to make the monthly loan deposits, the Town is required to promptly notify the State of Florida Department of Environmental Protection of any such failure. During the year ended September 30, 2019, the Town made all the mandatory transfers on a timely basis.

Changes in Long-Term Debt

A summary of changes in the Town’s long-term debt for the year is as follows:

A. Primary Government – Governmental Activities

	<u>Balances</u> 9/30/2018	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 9/30/2019
Notes payable:				
Capital Improvement Revenue Note, Series 2005.....	\$ 1,961,957	\$ -	\$ (248,000)	\$ 1,713,957
Florida Department of Environmental Protection State Revolving Fund Loan.....	<u>1,122,208</u>	<u>-</u>	<u>(127,702)</u>	<u>994,506</u>
	3,084,165	-	(375,702)	2,708,463
Net pension liability.....	4,872,676	470,089		5,342,765
Other post-employment benefits.....	136,676		(4,066)	132,610
Compensated absences.....	<u>345,956</u>	<u>103,787</u>	<u>(140,179)</u>	<u>309,564</u>
Total long-term debt.....	<u>\$ 8,439,473</u>	<u>\$ 573,876</u>	<u>\$ (519,947)</u>	8,493,402
Less: current maturities.....				<u>(389,107)</u>
Net long-term debt.....				<u>\$ 8,104,295</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

Debt Service to Maturity

Aggregate debt service requirements to maturity on long-term debt obligations are as follows:

Fiscal Year Ended September 30,	Capital Improvement Note Series 2005		FDEP State Revolving Fund Loan		Total
	Principal	Interest	Principal	Interest	
2020.....	\$ 258,000	\$ 70,445	\$ 131,107	\$ 27,192	\$ 486,744
2021.....	268,000	59,842	134,602	25,479	487,923
2022.....	279,000	48,826	138,191	23,743	489,760
2023.....	291,000	37,360	141,875	21,983	492,218
2024.....	303,000	25,400	145,658	20,201	494,259
Remainder.....	<u>315,000</u>	<u>12,947</u>	<u>303,073</u>	<u>34,959</u>	<u>665,979</u>
Total - all periods....	<u>\$ 1,714,000</u>	<u>\$ 254,820</u>	<u>\$ 994,506</u>	<u>\$ 153,557</u>	<u>\$ 3,116,883</u>

B. Primary Government – Business-Type Activities

	Balances 9/30/2018	Additions	Deletions	Balances 9/30/2019
Note payable:				
Florida Department of Environmental Protection State Revolving Fund Loan.....	1,066,436	-	(51,185)	1,015,251
Net pension liability.....	428,897	118,051		546,948
Other post-employment benefits.....	14,494		(420)	14,074
Compensated absences.....	<u>43,101</u>	<u>12,930</u>	<u>(9,163)</u>	<u>46,868</u>
Total long-term debt.....	<u>\$ 1,552,928</u>	<u>\$ 130,981</u>	<u>\$ (9,583)</u>	607,890
Less: current maturities.....				<u>(51,703)</u>
Net long-term debt.....				<u>\$ 556,187</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

Debt Service to Maturity

Aggregate debt service requirements to maturity on long-term debt obligations are as follows:

Fiscal Year Ended	FDEP State		
	Revolving Fund Loan		Total
September 30,	Principal	Interest	
2020.....	\$ 51,703	\$ 10,124	\$ 61,827
2021.....	52,227	9,600	61,827
2022.....	52,756	9,071	61,827
2023.....	53,290	8,537	61,827
2024.....	53,829	7,998	61,827
2025-2029.....	277,434	31,702	309,136
2030-2034.....	291,766	17,369	309,135
2035-2037.....	<u>182,246</u>	<u>3,235</u>	<u>185,481</u>
Total - all periods.....	<u>\$ 1,015,251</u>	<u>\$ 97,636</u>	<u>\$ 1,112,887</u>

NOTE 11 – NET POSITION

The following table contains the individual components of the reported fund balance classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used at September 30, 2019:

Fund Balances	Major Funds					Total
	General Fund	Pollard Park Davies Lighthouse Fund	Public Land Acquisition and Facility Fund	Debt Service Fund	Nonmajor Funds	
Nonspendable:						
Inventories.....	\$ 4,911	\$ -	\$ -	\$ -	\$ -	\$ 4,911
Prepays.....	30,169	-	-	-	-	30,169
Restricted:						
Public safety.....	26,275	-	-	-	167,676	193,951
Debt service.....	-	-	-	5,039	-	5,039
Transportation gas tax.....	251,620	-	-	-	-	251,620
Committed:						
Operating reserve.....	1,643,106	-	-	-	-	1,643,106
Public Land Acquisitions..	-	-	124,804	-	-	124,804
Assigned:						
General government.....	100	-	-	-	-	100
Public safety.....	1,335	-	-	-	-	1,335
Emergency relief.....	100,000	-	-	-	-	100,000
Recreation.....	<u>20,888</u>	<u>490,718</u>	<u>-</u>	<u>-</u>	<u>71,925</u>	<u>583,531</u>
Unassigned.....	<u>1,254,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,254,240</u>
	<u>\$ 3,332,644</u>	<u>\$ 490,718</u>	<u>\$ 124,804</u>	<u>\$ 5,039</u>	<u>\$ 239,601</u>	<u>\$ 4,192,806</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

