

# **City of Mexico Beach, Florida**

**Annual Financial Statements  
September 30, 2014**

**Vance CPA LLC**  
**Certified Public Accountants**  
219-B Avenue E • Apalachicola, FL 32320  
Phone (888)531-6408 Fax (866)-406-7422

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**CITY OF MEXICO BEACH, FLORIDA  
SEPTEMBER 30, 2014**

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**CITY OF MEXICO BEACH, FLORIDA  
SEPTEMBER 30, 2014**

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***Certified Public Accountant***

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## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Members  
of the City Council  
City of Mexico Beach, Florida

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mexico Beach, Florida, (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund,

and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The comparative schedules as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The comparative schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative schedules 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 July 13, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City's internal control over financial reporting and compliance.

*Vance CPA LLC*

**Vance CPA LLC**  
July 13, 2015

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

## Management's Discussion and Analysis

Management's discussion and analysis provides an easily readable analysis of the City's financial activities. The analysis provides summary financial information for the City and should be read in conjunction with the City's financial statements.

### Financial Highlights

- Total assets of the City exceeded total liabilities by \$16,481,813 (net position). Of this amount, \$3,774,669 is unrestricted net position for governmental activities and \$1,343,105 is unrestricted net position for business-type activities, \$238,353 is restricted net position for governmental activities and \$1,221,438 is restricted net position for business-type activities.
- Total net position increased by \$797,708. Of this amount, \$293,967 is attributable to governmental activities and \$503,741 is attributable to business-type activities.
- As of September 30, 2014, the general fund's unassigned fund balance was \$1,728,851 or 77% of total general fund expenditures.
- Governmental activities revenues decreased to \$2,325,127 or 4.5%, while governmental activities expenditures increased to \$2,031,160. Business-type activities revenues increased to \$3,076,722 or 26%, while business-type activities expenditures decreased <1% to \$2,572,981.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components; 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the basic financial statements*. The *government-wide financial statements* present an overall picture of the City's financial position and results of operations. The *fund financial statements* present financial information for the City's major funds. The *notes to basic financial statements* provide additional information concerning the City's finances that are not otherwise disclosed in the government-wide or fund financial statements.

### Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net position* and *statement of activities*. These statements are designed to provide readers with a broad overview of the City's financial position, in a manner similar to that of private-sector companies. Emphasis is placed on the net position of governmental activities and business-type activities, as well as the change in net position. Governmental activities are primarily supported by taxes, utility taxes and franchise fees, and state shared revenues, while business-type activities are supported by charges to the users of those particular activities, such as water, sewer, and sanitation charges.

The *statement of net position* presents information on all assets and liabilities of the City, with the difference between the two reported as *net position*. Assets, liabilities and net position are reported separately for governmental activities and business-type activities. Increases or decreases in net position over time may serve as a useful indicator of the City's improving or declining financial position.

The *statement of activities* presents information on all revenues and expenditures of the City and the change in net position for the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees and earned, but unused vacation/sick leave).

Expenditures are reported by major function, along with program revenues relating to those functions, providing the net cost of all functions provided by the City. In order to better understand the City's operations, governmental activities expenditures include among others, general government services, public safety, highways and streets, physical environment, human services and parks and recreation. Business-type activities expenses, which are financed by user fees and charges, include water and sewer, and sanitation services.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. Individual funds have been established by the City to account for revenues that are restricted to certain uses, or to comply with legal requirements. The two major categories of funds, found in the City's *fund financial statements* include: governmental funds and proprietary funds.

*Fund financial statements* provide financial information for the City's major funds and more detailed information about the City's activities. Governmental fund financial statements provide information on the *current* assets and liabilities of the funds, changes in *current* financial resources (revenues and expenditures), and *current* available resources. The proprietary funds financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenues and expenses), and total economic resources.

*Fund financial statements* for all governmental funds include a *balance sheet* and a *statement of revenues, expenditures, and changes in fund balances*. The City's general fund includes a *statement of revenues, expenditures, and changes in fund balances-budget and actual*. For the proprietary funds, a *statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows* are presented.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the City's financial position. Categorized by governmental activities and business-type activities, the government-wide financial statements provide an overall picture of the City's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the City's overall financial health and present the means used to pay for various activities, or functions provided by the City. All assets of the City, including buildings, land, and infrastructure are reported in the *statement of net position*, as well as all liabilities, including outstanding principal on bonds, capital leases, and future employee benefits obligated but not yet paid by the City. The *statement of activities* includes depreciation on all long lived assets of the City, but all transactions between different functions of the City have been eliminated to avoid "doubling up" the revenues and expenditures.



The *fund financial statements* provide a presentation of the City's major funds, along with a column for all non-major funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as revenue bonds, are not included in the fund financial statements. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, reconciliation is provided.

The *notes to basic financial statements* provide additional detail concerning the financial activities and financial balances of the City. Additional information about the accounting policies of the City, investments of the City, and long-term debt are just a few of the items included in the notes to basic financial statements.

### Financial Analysis of the City

The following schedule provides a summary of the assets, liabilities and net position of the City at September 30, 2014 and 2013. The City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its governmental and business-type activities.

September 30,	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current/other assets	\$ 4,746,190	\$ 4,431,916	\$ 2,678,800	\$ 2,733,081	\$ 7,424,990	\$ 7,164,997
Capital assets	<u>4,507,393</u>	<u>4,364,323</u>	<u>13,176,841</u>	<u>13,142,991</u>	<u>17,684,234</u>	<u>17,507,314</u>
Total assets	<u>9,253,583</u>	<u>8,796,239</u>	<u>15,855,641</u>	<u>15,876,072</u>	<u>25,109,224</u>	<u>24,672,311</u>
Current liabilities	62,998	460,042	99,484	174,854	162,482	634,896
Noncurrent liabilities	<u>445,297</u>	<u>521,695</u>	<u>7,334,054</u>	<u>7,770,562</u>	<u>7,779,351</u>	<u>8,292,257</u>
Total liabilities	<u>508,295</u>	<u>981,737</u>	<u>7,433,538</u>	<u>7,945,416</u>	<u>7,941,833</u>	<u>8,927,153</u>
Deferred Inflows	<u>636,819</u>	—	<u>49,266</u>	—	<u>686,085</u>	—
Total Deferred Inflows	<u>636,819</u>	—	<u>49,266</u>	—	<u>686,085</u>	—
Net investment in capital assets	4,095,447	3,877,265	5,808,294	5,394,247	9,903,741	9,271,512
Net Position - restricted	<u>238,353</u>	<u>253,754</u>	<u>1,221,438</u>	<u>1,155,934</u>	<u>1,459,791</u>	<u>1,409,688</u>
Net Position - Unrestricted	<u>3,774,669</u>	<u>3,683,483</u>	<u>1,343,105</u>	<u>1,380,475</u>	<u>5,117,774</u>	<u>5,063,958</u>
Total net position	<u>\$ 8,108,469</u>	<u>\$ 7,814,502</u>	<u>\$ 8,372,837</u>	<u>\$ 7,930,656</u>	<u>\$16,481,306</u>	<u>\$15,745,158</u>

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the City's largest portion of net position (60%). These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, that although the City's investment in its capital assets is reported net of related debt, 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 *restricted net position*, representing 9% of the City's net position, are subject to external restrictions, and thus are limited as to how they may be used. The remaining balance of *unrestricted net position* (\$5,117,774) may be used to help meet the government's ongoing obligations to citizens

and creditors. The following schedule provides a summary of the changes in net position for the years ended September 30, 2014 and 2013.