NOTE 12 – EMPLOYEES’ PENSION PLANS

1. Florida Retirement System (FRS) (Defined Benefit Pension Plan)

General Information About the FRS. The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially, membership in the State-administered FRS and HIS plans is limited to those remaining regular employees of the Town who were employed before January 1, 1996, at which time active membership in these plans was terminated for new employees hired after December 31, 1995. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site:

www.dms.myflorida.com/workforce_operations/retirement/publications

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The Town’s general classes of membership available are as follows:

- Regular Class - Members of the FRS who do not qualify for membership in the other classes.
- Senior Management Service Class (SMSC) - Members in senior management level positions.
- Special Risk Class - Members who are employed as law enforcement officers, firefighters, firefighter trainers, fire prevention officers, emergency medical technicians and paramedics that meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<i>Regular Class members initially enrolled before July 1, 2011:</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class members initially enrolled on or after July 1, 2011:</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Senior Management Service Class</i>	2.00
<i>Special Risk Class</i>	
Service from Dec. 1, 1970 through Sept. 30, 1974	2.00
Service on and after Oct. 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018-2019 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>		
	<u>Employee</u>	<u>Employer (1)</u>	
		<u>Pre 7/01/19</u>	<u>Post 6/30/19</u>
FRS, Regular	3.00	8.26	8.47
FRS, Senior Management Service	3.00	24.06	25.41
FRS, Special Risk	3.00	24.50	25.48
DROP - Applicable to Members of the Above Class	0.00	14.03	14.60
FRS, Reemployed Retiree		(2)	(2)

Notes: (1) Employer rates include 1.66 percent and 1.66 percent for the postemployment health insurance subsidy for Pre 7/01/19 and Post 6/30/19, respectively. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The Town’s employer and employee contributions to the FRS Plan totaled \$409,793 and \$75,996 respectively, for the fiscal year ended September 30, 2019. This excludes HIS defined benefit pension plan contributions of \$50,848 and FRS Investment Plan contributions of \$84,337.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2019, the Town reported a liability of \$4,836,633 for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The Town’s proportionate share of the net pension liability was based on the Town’s 2018-2019 fiscal year contributions relative to the 2018-2019 fiscal year contributions of all participating members based on a June 30, 2019 fiscal year. At June 30, 2019, the Town’s proportionate share was 0.014044218 percent, which was down 0.000366052 percent from its proportionate share measured at June 30, 2018 of 0.014410270 percent.

For the fiscal year ended September 30, 2019, the Town recognized Plan pension expense of \$814,373. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 286,875	\$ 3,002
Changes in assumptions	1,242,256	-
Net difference between projected and actual earnings on FRS pension plan investments	-	267,588
Changes in proportion and differences between FRS contributions and proportionate share of contributions	264,446	63,892
Contributions subsequent to the measurement date	<u>108,811</u>	<u>-</u>
Total	<u>\$ 1,902,388</u>	<u>\$ 334,482</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

The deferred outflows of resources related to pensions, totaling \$108,811, resulting from the Town's contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 506,560
2021	187,827
2022	382,807
2023	301,091
2024	<u>80,810</u>
	<u>\$ 1,459,095</u>

Actuarial Assumptions. The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	6.90 percent, net of pension plan investment expense, including inflation

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

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

The long-term expected rate of return assumption of 6.90 percent consists of two building block components: a real (in excess of inflation) return of 4.30 percent, consistent with the currently articulated real return target in the current Florida State Board of Administration's investment policy, developed using capital market assumptions calculated by Aon Hewitt Investment Consulting; and 2) a long-term average annual inflation assumption of 2.60 percent as adopted in October 2017 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 6.90 percent return assumption were determined to be reasonable and appropriate per the Actuarial Standards of Practice. The 6.90 percent reported investment return assumption differs from the 7.00 investment return assumption chosen by the 2019 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental reporting standards.

For reference, the table below contains a summary of Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead based on a forward-looking capital market economic model:

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.00%	3.00%	1.80%
Fixed income	18.00%	4.50%	4.40%	4.20%
Global equity	53.00%	7.80%	6.60%	17.00%
Real Estate (Property)	10.00%	6.60%	5.90%	12.80%
Private Equity	6.00%	11.50%	7.80%	30.00%
Strategic investments	<u>12.00%</u>	6.10%	5.60%	9.70%
Total	<u>100.00%</u>			
Assumed Inflation - Mean		2.60%		1.90%

Note: (1) As outlined in the Plan's Investment Policy

Calculation of Money-Weighted Rate of Return. For the year ended June 30, 2019, the annual money-weighted rate of return on FRS pension plan investments, net of pension plan investment expense, was 5.98 percent. The money-weighted rate of return considers the changing amounts estimated as invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. Cash flows are estimated on a monthly basis and are assumed to occur at the beginning of each month. Cash inflows are netted with cash outflows, resulting in a net cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

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

Sensitivity of the Entity's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	1% Decrease <u>(5.90%)</u>	Current Discount Rate <u>(6.90%)</u>	1% Increase <u>(7.90%)</u>
The Town's proportionate share of the net pension liability (0.014044218%)	\$8,360,928	\$4,836,633	\$1,893,251

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

Payable to the FRS Pension Plan. The Town had no amounts payable to the FRS Plan for outstanding contributions at September 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

2. HIS Pension Plan (Defined Benefit Pension Plan)

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

Benefits Provided. For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2019, the HIS contribution rate for the period from October 1, 2018 through June 30, 2019, and from July 1, 2019 through September 30, 2019, was 1.66% and 1.66%, respectively, of payroll pursuant to section 112.363, Florida Statutes. The Town contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Town's contributions to the HIS Plan totaled \$50,848 for the fiscal year ended September 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At September 30, 2019, the Town reported a net pension liability of \$1,013,080 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The Town's proportionate share of the net pension liability was based on the Town's 2018-2019 fiscal year contributions relative to the total 2018-2019 fiscal year contributions of all participating members. At June 30, 2019, the Town's proportionate share was 0.009054247 percent, which was down 0.000026582 percent from its proportionate share measured at June 30, 2018, of 0.009080829 percent.

For the fiscal year ended September 30, 2019, the Town recognized HIS Plan pension expense of \$51,827. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,305	\$ 1,240
Changes in assumptions	117,302	82,801
Net difference between projected and actual earnings on HIS pension plan investments	654	-
Changes in proportion and differences between HIS contributions and proportionate share of contributions	99,616	2,375
Contributions subsequent to the measurement date	<u>11,833</u>	<u>-</u>
Total	<u>\$ 241,710</u>	<u>\$ 86,416</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

The deferred outflows of resources related to pensions, totaling \$11,833 resulting from the Town’s contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018 Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 44,008
2021	40,075
2022	32,940
2023	18,044
2024	<u>8,394</u>
	<u>\$ 143,461</u>

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	3.50 percent

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

The following changes in actuarial assumptions occurred in 2019:

The municipal rate used to determine total pension liability was decreased from 3.87% to 3.50%.

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

Sensitivity of the Entity’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 3.50 percent, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50percent) than the current rate:

	1% Decrease <u>(2.50%)</u>	Current Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
The Town's proportionate share of the net pension liability (0.009054247%)	\$1,156,482	\$ 1,013,080	\$ 893,641

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

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

Payable to the HIS Pension Plan. The Town had no amounts payable to the HIS Plan for outstanding contributions at September 30, 2019

3. FRS Investment Plan (Defined Contribution Pension Plan)

The Town contributes to the Florida Retirement System (FRS) Investment Plan, a defined contribution pension plan, for its eligible employees electing to participate in the FRS Investment Plan. The FRS Investment Plan is administered by the Florida State Board of Administration (SBA), and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

As provided in Section 121.450 I, Florida Statutes, eligible FRS members may elect to participate in the FRS Investment Plan in lieu of the FRS defined-benefit plans. The Town’s employees participating in DROP are not eligible to participate in the FRS Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the FRS Investment Plan are established and may be amended by the Florida Legislature. The FRS Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Special Risk, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member's accounts during the 2018-2019 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employer</u>	
	<u>Pre 7/01/18</u>	<u>Post 6/30/18</u>
FRS, Regular	6.30	6.30
FRS, Senior Management Service	7.67	7.67
FRS, Special Class	14.00	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the FRS Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeited benefits of FRS Investment Plan members. For the fiscal year ended June 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Town.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the FRS Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the FRS Investment Plan and rely upon that account balance for retirement income.

The Town's FRS Investment Plan pension expense totaled \$84,337 for the fiscal year ended September 30, 2018.

Payable to the FRS Investment Plan. The Town had no amounts payable to the FRS Investment Plan for outstanding contributions at September 30, 2019.

4. Defined Contribution Plans - General Employees

Florida Municipal Pension Trust Fund (the "FMPTF") - The Town contributes to the Florida Municipal Trust Fund, which provides for a 457(b) deferred compensation plan for employer and employee contributions, respectively. These plans are administered by Florida League of Cities, Inc., P. O. Box 1757, Tallahassee, FL 32302-1757, under Section 2-221 of the Town's Code of Ordinances, the Town established this plan for all regular full time and regular part time employees, except police officers and firefighters.

The Town, as the sponsoring employer, is responsible for defining and amending pension benefit terms, provisions and contribution requirements for the plan. On August 15, 2007, the Town Council adopted Ordinance 2007-20, amending the pension plan for general employees to allow for the conversion to the Florida Retirement System, effective October 1, 2007. As a result of these actions, twenty-two employees opted to withdraw from the above described retirement plan options and convert to the Florida Retirement System. Seven employees remained in the Plan. No new employees will be eligible for entry in the 401(a) plan after October 1, 2007. For each employee in the plan, the Town is required to contribute 10% of the gross employee wages. Employees are permitted to make contributions to the 457(b) pension plan, up to applicable Internal Revenue Code limits. For the year ended September 30, 2019, employee contributions totaled \$28,832 and the Town recognized pension expense of \$-0-.