<b>Changes in Net Position</b>						
<b>Year Ended September 30,</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Program Revenues -</b>						
Charges for services	\$ 134,538	\$ 118,290	\$ 2,809,841	\$ 2,702,135	\$ 2,944,379	\$ 2,820,425
Operating grants/ contributions	9,098	—	—	—	9,098	—
Capital grants/ contributions	—	103,600	264,032	1,462,225	264,032	1,565,825
<b>General Revenues -</b>						
Taxes	1,616,452	1,629,791	—	—	1,616,452	1,629,791
Utility taxes/franchise fees	515,225	467,263	—	—	515,225	467,263
Occupational and other taxes	11,996	15,063	—	—	11,996	15,063
Interest	4,713	4,771	2,849	3,509	7,562	8,280
Other	33,105	96,569	—	12,000	33,105	108,569
Total revenues	<u>2,325,127</u>	<u>2,435,347</u>	<u>3,076,722</u>	<u>4,179,869</u>	<u>5,401,849</u>	<u>6,615,216</u>
<b>Expenses</b>						
General government	501,967	560,455	—	—	501,967	560,455
Public safety	678,818	617,192	—	—	678,818	617,192
Highways and streets	355,128	326,377	—	—	355,128	326,377
Human services	103,969	92,854	—	—	103,969	92,854
Parks and recreation	189,576	164,683	—	—	189,576	164,683
Physical environment	162,486	194,701	—	—	162,486	194,701
Interest on long-term debt	39,216	25,265	—	—	39,216	25,265
Water	—	—	901,877	978,894	901,877	978,894
Sewer	—	—	1,115,235	1,083,024	1,115,235	1,083,024
Sanitation	—	—	555,869	511,775	555,869	511,775
Total expenditures	<u>2,031,160</u>	<u>1,981,527</u>	<u>2,572,981</u>	<u>2,573,693</u>	<u>4,604,141</u>	<u>4,555,220</u>
<b>Change in net position</b>	<u>\$ 293,967</u>	<u>\$ 453,820</u>	<u>\$ 503,741</u>	<u>\$ 1,606,176</u>	<u>\$ 797,708</u>	<u>\$ 2,059,996</u>

Governmental activities revenues exceeded expenses by \$293,967 while business-type activities revenues exceeded expenses by \$503,741. Total revenues decreased \$1,213,367 from the previous year. Total expenses increased \$48,921 from the previous year.

70% of the revenues for governmental activities were generated by taxes, while most of the governmental resources were expended for general government (25%), public safety (33%), physical environment (8%), and highways and streets (17%).

91% of the revenues for the business-type activities were generated from charges for services while sewer costs made up the majority (43%) of total business-type expenses.

## Financial Analysis of the City's Funds

### Governmental Funds

#### General Fund

The main operating fund of the City is the general fund. As of September 30, 2014, total assets were \$4,766,177 and total liabilities were \$82,985. At the end of fiscal year 2014, unassigned fund balance of the general fund was \$1,728,851.

The general fund budget was amended during the year to reflect increases in expected revenues and the corresponding expected increases in expenditures resulting from changes in capital outlay expenditure expectations.

#### Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail. All proprietary funds are reported as major funds.

Unrestricted net position of proprietary funds at the end of the year are presented below:

<b>Fund</b>	<b>Unrestricted Net Position</b>	
	<b>2014</b>	<b>2013</b>
<i>September 30,</i>		
Water	\$ 633,032	\$ 741,668
Sewer	525,040	467,070
Sanitation	185,033	171,737
<b>Total</b>	<b><u>\$1,343,105</u></b>	<b><u>\$ 1,380,475</u></b>

The *water fund* is used to account for the operations and maintenance of the City's water system.

The *sewer fund* is used to account for the operations and maintenance of the City's sewer system.

The *sanitation fund* is used to account for the operations and maintenance of the City's sanitation system.

#### Capital Assets Activity

The following schedule provides a summary of the City's capital assets activity. The City's total investment in capital assets for both its governmental and business-type activities as of September 30, 2014, was \$17,630,046 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

**Capital Assets (net of depreciation)**

<u>Year Ended September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 237,111	\$ 237,111	\$ 288,191	\$ 288,191	\$ 525,302	\$ 525,302
Construction in progress	200,788	8,110	5,188,654	4,824,927	5,389,442	4,833,037
Buildings	684,648	695,147	—	—	684,648	695,147
Improvements	2,890,608	2,956,938	7,280,607	7,618,281	10,171,215	10,575,219
Machinery & equipment	494,238	467,017	365,201	411,592	859,439	878,609
Total	<u>\$ 4,507,393</u>	<u>\$ 4,364,323</u>	<u>\$ 13,122,653</u>	<u>\$ 13,142,991</u>	<u>\$ 17,630,046</u>	<u>\$ 17,507,314</u>

Additional information on the City's capital assets can be found in note 6 of the notes to the basic financial statements.

**Debt Management**

At September 30, 2014 the City had total bond debt outstanding of \$6,497,822. This debt represents bonds secured solely by specified revenue sources (i.e., revenue and capital improvement bonds).

**Outstanding Bond Debt**

<u>Year Ended September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Bonds	<u>\$ 411,946</u>	<u>\$ 465,687</u>	<u>\$ 6,085,876</u>	<u>\$ 6,386,760</u>	<u>\$ 6,497,822</u>	<u>\$ 6,852,447</u>

The Florida Constitution and the City of Mexico Beach set no legal debt limits for revenue and capital improvement bonds. More detailed information about the City's liabilities is presented in notes 7 and 8 of the notes to basic financial statements.

**Other financial Information**

“The Economic recession with the national economy and tourism has affected the City's tourism industry in the past but has started to recover recently. The City is working towards replacing infrastructure and building a City Hall in the coming years. The City plans to continually focus on staying ahead of the curve and plan for strategic replacement of equipment and infrastructure.”