All qualifying employees, with no age requirement, are eligible to participate in the plan immediately upon the date of employment. Employees immediately vest in the elective deferral contributions made to the Plan. The vested portions of the accounts or contributions to the plan are available to the participants immediately upon termination of service. Employees do not vest in employer contributions to the plan until after participating for five full years in the plan, at which time employees are 100% vested in the plan.

International City Management Association Retirement Corporation (the "ICMA") - The Town provides its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b) and Section 2-291 of the Town's Code of Ordinances. The plan is administered by the International City Managers Association Retirement Corporation, 777 North Capitol Street, NE, Suite 600, Washington, DC 20002. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended September 30, 2019, employee contributions totaled \$7,000 and the Town recognized pension expense of \$-0-.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

All qualified employees at least 18 years of age become eligible to participate in the 457(b) plan on the first date of the month following the date of employment. Employees voluntarily contribute to the plan. Employees immediately vest in the elective deferral contributions made to the 457(b) plan. The vested portions of the accounts or contributions to the plan are available to the participants immediately upon termination of service.

Nationwide Retirement Solutions – The Town provides its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b) and Section 2-291 of the Town’s Code of Ordinances. This plan is administered by Nationwide Retirement Solutions, P. O. Box 182797, Columbus, OH 43218-2797. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended September 30, 2019, employee contributions totaled \$13,655 and the Town recognized pension expense of \$-0-.

All qualified employees at least 18 years of age become eligible to participate in the 457(b) plan on the first date of the month following the date of employment. Employees voluntarily contribute to the plan. Employees immediately vest in the elective deferral contributions made to the 457(b) Plan. The vested portions of the accounts or contributions to the plan are available to the participants immediately upon termination of service.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The Town’s Retiree Health Care Plan (the “OPEB Plan”) is a single-employer defined benefit postemployment healthcare plan that covers eligible retired employees of the Town. The Plan is administered by the Town and allows employees who retire and meet retirement eligibility requirements under one of the Town’s retirement plans to continue medical insurance coverage as a participant in the Town’s OPEB Plan. Under certain conditions, eligible individuals also include spouses and dependent children. The OPEB Plan does not issue a publicly available financial report. Employees covered by benefit terms as of September 30, 2018 were as follows:

Inactive plan members or beneficiaries currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>52</u>
	<u>54</u>

Benefits Provided. The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the Town are eligible to receive postemployment health care benefits. All retiree and dependent coverage is at the expense of the retiree.

Total OPEB Liability.

Measurement Date – 9/30/2018

Measurement Period – 10/1/2017 to 9/30/2018

Reporting Period – 10/1/2018 to 9/30/2019

Sponsor’s Total OPEB liability measurement date - 9/30/2018

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of October 1, 2016 using the following actuarial assumptions –

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	4.18%
Initial Trend Rate	8.00%
Ultimate Trend Rate	4.00%
Years to Ultimate	56

For all lives, mortality rates were RP-2000 Combined Healthy Mortality Tables projected to the validation date using Projection Scale AA.

Discount Rate. Given the Town’s decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 4.18%. The high quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp.’s AA.

OPEB Expense. For the year ended September 30, 2019, the Sponsor will recognize OPEB Expense of \$2,686.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the Total OPEB Liability of the Sponsor, as well as what the Sponsor’s Total OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (3.18 percent) or one percentage point higher (5.18 percent) than the current rate:

	1% Decrease <u>(3.18%)</u>	Current Discount Rate <u>(4.18%)</u>	1% Increase <u>(5.18%)</u>
Net OPEB Liability	\$ 162,573	\$ 146,684	\$ 133,009

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the Total OPEB Liability of the Sponsor, as well as what the Sponsor’s Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.00% - 7.00%) or 1 percentage point higher (5.00% - 9.00%) than the healthcare cost trend rates (4.00% - 8.00%):

	1% <u>Decrease</u>	Current Rate	1% <u>Increase</u>
Total OPEB Liability (Asset)	\$ 131,803	\$ 146,684	\$ 164,112

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2019

TOWN OF PONCE INLET, FLORIDA

Components of OPEB Expense. Under GASB 75 as it applies to plans that qualify for the Alternative Measurement Method, changes in the Total OPEB Liability are not permitted to be included in deferred outflows of resources or deferred inflows of resources related to OPEB. These changes will be immediately recognized through OPEB expense. The components of OPEB expense as of September 30, 2019 are as follows:

Service cost.....	\$ 16,861
Interest.....	5,988
Recognition of changes in Total OPEB Liability.....	(20,163)
Administrative Expenses.....	<u>-</u>
Net Change	<u>\$ 2,686</u>

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies in current and prior years are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

NOTE 15 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by general liability insurance. Commercial insurance policies are also obtained for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 16 – LEGAL MATTERS

The Town was named as a defendant in a lawsuit regarding alleged damages from land use decisions made by the Town Council. This litigation was settled in the current year resulting in no damages. The Town is also from time to time engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the Counsel to the Town, no other legal proceedings are pending or threatened which may materially affect the financial condition of the Town.