**Request for Information**

This report was prepared by the City's finance department. Questions concerning this report or requests for additional information should be addressed to City of Mexico Beach, P.O. Box 13425, Mexico Beach, Florida 32410, attention: Adrian Welle.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF MEXICO BEACH, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2014**

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 4,209,849	\$ 1,333,622	\$ 5,543,471
Accounts receivable, net	13,541	225,956	239,497
Internal balances	173,046	(173,046)	—
Due from other governmental units	2,889	70,830	73,719
Fuel inventory	8,253	—	8,253
Prepaid expense	100,259	—	100,259
Total Current Assets (unrestricted)	<u>4,507,837</u>	<u>1,457,362</u>	<u>5,965,199</u>
Restricted assets			
Cash and cash equivalents	238,353	1,221,438	1,459,791
Total Current Assets (restricted)	<u>238,353</u>	<u>1,221,438</u>	<u>1,459,791</u>
Total Current Assets	<u>4,746,190</u>	<u>2,678,800</u>	<u>7,424,990</u>
Noncurrent assets			
Capacity rights	—	54,187	54,187
Capital assets			
Nondepreciable	437,899	651,918	1,089,817
Depreciable, net	4,069,494	12,470,736	16,540,230
Total Noncurrent Assets	<u>4,507,393</u>	<u>13,176,841</u>	<u>17,684,234</u>
Total Assets	<u>9,253,583</u>	<u>15,855,641</u>	<u>25,109,224</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	59,857	65,340	125,197
Payroll liabilities	3,141	2,368	5,509
Accrued interest	—	31,776	31,776
Total Current Liabilities	<u>62,998</u>	<u>99,484</u>	<u>162,482</u>
Noncurrent liabilities			
Due within one year			
Accrued compensated absences	6,670	4,924	11,594
Notes payable after one year	—	137,744	137,744
Bonds payable after one year	56,214	343,781	399,995
Due in more than one year			
Accrued compensated absences	26,681	14,770	41,451
Notes payable after one year	—	1,090,740	1,090,740
Bonds payable after one year	355,732	5,742,095	6,097,827
Total Noncurrent Liabilities	<u>445,297</u>	<u>7,334,054</u>	<u>7,779,351</u>
Total Liabilities	<u>508,295</u>	<u>7,433,538</u>	<u>7,941,833</u>
<b>DEFERRED INFLOWS</b>			
Insurance proceeds	636,819	—	636,819
Utility Prepayments	—	49,266	49,266
Total Deferred Inflows	<u>636,819</u>	<u>49,266</u>	<u>686,085</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,095,447	5,808,294	9,903,741
Restricted for:			
Bond retirement	—	305,492	305,492
Law enforcement	507	—	507
Impact fees	237,846	915,946	1,153,792
Unrestricted	3,774,669	1,343,105	5,117,774
<b>Total Net position</b>	<b><u>\$ 8,108,469</u></b>	<b><u>\$ 8,372,837</u></b>	<b><u>\$16,481,306</u></b>

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2014**

		Net (Expense) Revenue and Changes in Net Position					
		Program Revenues			Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 501,967	\$ 100,104	\$ 9,098	\$ —	\$ (392,765)	\$ —	\$ (392,765)
Public safety	678,818	13,750	—	—	(665,068)	—	(665,068)
Highways and streets	355,128	11,044	—	—	(344,084)	—	(344,084)
Human services	103,969	—	—	—	(103,969)	—	(103,969)
Parks and recreation	189,576	9,640	—	—	(179,936)	—	(179,936)
Physical environment	162,486	—	—	—	(162,486)	—	(162,486)
Interest on long-term debt	39,216	—	—	—	(39,216)	—	(39,216)
Total governmental activities	<u>2,031,160</u>	<u>134,538</u>	<u>9,098</u>	<u>—</u>	<u>(1,887,524)</u>	<u>—</u>	<u>(1,887,524)</u>
<b>Business-Type Activities</b>							
Water	901,877	1,019,108	—	264,032	—	381,263	381,263
Sewer	1,115,235	1,247,002	—	—	—	131,767	131,767
Sanitation	<u>555,869</u>	<u>546,580</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(9,289)</u>	<u>(9,289)</u>
Total business-type activities	<u>2,572,981</u>	<u>2,812,690</u>	<u>—</u>	<u>264,032</u>	<u>—</u>	<u>503,741</u>	<u>503,741</u>
<b>Total Primary Government</b>	<b><u>\$ 4,604,141</u></b>	<b><u>\$2,947,228</u></b>	<b><u>\$ 9,098</u></b>	<b><u>\$ 264,032</u></b>	<b><u>(1,887,524)</u></b>	<b><u>503,741</u></b>	<b><u>(1,383,783)</u></b>
<b>General Revenues:</b>							
Taxes:							
Ad valorem					1,616,452	—	1,616,452
Utility					149,596	—	149,596
Local option gas tax					51,464	—	51,464
Occupational and other taxes					11,996	—	11,996
Franchise fees					184,078	—	184,078
Sales tax and other shared revenues					130,087	—	130,078
Miscellaneous					33,105	—	33,105
Interest earnings					4,713	—	4,713
Total General Revenues					<u>2,181,491</u>	<u>—</u>	<u>2,181,491</u>
Changes in Net Position					293,967	503,741	797,708
Prior period adjustment					—	(61,560)	(61,560)
Net Position – Beginning of Year					<u>7,814,502</u>	<u>7,930,656</u>	<u>15,745,158</u>
<b>Net Position – End of Year</b>					<b><u>\$ 8,108,469</u></b>	<b><u>\$ 8,372,837</u></b>	<b><u>\$ 16,481,306</u></b>

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,209,849
Accounts receivable, net	13,541
Due from other funds	193,034
Fuel inventory	8,253
Due from other governments	2,888
Prepaid expenses	100,259
Cash and cash equivalents - restricted	<u>238,353</u>
<b>Total Assets</b>	<b><u>4,766,177</u></b>
<b>Liabilities, Deferred Inflows and Fund Balance</b>	
<b>Liabilities</b>	
Accounts payable	59,857
Accrued expenses	3,141
Due to other funds	<u>19,987</u>
<b>Total Liabilities</b>	<b><u>82,985</u></b>
<b>Deferred Inflows</b>	
Deferred inflows – insurance proceeds	<u>636,819</u>
<b>Deferred Inflows</b>	<b><u>636,819</u></b>
<b>Fund balance</b>	
Nonspendable	
Inventory	8,253
Restricted for:	
Impact fees	237,846
Law enforcement	507
Committed for:	
Canal maintenance	735,371
Assigned for:	
Canal maintenance	150,000
Paving and maintenance	1,185,545
Unassigned	<u>1,728,851</u>
<b>Total Fund Balance</b>	<b>4,046,373</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,507,393
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(445,297)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 8,108,469</u></b>

See accompanying notes to the basic financial statements



**CITY OF MEXICO BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2014**

	<b>General Fund</b>
<b>Revenues</b>	
Taxes	\$ 1,829,508
Franchise fees	184,078
Licenses and permits	24,937
Intergovernmental	130,087
Fines and forfeitures	8,130
Charges for services	76,677
Rental income	24,388
Miscellaneous revenues	45,050
<b>Total revenues</b>	<b>2,322,855</b>
<b>Expenditures</b>	
Current operating	
General government	482,750
Public safety	654,251
Highways and streets	330,129
Physical environment	99,360
Human services	103,969
Parks and recreation	155,587
Capital outlay	307,982
Debt service	114,328
<b>Total expenditures</b>	<b>2,248,356</b>
<b>Net change in fund balance</b>	<b>74,499</b>
<b>Fund balance – beginning</b>	<b>3,971,874</b>
<b>Fund balance - ending</b>	<b>\$ 4,046,373</b>

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2014**

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

Net change in fund balances – total governmental funds.	\$ 74,499
Governmental funds report capital outlays as expenditures. However in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation. This is the amount by which depreciation exceeded capital outlays in the current period.	143,070
Some expenses reported in the statement of activities do not require the current financial resources and, therefore, are not reported as expenditures in governmental funds.	1,286
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of the issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>75,112</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ 293,967</u></b>

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL – GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budget Amounts</u>		<u>Actual</u> <u>Amounts</u>	<b>Variance with Final</b>
	<u>Original</u>	<u>Final</u>		<b>Budget Positive</b> <b>(Negative)</b>
<b>Revenues:</b>				
Taxes	\$ 1,861,152	\$ 1,819,451	\$ 1,829,508	\$ 10,057
Franchise fees	160,876	183,385	184,078	693
License and permits	20,000	24,905	24,937	32
Intergovernmental	121,027	253,901	130,087	(123,814)
Fines and forfeitures	2,000	8,000	8,130	130
Charges for services	66,000	76,000	76,677	677
Rental Income	23,000	23,000	24,388	1,388
Miscellaneous revenues	<u>50,729</u>	<u>81,721</u>	<u>45,050</u>	<u>(36,671)</u>
<b>Total revenues</b>	<u>2,304,784</u>	<u>2,470,363</u>	<u>2,322,855</u>	<u>(147,508)</u>
<b>Expenditures:</b>				
Current				
General government	474,695	513,022	482,750	30,272
Public safety	622,715	685,233	654,251	30,982
Highways and streets	327,563	325,961	330,129	(4,168)
Physical environment	247,019	167,527	99,360	68,167
Human services	102,728	110,647	103,969	6,678
Culture and recreation	140,318	151,868	155,587	(3,719)
Capital outlay	182,500	393,917	307,982	85,935
Debt service	<u>131,747</u>	<u>131,747</u>	<u>114,328</u>	<u>17,419</u>
<b>Total expenditures</b>	<u>2,229,285</u>	<u>2,479,922</u>	<u>2,248,356</u>	<u>231,566</u>
<b>Excess (deficiency) of revenues</b> <b>over (under) expenditures</b>	75,499	(9,559)	74,499	(379,074)
<b>Other financing sources (uses)</b>				
Transfers in	—	—	—	—
Transfers out	(279,999)	(279,999)	—	279,999
Installment loan proceeds	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total other financing</b> <b>Sources (uses)</b>	<u>(279,999)</u>	<u>(279,999)</u>	<u>—</u>	<u>279,999</u>
<b>Net change in fund balance</b>	(204,500)	(289,558)	74,499	(99,075)
<b>Fund balance - beginning</b>	<u>3,971,874</u>	<u>3,971,874</u>	<u>3,971,874</u>	<u>—</u>
<b>Fund balance - ending</b>	<u><b>\$ 3,767,374</b></u>	<u><b>\$ 3,682,316</b></u>	<u><b>\$ 4,046,373</b></u>	<u><b>\$ (99,075)</b></u>

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2014**

<b>Business-type Activities/Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Total</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 459,768	\$ 628,151	\$ 245,703	\$ 1,333,622
Accounts receivable (net)	87,356	95,170	43,430	225,956
Due from other funds	180,226	2,672	736	183,634
Due from other governments	<u>70,830</u>	<u>—</u>	<u>—</u>	<u>70,830</u>
Total current assets	<u>798,180</u>	<u>725,993</u>	<u>289,869</u>	<u>1,814,042</u>
<b>Restricted assets - cash</b>				
Bond and interest sinking	81,927	223,565	—	305,492
Impact fees	<u>116,750</u>	<u>799,196</u>	<u>—</u>	<u>915,946</u>
Total restricted assets - cash	<u>198,677</u>	<u>1,022,761</u>	<u>—</u>	<u>1,221,438</u>
<b>Noncurrent assets</b>				
Capacity rights	—	54,187	—	54,187
Construction in progress	363,727	—	—	363,727
Land	17,765	270,426	—	288,191
Property, plant, and equipment	10,965,115	6,883,526	395,996	18,244,637
Less accumulated depreciation	<u>(2,768,205)</u>	<u>(2,804,292)</u>	<u>(201,404)</u>	<u>(5,773,901)</u>
Total noncurrent assets	<u>8,578,402</u>	<u>4,403,847</u>	<u>194,592</u>	<u>13,176,841</u>
Total assets	<u>\$ 9,575,259</u>	<u>\$ 6,152,601</u>	<u>\$ 484,461</u>	<u>\$ 16,212,321</u>

See accompanying notes to the basic financial statements

CITY OF MEXICO BEACH, FLORIDA  
STATEMENT OF NET POSITION (CONTINUED)  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2014

<b>Business-type Activities/Enterprise Funds</b>				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 20,626	\$ 35,160	\$ 9,554	\$ 65,340
Accrued expenses	880	417	1,071	2,368
Due to other funds	71,060	200,116	85,504	356,680
Notes payable, current portion	137,744	—	—	137,744
Bonds payable, current portion	<u>173,882</u>	<u>169,899</u>	<u>—</u>	<u>343,781</u>
Total current liabilities	<u>404,192</u>	<u>405,592</u>	<u>96,129</u>	<u>905,913</u>
Current liabilities payable from restricted assets				
Accrued interest	<u>19,162</u>	<u>12,614</u>	<u>—</u>	<u>31,776</u>
Total current liabilities payable from restricted assets	<u>19,162</u>	<u>12,614</u>	<u>—</u>	<u>31,776</u>
Noncurrent liabilities				
Accrued compensated absences	7,714	4,262	7,718	19,694
Notes payable – due after one year	1,090,740	—	—	1,090,740
Bonds payable – due after one year	<u>2,904,305</u>	<u>2,837,790</u>	<u>—</u>	<u>5,742,095</u>
Total noncurrent liabilities	<u>4,002,759</u>	<u>2,842,052</u>	<u>7,718</u>	<u>6,852,529</u>
Total Liabilities	<u>4,426,113</u>	<u>3,260,258</u>	<u>103,847</u>	<u>7,790,218</u>
<b>Deferred Inflows</b>				
Deferred inflows – utility prepayments	<u>45,706</u>	<u>2,571</u>	<u>989</u>	<u>49,266</u>
Total Deferred Inflows	<u>45,706</u>	<u>2,571</u>	<u>989</u>	<u>49,266</u>
<b>Net Position</b>				
Net investment in capital assets	4,271,731	1,341,971	194,592	5,808,294
Restricted for				
Bond retirement	81,927	223,565	—	305,492
Impact fees	116,750	799,196	—	915,946
Unrestricted	<u>633,032</u>	<u>525,040</u>	<u>185,033</u>	<u>1,343,105</u>
Total Net Position	<u>\$ 5,103,440</u>	<u>\$ 2,889,772</u>	<u>\$ 379,625</u>	<u>\$ 8,372,837</u>