NOTE 17 – SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through March 30, 2020, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
CHANGE IN TOTAL OPEB LIABILITY
TOWN OF PONCE INLET, FLORIDA

	<u>2019</u>
Reporting Period - September 30, 2018	\$ 151,168
Service cost	16,861
Interest	5,988
Differences between expected and actual experience	10,762
Changes of assumptions	(30,925)
Changes of benefit terms	-
Contributions - Employer	-
Benefit payments	(7,170)
Other changes	<u>-</u>
Net changes	<u>(4,484)</u>
Reporting Period - September 30, 2019	<u><u>\$ 146,684</u></u>

Notes:

Changes in assumptions reflect a change in the discount rate from 3.64% for the reporting period ended September 30, 2018, to 4.18% for the reporting period ended September 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES - SPONSOR'S TOTAL OPEB LIABILITY
AND RELATED RATIOS - LAST 10 FISCAL YEARS
TOWN OF PONCE INLET, FLORIDA

Reporting Period Ending	9/30/2019
Measurement Date	<u>9/30/2018</u>
Service cost	\$ 16,861
Interest	5,988
Differences between expected and actual experience	10,762
Changes of assumptions	(30,925)
Benefit payments	<u>(7,170)</u>
 Net Change in Total OPEB Liability	 (4,484)
 Total OPEB Liability - Beginning	 <u>151,168</u>
 Total OPEB Liability - Ending	 <u><u>\$ 146,684</u></u>
 Covered Employee Payroll - Projected	 <u><u>\$ 2,664,371</u></u>
 Sponsor's Total OPEB Liability as a percentage of Covered Employee Payroll	 <u><u>5.51%</u></u>

Notes:

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:

FY 2019	4.18%
FY 2018	3.64%

REQUIRED SUPPLEMENTARY INFORMATION
FLORIDA RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN
TOWN OF PONCE INLET, FLORIDA

	Fiscal		
	2019	2018	2017
Schedule of the Proportionate Share of the Net Pension Liability:			
Town proportion of the net pension liability	0.014044218%	0.014410270%	0.013566090%
Town proportionate share of the net pension liability	\$ 4,836,633	\$ 4,340,448	\$ 4,012,758
Town covered employee payroll	\$ 2,717,579	\$ 2,520,534	\$ 2,239,725
Town proportionate share of the net pension liability as a percentage of covered payroll	177.98%	172.20%	179.16%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%

Schedule of Contributions:

Contractually required contribution	\$ 409,793	\$ 368,595	\$ 412,168
Contributions in relation to the contractually required contribution	<u>\$ (409,793)</u>	<u>\$ (368,595)</u>	<u>\$ (412,168)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town covered employee payroll	\$ 2,717,579	\$ 2,520,534	\$ 2,239,725
Contributions as a percentage of covered employee payroll	15.08%	14.62%	18.40%

Notes:

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) *Changes of Assumptions* -
 - Inflation rate - 2.6% (no change from previous year)
 - Payroll growth rate - 3.25% (no change from previous year)
 - Long-term expected rate of return - 6.90% (7.00% as of June 30, 2018)

Schedule 2

Year						
2016	2015	2014	2013	2012	2011	2010
0.013057636%	0.011120579%	0.010599369%	n/a	n/a	n/a	n/a
\$ 3,297,063	\$ 1,436,372	\$ 646,717	n/a	n/a	n/a	n/a
\$ 2,424,268	\$ 2,317,860	\$ 2,186,188	n/a	n/a	n/a	n/a
136.00%	61.97%	29.58%	n/a	n/a	n/a	n/a
84.88%	92.00%	96.09%	n/a	n/a	n/a	n/a
\$ 340,268	\$ 318,409	\$ 285,945	n/a	n/a	n/a	n/a
<u>\$ (340,268)</u>	<u>\$ (318,409)</u>	<u>\$ (285,945)</u>	n/a	n/a	n/a	n/a
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	n/a	n/a	n/a	n/a
\$ 2,424,268	\$ 2,317,860	\$ 2,186,188	n/a	n/a	n/a	n/a
14.04%	13.74%	13.08%	n/a	n/a	n/a	n/a

REQUIRED SUPPLEMENTARY INFORMATION
FRS HEALTH INSURANCE SUBSIDY DEFINED BENEFIT PENSION PLAN
TOWN OF PONCE INLET, FLORIDA

	Fiscal		
	2019	2018	2017
Schedule of the Proportionate Share of the Net Pension Liability:			
Town proportion of the net pension liability	0.009054247%	0.009080829%	0.008362877%
Town proportionate share of the net pension liability	\$ 1,013,080	\$ 961,125	\$ 894,197
Town covered employee payroll	\$ 2,717,579	\$ 2,520,534	\$ 2,239,725
Town proportionate share of the net pension liability as a percentage of covered payroll	37.28%	38.13%	39.92%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%