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2014**

<b>Business-type Activities/Enterprise Funds</b>				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<b>Operating revenues</b>				
Charges for services	\$ 975,890	\$ 1,179,656	\$ 460,337	\$ 2,615,883
New installations	6,470	9,923	—	16,393
Reconnections	10,696	—	—	10,696
Impact fees	9,800	43,031	—	52,831
Other utility income	15,384	12,666	85,988	114,038
Total operating revenue	<u>1,018,240</u>	<u>1,245,276</u>	<u>546,325</u>	<u>2,809,841</u>
<b>Operating expenses</b>				
Personnel services	191,879	123,258	309,407	624,544
Professional services	12,320	12,320	8,670	33,310
Office supplies	830	395	518	1,743
Utilities	47,288	20,759	288	68,335
Insurance	27,630	18,260	9,037	54,927
Repairs and maintenance	32,115	90,096	24,943	147,154
Operating supplies	85,595	39,355	37,146	162,096
Communication services	14,665	6,466	5,187	26,318
Public utility services	163,482	435,261	—	598,743
Tipping fees	—	—	131,049	131,049
Transportation	231	350	—	581
Rentals	7,873	7,702	4,550	20,125
Pricing and binding	4,056	—	—	4,056
Miscellaneous	15,891	3,959	2,488	22,338
Depreciation	<u>170,276</u>	<u>196,184</u>	<u>22,586</u>	<u>389,046</u>
Total operating expenses	<u>774,131</u>	<u>954,365</u>	<u>555,869</u>	<u>2,284,365</u>
Operating income	<u>244,109</u>	<u>290,911</u>	<u>(9,544)</u>	<u>525,476</u>
<b>Nonoperating revenues (expenses)</b>				
Interest income	868	1,726	255	2,849
Interest expense	(127,746)	(160,870)	—	(288,616)
Grant revenue	<u>264,032</u>	<u>—</u>	<u>—</u>	<u>264,032</u>
Total non operating revenues (expenses)	<u>137,154</u>	<u>(159,144)</u>	<u>255</u>	<u>(21,735)</u>
Change in net position	381,263	131,767	(9,289)	503,741
Prior period adjustment	(10,400)	(51,160)	—	(61,560)
<b>Net position - beginning</b>	<u>4,732,577</u>	<u>2,809,165</u>	<u>388,914</u>	<u>7,930,656</u>
<b>Net position - ending</b>	<u>\$ 5,103,440</u>	<u>\$ 2,889,772</u>	<u>\$ 379,625</u>	<u>\$ 8,372,837</u>

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2014**

<b>Business-type Activities/Enterprise Funds</b>				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<b>Operating Activities</b>				
Receipts from customers and users	\$ 993,968	\$ 1,204,044	\$ 530,379	\$ 2,728,391
Payments to suppliers and others	(373,506)	(603,354)	(152,808)	(1,129,668)
Payments for personnel services	(191,883)	(123,640)	(311,145)	(626,668)
Net cash provided by operating activities	<u>428,579</u>	<u>477,050</u>	<u>66,426</u>	<u>972,055</u>
<b>Capital and Related Financing Activities</b>				
Capital contributions – grants	264,032	—	—	264,032
Principal paid on bonds	(133,500)	(157,726)	—	(291,226)
Principal paid on notes and leases	(143,158)	—	—	(143,158)
Interest paid on bonds, notes and leases	(122,295)	(156,146)	—	(278,441)
Purchase of capital assets	(363,727)	(4,981)	—	(368,708)
Net cash used in capital and related financing activities	<u>(498,648)</u>	<u>(318,853)</u>	<u>—</u>	<u>(817,501)</u>
<b>Investing Activities</b>				
Interest received	868	1,726	255	2,849
Net cash provided by investing activities	<u>868</u>	<u>1,726</u>	<u>255</u>	<u>2,849</u>
<b>Net change in cash and cash equivalents</b>	<u>(69,201)</u>	<u>159,923</u>	<u>66,681</u>	<u>157,403</u>
<b>Cash and cash equivalents - beginning</b>	<u>727,646</u>	<u>1,490,989</u>	<u>179,022</u>	<u>2,397,657</u>
<b>Cash and cash equivalents ending</b>	<u>\$ 658,445</u>	<u>\$ 1,650,912</u>	<u>\$ 245,703</u>	<u>\$ 2,555,060</u>

(continued)

See accompanying notes to the basic financial statements

CITY OF MEXICO BEACH, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (continued)  
YEAR ENDED SEPTEMBER 30, 2014

<u>Business-type Activities/Enterprise Funds</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating Income	\$ 244,109	\$ 290,911	\$ (9,544)	\$ 525,476
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	170,276	196,184	22,586	389,046
(Increase) decrease in assets				
Accounts receivable, net	(24,272)	(41,232)	(15,946)	(81,450)
Due from other funds	(1,503)	(172)	(736)	(2,411)
Due from other governments	—	—	—	—
(Increase) decrease in liabilities				
Accounts payable	(22,432)	(1,402)	(8)	(23,842)
Accrued expenses	(2,047)	(3,576)	(6,916)	(12,539)
Due to other funds	64,350	36,719	78,729	179,798
Deferred revenue	102	—	—	102
Accrued compensated absences	(4)	(382)	(1,739)	(2,125)
Total adjustments	<u>184,470</u>	<u>186,139</u>	<u>75,970</u>	<u>446,579</u>
<b>Net cash provided by operating activities</b>	<u>\$ 428,579</u>	<u>\$ 477,050</u>	<u>\$ 66,426</u>	<u>\$ 972,055</u>

See accompanying notes to the basic financial statements



**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

The financial statements of the City of Mexico Beach (The City) have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard-setting body that establishes governmental accounting and financial reporting principles.

This summary of the City's significant accounting policies is presented to assist the reader in interpreting the financial statements and other information in this report. These policies are essential and should be read in conjunction with the accompanying financial statements.

**Reporting Entity**

The City is located in eastern Bay County in northwest Florida along the Gulf of Mexico. The City operates under an elected Mayor-Council and a four-member City Council, and serves approximately 1,500 residents by providing human services, community enrichment and development, law enforcement and fire safety, and general administrative services. In addition, the City operates water, sewer and sanitation utilities.

This report includes financial statements of the funds of the City. The reporting entity for the City consists of the primary government, organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and, (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities are, in substance, part of the government's operations and are reported with similar funds of the primary government (see note below for description). Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

The City has one component unit as defined by GASB Statement 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34* or in publications cited in the State of Florida, Office of the Auditor General Rules, Rule 10.553. A nonprofit corporation formed by the City's volunteer fire department is considered a component unit of the City. However, its operations and assets are not material to the City's financial statements. Accordingly, the volunteer fire department's operations and financial position are not included in the City's financial statements.

There were no entities for which there were positive responses to specific criteria used for establishing oversight responsibility that were excluded from the City's financial statements. The City did not participate in any joint ventures during the year.