Schedule of Contributions:

Contractually required contribution	\$ 50,848	\$ 48,656	\$ 45,971
Contributions in relation to the contractually required contribution	<u>\$ (50,848)</u>	<u>\$ (48,656)</u>	<u>\$ (45,971)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town covered employee payroll	\$ 2,717,579	\$ 2,520,534	\$ 2,239,725
Contributions as a percentage of covered employee payroll	1.87%	1.93%	2.05%

Notes:

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) *Changes of Assumptions* -
 - Inflation rate - 2.6% (no change from previous year)
 - Payroll growth rate - 3.25% (no change from previous year)
 - Long-term expected rate of return - 3.50% (3.87% as of June 30, 2018)

Schedule 3

Year						
2016	2015	2014	2013	2012	2011	2010
0.008084316%	0.007504364%	0.007327383%	n/a	n/a	n/a	n/a
\$ 942,194	\$ 765,327	\$ 685,128	n/a	n/a	n/a	n/a
\$ 2,424,268	\$ 2,317,860	\$ 2,186,188	n/a	n/a	n/a	n/a
38.87%	33.02%	31.34%	n/a	n/a	n/a	n/a
0.97%	0.50%	0.99%	n/a	n/a	n/a	n/a
\$ 40,243	\$ 31,725	\$ 26,587	n/a	n/a	n/a	n/a
\$ (40,243)	\$ (31,725)	\$ (26,587)	n/a	n/a	n/a	n/a
\$ -	\$ -	\$ -	n/a	n/a	n/a	n/a
\$ 2,424,268	\$ 2,317,860	\$ 2,186,188	n/a	n/a	n/a	n/a
1.66%	1.37%	1.22%	n/a	n/a	n/a	n/a

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OTHER SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

BUDGETARY COMPARISON SCHEDULES
OTHER MAJOR FUNDS
OTHER NONMAJOR FUNDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2019
TOWN OF PONCE INLET, FLORIDA

	Special Revenue Funds			
	Tree Bank	Sidewalks	Parks and Recreation	Police Education
Assets:				
Cash and cash equivalents.....	\$ 15,947	\$ 44,862	\$ 11,116	\$ 10,535
Due from other governments.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>108</u>
Total assets.....	<u>\$ 15,947</u>	<u>44,862</u>	<u>11,116</u>	<u>10,643</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued expenses.....	\$ -	-	-	-
Total liabilities.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted.....	-	-	-	10,643
Assigned.....	<u>15,947</u>	<u>44,862</u>	<u>11,116</u>	<u>-</u>
Total fund balances.....	<u>15,947</u>	<u>44,862</u>	<u>11,116</u>	<u>10,643</u>
Total liabilities and and fund balances.....	<u>\$ 15,947</u>	<u>\$ 44,862</u>	<u>\$ 11,116</u>	<u>\$ 10,643</u>

Contraband Forfeitures	Fire Department Capital	Total Nonmajor Governmental Funds
\$ 7,033	\$ 150,000	\$ 239,493
-	-	108
7,033	150,000	239,601
-	-	-
-	-	-
7,033	150,000	167,676
-	-	71,925
7,033	150,000	239,601
\$ 7,033	\$ 150,000	\$ 239,601

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS**
 For the Year Ended September 30, 2019
 TOWN OF PONCE INLET, FLORIDA

	Special Revenue Funds			
	Tree Bank	Sidewalks	Parks and Recreation	Police Education
Revenue:				
Permits and fees.....	\$ 2,041	\$ -	\$ 2,086	\$ -
Fines and forfeitures.....	-	-	-	1,484
Total revenue.....	<u>2,041</u>	<u>-</u>	<u>2,086</u>	<u>1,484</u>
Expenditures				
Current:				
Parks and recreation.....	-	8,304	-	-
Public safety.....	-	-	-	1,592
Total expenditures.....	<u>-</u>	<u>8,304</u>	<u>-</u>	<u>1,592</u>
Excess of revenue over (under) expenditures.....	2,041	(8,304)	2,086	(108)
Other Financing Sources (Uses):				
Operating transfers in.....	-	-	-	-
Net change in fund balances.....	2,041	(8,304)	2,086	(108)
Fund Balances - Beginning of year.....	<u>13,906</u>	<u>53,166</u>	<u>9,030</u>	<u>10,751</u>
Fund Balances - End of year.....	<u>\$ 15,947</u>	<u>\$ 44,862</u>	<u>\$ 11,116</u>	<u>\$ 10,643</u>