The City has issued certain revenue bonds for the purpose of financing of healthcare facilities owned by nonprofit organizations as discussed in note 10. The City is not liable for the repayment of such debt and accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units, if any, for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

The City reports the following major governmental fund:

- General Fund- the general fund is the City's primary operating fund. It is used to account for all resources traditionally associated with governments except those required to be accounted for in other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the general fund.

The City reports the following major proprietary funds:

- The water fund is used to account for the revenues and costs of collection, treatment and distribution of water services.
- The sewer fund is used to account for the revenues and costs of providing wastewater and sanitary sewer services.
- The sanitation fund is used to account for the revenues and costs of providing sanitation services.

**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 is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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 City's enterprise funds are charges to customers for utility services. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

**Budgets and Budgetary Accounting**

Annual budgets are legally adopted for all governmental funds and all proprietary funds. Budgets are prepared and adopted on a basis of accounting consistent with U.S. generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Chapter 166 Florida Statutes governs the manner in which the budget may be legally amended once it has been approved. Therefore, the fund level is the legal level of control for budget considerations according to Florida Statutes.

The City budgets expenditures at the department level. Only the City Council can approve budget amendments that change the total approved budget appropriation of an individual department. Department managers can transfer appropriations within the departmental budget, but cannot change the total appropriation of an individual department without the approval of the City Council.

If during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the Council by resolution may make supplemental appropriations for the year up to the amount of such excess. During the current fiscal year, various supplemental appropriations were approved by the Council in accordance with Florida Statutes.

Budgetary data presented in the accompanying basic financial statements in the final budgeted amounts column represents the final budgetary data. In this column the effects of budget amendments have been applied to original budgetary data.

***Encumbrances***

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is used in the governmental funds. However, all encumbrances lapse at year end and, accordingly, a reserve for encumbrances is not reported in the accompanying basic financial statements.

Encumbrances are reestablished at the beginning of the fiscal year if funds are appropriated in the annual budget. Encumbrances do not constitute expenditures or liabilities.

***Cash and Temporary Cash Investment***

The City considers certificates of deposit and highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

***Accounts Receivable***

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The City estimates there are no uncollectible accounts. Therefore, the City is of the opinion an allowance for doubtful accounts are not necessary. Unbilled amounts are not recorded.

***Due From (To) Other Funds***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds. “Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances.”

***Inventories***

Inventory items of materials and supplies, which are not significant in amount, are considered expenditures when purchased in the governmental funds and the proprietary funds. Inventory in the governmental funds consists of fuel held for use by all departments and funds. Inventory is valued at the lower of cost using the first-in, first-out (FIFO) method or market.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, right of ways, storm water system, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Property, plant and equipment with initial individual costs that exceed \$750 and estimated useful lives in excess of one year are recorded as capital assets. Infrastructure such as roads, bridges and sidewalks are capitalized when their initial costs exceed \$25,000 and possess estimated useful lives in excess of one year. Capital assets are recorded at historical cost whether purchases or constructed or estimated cost if historical cost is unknown. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend its useful life are not capitalized.

Depreciation is recorded on the straight-line basis over the estimated useful lives of assets generally as follows:

Buildings	20-50 Years
Improvements other than buildings	20-50 Years
Equipment	3-15 Years
Infrastructure	10-50 Years

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

***Long-term Obligations***

In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

***Unamortized Discounts***

Bond discounts associated with the issuance of proprietary fund bonds are amortized over the life of the bonds using the straight-line method. For financial reporting, unamortized bond discounts are netted against the applicable long-term debt.

***Accrued Compensated Absences***

All full-time employees earn two weeks vacation per year (which cannot be taken until 6 months of probationary service are completed), 14 days after 5 years, 18 days after 11 years, and 20 days after 15 years. Annual leave may be accumulated at a maximum of 25 days per calendar year. Employees who have completed their probationary period are eligible for payment of accumulated annual leave not to exceed a maximum of 25 days upon their separation from the City. Employees with one year of service may request payment of their hourly rate times a maximum of 50 percent of the employee's annually accrued vacation time up to sixty hours per year.

Six hours of sick leave is earned for each month of employment and is cumulative. Sick leave cannot be used until the probationary status is completed and regular status is attained. Sick leave is only eligible for permanent employees. Employees who have worked for the City more than ten years are eligible for payment of unused sick leave and shall be compensated at the employee's current regular hourly rate of pay for one-fifth (1/5) of all unused sick leave credits accrued. Employees with less than ten years of service shall not be compensated upon termination.

Both the current and long-term portion of compensated absences are accrued and reported in the government-wide financial statements. No expenditure is reported in the government fund level statements for these amounts until payment is made. Proprietary fund types accrue sick leave and vacation benefits in the period they are earned. Compensated absences liability is based on current rates of pay. This is accounted for pursuant to GASB Statement 16, *Accounting for Compensated Absences*.

***Property Taxes***

Property taxes consist of ad valorem taxes on real and personal property within the City. Property values are determined by the Bay County Property Appraiser. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mills for general operations. The City's millage rate for the year ended September 30, 2014, was 5.0290 mills. The tax levy of the City is established by the City Council prior to October 1 of each year.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

Property tax revenue is recognized when taxes are received by the City. Because any delinquent taxes collected after September 30 would not be material, delinquent taxes due are not accrued at year end. The City's tax calendar is as follows:

Lien date:	January 1
Levy date:	Not later than October 1
Delinquent date:	April 1 of year following assessment
Discount periods:	November through February (up to 4%)
Collection dates:	November 1 through March 31

Property taxes are collected by the Bay County Tax Collector. State Law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes and for enforcement of collection of real property taxes by the sale of interest bearing tax certificates.

***Deferred Inflows***

Deferred inflows reported in the government-wide financial statements represent unearned revenues. The deferred inflows will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred inflows reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available, and in accordance with the modified accrual basis of accounting.

***Fund Balance***

The City has implemented GASB Statement 54 employing the following terminology and classifications for fund balance.

**Nonspendable Fund Balance** – 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.

**Restricted Fund Balance** – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed Fund Balance** – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council, the City's highest level of decision-making authority. Commitments may only be modified or removed by formal resolution of the City Council.

**Assigned Fund Balance** – includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

Unassigned Fund Balance – is represented by the residual classification of the General 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.

***Restricted Assets***

Certain assets of the various funds are required by resolutions and ordinances to be set aside and used for specific purposes; thus, they are not available to be used for general operations. When both restricted and unrestricted resources are available for use it is the government's policy to use externally restricted resources first, then unrestricted resources, committed, assigned, and unassigned – in order as needed.

**Net Position**

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was implemented in the current year. This standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and this standard renames the components of net position which were previously considered net assets.

Net position is classified in three categories. The general meaning of each is as follows:

- a. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of restricted or net investment in capital assets.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principle requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

***Subsequent events***

The City evaluated subsequent events through July 13, 2015, the date which the financial statements were available to be issued. The City did not have any subsequent events requiring disclosure or recording in these financial statements.