Contraband Forfeitures	Capital Fire Equipment	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 4,127
-	-	1,484
-	-	5,611
-	-	8,304
-	-	1,592
-	-	9,896
-	-	(4,285)
-	150,000	150,000
-	150,000	145,715
7,033	-	93,886
<u>\$ 7,033</u>	<u>\$ 150,000</u>	<u>\$ 239,601</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - DEBT SERVICE FUND**
 For the Year Ended September 30, 2019
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Miscellaneous Revenues:				
Investment earnings (loss).....	\$ -	\$ -	\$ -	\$ -
Total revenues.....	-	-	-	-
Expenditures:				
Debt Service:				
2005 Capital Improvement Revenue Note:				
Principal payments.....	248,000	248,000	248,000	-
Interest payments.....	80,638	80,638	80,638	-
State Revolving Fund Loan:				
Principal payments.....	127,702	127,702	127,702	-
Interest payments.....	<u>28,884</u>	<u>28,884</u>	<u>28,884</u>	-
	<u>485,224</u>	<u>485,224</u>	<u>485,224</u>	-
Total expenditures.....	<u>485,224</u>	<u>485,224</u>	<u>485,224</u>	-
Excess of revenue over (under) expenditures	<u>(485,224)</u>	<u>(485,224)</u>	<u>(485,224)</u>	-
Other Financing Sources (Uses):				
Operating transfer from General Fund.....	131,793	131,793	131,793	-
Operating transfer from Public Land Acquisition and Facility Fund.....	329,000	328,638	328,638	-
Operating transfer from Sewer Fund.....	12,500	12,500	12,500	-
Operating transfer from Refuse Fund.....	<u>12,500</u>	<u>12,500</u>	<u>12,500</u>	-
Appropriated fund balance.....	<u>(569)</u>	<u>(207)</u>	-	<u>207</u>
Total other financing sources (uses).....	<u>485,224</u>	<u>485,224</u>	<u>485,431</u>	<u>207</u>
Net change in fund balance.....	-	-	207	207
Fund Balance - Beginning of year.....	<u>4,832</u>	<u>4,832</u>	<u>4,832</u>	-
Fund Balance - End of year.....	<u>\$ 4,832</u>	<u>\$ 4,832</u>	<u>\$ 5,039</u>	<u>\$ 207</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - TREE BANK SPECIAL REVENUE FUND**
 For the Year Ended September 30, 2019
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Permits and fees:				
Tree assessment.....	\$ 2,500	\$ 2,500	\$ 2,041	\$ (459)
Total revenues.....	2,500	2,500	2,041	(459)
Expenditures:				
Culture/Recreation:				
Capital outlay.....	4,500	-	-	-
Total expenditures.....	4,500	-	-	-
Excess of revenue over (under) expenditures	(2,000)	2,500	2,041	(459)
Other Financing Sources (Uses):				
Appropriated for fund balance.....	2,000	(2,500)	-	2,500
Total other financing sources (uses).....	2,000	(2,500)	-	2,500
Net change in fund balance.....	-	-	2,041	2,041
Fund Balance - Beginning of year.....	13,906	13,906	13,906	-
Fund Balance - End of year.....	\$ 13,906	\$ 13,906	\$ 15,947	\$ 2,041