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

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

The governmental funds balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.” The details of this difference are as follows:

Cost of capital assets	\$6,728,034
Less: accumulated depreciation	<u>(2,220,641)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$4,507,393</u>

Another element of that reconciliation states, “long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ 411,946
Compensated absences	<u>33,351</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ 445,297</u>

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)**

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation.” The details of this difference are as follows:

Capital outlay	\$ 307,982
Depreciation expense	<u>(164,912)</u>
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 143,070</u>

Another element of that reconciliation states, “some expenses reported in the statement of activities do not require the use of current financial resource and, therefore, are not reported as expenditures in governmental funds.” The details of these differences are as follows:

Compensated absences	<u>\$ 1,286</u>
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 1,286</u>

Another element of that reconciliation states, “the issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)**

The details of these differences are as follows:

Principal repayments	
Bonds	<u>\$ 75,112</u>
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 75,112</u>

**NOTE 3 – CASH AND INVESTMENTS**

The City’s cash and cash equivalents include cash on hand, demand deposits, and highly liquid debt instruments with original maturities of three months or less.

***Investment Policies***

Florida Statutes, Section 218.415, authorizes the City to invest surplus funds in the following:

- The local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02.
- Direct obligations of the U.S. Treasury.

Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss.80a-1 et. seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

The City had no investments at September 30, 2014

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CASH AND INVESTMENTS (continued)**

***Interest Rate Risk***

At September 30, 2014, the City did not hold any deposits or investments other than those disclosed below that were considered to be an interest rate risk.

***Credit Risk***

At September 30, 2014, the City did not hold any deposits or investments other than those disclosed below that were considered to be a credit risk.

***Custodial Risk***

At September 30, 2014, the City did not hold any deposits or investments that were considered to be a custodial risk.

***Concentration of Credit Risk***

As September 30, 2014, the City did not hold any investments that were considered to be a concentration of credit risk.

**NOTE 4- ACCOUNTS RECEIVABLE, NET**

At September 30, 2014, accounts receivable in the governmental funds are summarized as follows:

Total accounts receivable	\$	13,541
Less: allowance for doubtful accounts		—
Net accounts receivable	\$	13,541

At September 30, 2014, accounts receivable in the proprietary funds are summarized as follows:

Accounts receivable	\$	225,956
Less: allowance for doubtful accounts		—
Net accounts receivable	\$	225,956

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5- INTERFUND RECEIVABLES, PAYABLE and TRANSFERS**

The composition of interfund balances as of September 30, 2014 is as follows:

	<b>Due from Other funds</b>	<b>Due to Other funds</b>
General fund	\$ 193,034	\$ 19,987
Water fund	180,226	71,060
Sewer fund	2,672	200,116
Sanitation fund	736	85,505
Total	\$ 376,668	\$ 376,668

The interfunds loans were for operating advances.

**NOTE 6- CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014, was as follows:

	<u>September 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2014</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 237,111	\$ —	\$ —	\$ 237,111
Construction in progress	<u>8,110</u>	<u>192,678</u>	<u>—</u>	<u>200,788</u>
Total capital assets, not being depreciated	<u>245,221</u>	<u>192,678</u>	<u>—</u>	<u>437,899</u>
Capital assets being depreciated:				
Buildings	802,800	7,800	—	810,600
Improvements	3,435,095	19,330	—	3,454,425
Machinery and equipment	<u>1,936,936</u>	<u>88,174</u>	<u>—</u>	<u>2,025,110</u>
Total capital assets being depreciated	<u>6,174,831</u>	<u>115,304</u>	<u>—</u>	<u>6,290,135</u>
Less accumulated depreciation for:				
Buildings	(107,653)	(18,299)	—	(125,952)
Improvements	(478,157)	(85,660)	—	(563,817)
Machinery and equipment	<u>(1,469,919)</u>	<u>(60,953)</u>	<u>—</u>	<u>(1,530,872)</u>
Total accumulated depreciation	<u>(2,055,729)</u>	<u>(164,912)</u>	<u>—</u>	<u>(2,220,641)</u>
Capital assets, being depreciated (net of accumulated depreciation)	<u>4,119,102</u>	<u>(49,608)</u>	<u>—</u>	<u>4,069,494</u>
<b>Total Governmental activities, capital assets, (net of accumulated depreciation)</b>	<u><b>\$ 4,364,323</b></u>	<u><b>\$ 143,070</b></u>	<u><b>\$ —</b></u>	<u><b>\$ 4,507,393</b></u>

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - CAPITAL ASSETS (continued)**

	<b>September 30, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>September 30, 2014</b>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 288,191	\$ —	\$ —	\$ 288,191
Construction in progress	<u>4,824,927</u>	<u>363,727</u>	<u>—</u>	<u>5,188,654</u>
Total capital assets, not being depreciated	<u>5,113,118</u>	<u>363,727</u>	<u>—</u>	<u>5,476,845</u>
Capital assets being depreciated:				
Buildings	10,606	—	—	10,606
Improvements	12,498,033	—	—	12,498,033
Machinery and equipment	<u>906,090</u>	<u>4,981</u>	<u>—</u>	<u>911,071</u>
Total capital assets being depreciated	<u>13,414,729</u>	<u>4,981</u>	<u>—</u>	<u>13,419,710</u>
Less accumulated depreciation				
Buildings	(10,606)	—	—	(10,606)
Improvements	(4,879,752)	(337,674)	—	(5,217,426)
Machinery and equipment	<u>(494,498)</u>	<u>(51,372)</u>	<u>—</u>	<u>(545,870)</u>
Total accumulated depreciation	<u>(5,384,856)</u>	<u>(389,046)</u>	<u>—</u>	<u>(5,773,902)</u>
Total capital assets being depreciated, net	<u>8,029,873</u>	<u>(384,065)</u>	<u>—</u>	<u>7,645,808</u>
<b>Total business-type activities', capital assets, (net of accumulated depreciation)</b>	<b><u>\$ 13,142,991</u></b>	<b><u>\$ (20,338)</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 13,122,653</u></b>
	<b>Sanitation</b>	<b>Sewer</b>	<b>Water</b>	
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Total</b>
Land	\$ —	\$ 270,426	\$ 17,765	\$ 288,191
Construction in progress	—	—	5,188,654	5,188,654
Buildings	—	—	10,606	10,606
Improvements	—	6,817,054	5,680,979	12,498,033
Machinery and equipment	<u>395,996</u>	<u>66,472</u>	<u>448,603</u>	<u>911,071</u>
Total	<u>395,996</u>	<u>7,153,952</u>	<u>11,346,607</u>	<u>18,896,555</u>
Less accumulated depreciation				
Buildings	—	—	(10,606)	(10,606)
Improvements	—	(2,775,190)	(2,442,236)	(5,217,426)
Machinery and equipment	<u>(201,404)</u>	<u>(29,103)</u>	<u>(315,363)</u>	<u>(545,870)</u>
Total accumulated depreciation	<u>(201,404)</u>	<u>(2,804,293)</u>	<u>(2,768,205)</u>	<u>(5,773,902)</u>
<b>Total business-type activities', capital assets, (net of accumulated depreciation)</b>	<b><u>\$ 194,592</u></b>	<b><u>\$ 4,349,659</u></b>	<b><u>\$ 8,578,402</u></b>	<b><u>\$ 13,122,653</u></b>