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - SIDEWALKS SPECIAL REVENUE FUND**
 For the Year Ended September 30, 2019
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Miscellaneous:				
Miscellaneous revenue.....	\$ 2,500	\$ 1,495	\$ -	\$ (1,495)
Total revenues.....	<u>2,500</u>	<u>1,495</u>	<u>-</u>	<u>(1,495)</u>
Expenditures:				
Culture/Recreation:				
Operating expenditures.....	<u>10,000</u>	<u>7,000</u>	<u>8,304</u>	<u>(1,304)</u>
Total expenditures.....	<u>10,000</u>	<u>7,000</u>	<u>8,304</u>	<u>(1,304)</u>
Excess of revenue over (under) expenditures	<u>(7,500)</u>	<u>(5,505)</u>	<u>(8,304)</u>	<u>(2,799)</u>
Other Financing Sources (Uses):				
Appropriated for fund balance.....	<u>7,500</u>	<u>5,505</u>	<u>-</u>	<u>(5,505)</u>
Total other financing sources (uses).....	<u>7,500</u>	<u>5,505</u>	<u>-</u>	<u>(5,505)</u>
Net change in fund balance.....	-	-	(8,304)	(8,304)
Fund Balance - Beginning of year.....	<u>53,166</u>	<u>53,166</u>	<u>53,166</u>	<u>-</u>
Fund Balance - End of year.....	<u>\$ 53,166</u>	<u>\$ 53,166</u>	<u>\$ 44,862</u>	<u>\$ (8,304)</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - PARKS AND RECREATION SPECIAL REVENUE FUND**
 For the Year Ended September 30, 2019
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Permits and fees:				
Impact fees-residential.....	\$ 4,699	\$ 1,391	\$ 2,086	\$ 695
Total revenues.....	<u>4,699</u>	<u>1,391</u>	<u>2,086</u>	<u>695</u>
Expenditures:				
Culture/Recreation:				
Operating expenditures.....	<u>450</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures.....	<u>450</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over (under) expenditures	<u>4,249</u>	<u>1,391</u>	<u>2,086</u>	<u>695</u>
Other Financing Sources (Uses):				
Appropriated for fund balance.....	<u>(4,249)</u>	<u>(1,391)</u>	<u>-</u>	<u>1,391</u>
Total other financing sources (uses).....	<u>(4,249)</u>	<u>(1,391)</u>	<u>-</u>	<u>1,391</u>
Net change in fund balance.....	-	-	2,086	2,086
Fund Balance - Beginning of year.....	<u>9,030</u>	<u>9,030</u>	<u>9,030</u>	<u>-</u>
Fund Balance - End of year.....	<u>\$ 9,030</u>	<u>\$ 9,030</u>	<u>\$ 11,116</u>	<u>\$ 2,086</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - POLICE EDUCATION SPECIAL REVENUE FUND**
 For the Year Ended September 30, 2019
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Fines and Forfeitures:				
Fines and forfeitures.....	\$ 1,200	\$ 1,200	\$ 1,484	\$ 284
Total revenues.....	1,200	1,200	1,484	284
Expenditures:				
Public Safety:				
Law Enforcement:				
Operating expenditures.....	10,750	2,000	1,592	408
Total expenditures.....	10,750	2,000	1,592	408
Excess of revenue over (under) expenditures	(9,550)	(800)	(108)	692
Other Financing Sources (Uses):				
Appropriated for fund balance.....	9,550	800	-	(800)
Total other financing sources (uses).....	9,550	800	-	(800)
Net change in fund balance.....	-	-	(108)	(108)
Fund Balance - Beginning of year.....	10,751	10,751	10,751	-
Fund Balance - End of year.....	\$ 10,751	\$ 10,751	\$ 10,643	\$ (108)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - CONTRABAND FORFEITURES SPECIAL REVENUE FUND**
 For the Year Ended September 30, 2019
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Miscellaneous:				
Investment earnings (loss).....	\$ -	\$ -	\$ -	\$ -
Total revenues.....	-	-	-	-
Expenditures:				
Public Safety:				
Law Enforcement:				
Operating expenditures.....	5,000	-	-	-
Total expenditures.....	5,000	-	-	-
Excess of revenue over (under) expenditures	(5,000)	-	-	-
Other Financing Sources (Uses):				
Appropriated fund balance.....	5,000	-	-	-
Net change in fund balance.....	-	-	-	-
Fund Balance - Beginning of year.....	7,033	7,033	7,033	-
Fund Balance - End of year.....	<u>\$ 7,033</u>	<u>\$ 7,033</u>	<u>\$ 7,033</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - FIRE DEPARTMENT CAPITAL SPECIAL REVENUE FUND**
 For the Year Ended September 30, 2019
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Miscellaneous:				
Investment earnings (loss).....	\$ -	\$ -	\$ -	\$ -
Total revenues.....	-	-	-	-
Expenditures:				
Public Safety:				
Law Enforcement:				
Operating expenditures.....	-	-	-	-
Total expenditures.....	-	-	-	-
Excess of revenue over (under) expenditures	-	-	-	-
Other Financing Sources (Uses):				
Transfer from General Fund.....	-	150,000	150,000	-
Net change in fund balance.....	-	150,000	150,000	-
Fund Balance - Beginning of year.....	-	-	-	-
Fund Balance - End of year.....	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>

COMPLIANCE SECTION

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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*

The Honorable Mayor
and Members of the Town Council
Town of Ponce Inlet, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Ponce Inlet, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Ponce Inlet, Florida’s basic financial statements and have issued our report thereon dated March 30, 2020. Our report includes a reference to other auditors who audited the financial statements of the Ponce DeLeon Inlet Lighthouse Preservation Association, Inc., the discretely presented component unit, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit, as described in our report on the Town of Ponce Inlet, Florida’s financial statements. This report includes our consideration of the results of the other auditor’s testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

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

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

The Honorable Mayor
and Members of the Town Council
Town of Ponce Inlet, Florida
Page 2

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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

BMC CPAs

March 30, 2020

MANAGEMENT LETTER

The Honorable Mayor
and Members of the Town Council
Town of Ponce Inlet, Florida

Report on Financial Statements

We have audited the financial statements of Town of Ponce Inlet, Florida, (the “Town”) as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated March 30, 2020.

Auditors’ Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and 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 March 30, 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 annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

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

The Honorable Mayor
and Members of the Town Council
Town of Ponce Inlet, Florida
Page 2

Financial Condition

Section 10.554(1)(i)4 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 Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2018, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2019. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

Purpose of this Letter

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



March 30, 2020

INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Mayor
and Members of the Town Council
Town of Ponce Inlet, Florida

We have examined the Town of Ponce Inlet, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the period October 1, 2018 to September 30, 2019. Management is responsible for the Town of Ponce Inlet, Florida's compliance with those requirements. Our responsibility is to express an opinion on the Town of Ponce Inlet, Florida's compliance with the specified requirements based on our examination.

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

Our examination does not provide a legal determination on the Town of Ponce Inlet, Florida's compliance with specified requirements.

In our opinion, the Town of Ponce Inlet, Florida complied, in all material respects, with the aforementioned requirements during the period October 1, 2018 to September 30, 2019.

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

BMC CPAs

March 30, 2020

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