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - CAPITAL ASSETS (continued)**

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

General government	\$ 19,217
Public safety	23,281
Highways and streets	24,999
Physical environment	63,126
Parks and recreation	<u>33,989</u>

**Total depreciation expense-governmental activities** **\$ 164,612**

Depreciation expense was charged to business-type activities functions/programs of the primary government as follows:

Water	\$ 170,276
Sewer	196,184
Sanitation	<u>22,586</u>

**Total depreciation expense-business-type activities** **\$ 389,046**

**NOTE 7- LONG - TERM DEBT – GOVERNMENTAL ACTIVITIES**

Long-term obligations and debt at September 30, 2014, are as follows:

	Balance September 30, 2013	Additions	Deductions	Balance September 30, 2014	Due Within One Year
<b>Notes Payable</b>					
Note payable for the purchase of a backhoe, payable in annual installments of \$22,530, including 5.9% interest and maturing in October 2013.	\$ 21,371	\$ —	\$ (21,371)	\$ —	\$ —
Total Notes Payable	<u>\$ 21,371</u>	<u>\$ —</u>	<u>\$ (21,371)</u>	<u>\$ —</u>	<u>\$ —</u>

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7- LONG - TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)**

	Balance September 30, 2013	Additions	Deductions	Balance September 30, 2014	Due Within One Year
<b>Bonds Payable</b>					
2009 Utility Systems Refunding Bonds, to refund note payable to City of Gulf Breeze, Florida Capital funding loan program. Payable in quarterly payments including interest at 4.48% and maturing in April 2021. (See (B) in note 8).	349,266	—	(40,360)	308,906	42,153
2009 Capital improvement Bonds, to refund note payable to City of Gulf Breeze, Florida Capital funding loan program. Payable in quarterly payments including interest at 4.48% and maturing in April 2021. (See (C) in note 8).	116,421	—	(13,381)	103,040	14,061
<b>Total bonds payable</b>	<b>465,687</b>	<b>—</b>	<b>(53,741)</b>	<b>411,946</b>	<b>56,214</b>
Liability for compensated absences	34,637	—	(1,286)	33,351	6,670
<b>Total governmental activities</b>					
<b>Long-term obligations</b>	<b>\$ 521,695</b>	<b>\$ —</b>	<b>\$ (76,398)</b>	<b>\$ 445,297</b>	<b>\$ 62,884</b>

Debt service requirements to maturity for the governmental funds at September 30, 2014 are as follows:

Year Ending September 30,	Governmental Funds		
	Principal	Interest	Total
2015	\$ 56,214	\$ 17,481	\$ 73,695
2016	58,768	14,927	73,695
2017	61,438	12,257	73,695
2018	64,229	9,466	73,695
2019	67,147	6,548	73,695
2020	70,198	3,497	73,695
2021	33,952	561	34,513
<b>Total</b>	<b>\$ 411,946</b>	<b>\$ 64,737</b>	<b>\$ 476,683</b>



**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8- LONG - TERM DEBT – BUSINESS-TYPE ACTIVITIES**

	Original Issue	Balance September 30, 2013	Additions	Reduction	Balance September 30, 2014	Due Within One Year
2013 USDA Bonds See (D) below.	\$ 2,153,000	\$ 2,153,000	\$ —	\$ —	\$ 2,153,000	\$ 29,000
2009 Utility System Refunding Bonds. See (B) below.	2,490,000	1,705,604	—	(197,093)	1,508,511	205,852
2009 Capital Improvement Bonds. See (C) below.	830,001	568,056	—	(65,291)	502,765	68,607
4.875% Sewer System Junior Lien Revenue Bonds, Series 2000, to improve sewer system. See (A) below.	2,303,100	1,960,100	—	(38,500)	1,921,600	40,322
<b>Total bonds payable business-type activities</b>		<b>\$ 6,386,760</b>	<b>\$ —</b>	<b>\$ (300,884)</b>	<b>\$ 6,085,876</b>	<b>\$ 343,781</b>

A synopsis of long-term debt covenants for the water and sewer bonds follows:

- A. Water and Sewer Revenue Bonds, Series 2000 - The bonds are secured by a junior and subordinate pledge of gross revenues of the system. The bonds are due in annual installments each through September 1, 2039; interest at 4.875% per annum is payable annually on September 1.
- B. 2009 Utility Refunding Bond, Series 2009 - These bonds were issued to refund the Series 1979, 1980, 1982, and 1995 bonds and the note payable to City of Gulf Breeze, Florida. The bonds mature annually through April 1, 2021. Interest at 4.48% per annum is payable each July 1. The bonds are secured by pledged revenue consisting of net revenue of the water and sewer system, such amounts of non-advalorem revenues as shall be budgeted and appropriated for the payment of the 2009 Utility Note, and any proceeds from the 2009 Utility Note held in any of the funds and accounts created.
- C. 2009 Capital Improvements Bond, Series 2009 - These bonds were issued to refund the Series 1979, 1980, 1982, and 1995 bonds and the note payable to City of Gulf Breeze, Florida. The bonds mature annually through April 1, 2021. Interest at 4.48% per annum is payable each July 1. The bonds are secured by pledged revenue consisting of such amounts of non-advalorem revenues as shall be budgeted and appropriated for the payment of the 2009 Capital Improvements Bond, and any proceeds from the 2009 Capital Improvements Bond held in any of the funds and accounts created.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8- LONG - TERM DEBT – BUSINESS-TYPE ACTIVITIES**

D. 2013 USDA Bond, Series 2013 - These bonds were issued to construct a (water) (waste) system. The bonds mature annually through September 1, 2052. Interest at 2.75% per annum is payable each September 1. The bonds are secured by pledged revenue consisting of net revenue of the water and sewer system.

There are a number of limitations and restrictions contained in the various bond indentures, including the establishment of specified debt service sinking and reserve accounts. The City is in compliance with all significant limitations and restrictions.

Debt service requirements to maturity on revenue and capital improvement bonds payable at September 30, 2014.

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 343,781	\$ 238,232	\$ 582,013
2016	359,216	222,999	582,215
2017	375,312	207,078	582,390
2018	392,102	190,436	582,538
2019	410,617	173,041	583,658
2020-2024	975,465	672,542	1,648,007
2025-2029	574,734	549,840	1,124,574
2030-2034	707,857	421,900	1,129,757
2035-2039	875,809	262,631	1,138,440
2040-2044	380,983	125,902	506,885
2045-2049	412,000	72,959	484,959
2050-2052	278,000	15,428	293,428
<b>Total</b>	<b><u>\$ 6,085,876</u></b>	<b><u>\$ 3,152,988</u></b>	<b><u>\$ 9,238,864</u></b>

**Notes Payable**

	<u>Balance September 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2014</u>	<u>Due Within One Year</u>
Florida Department of Environmental Protection state revolving fund loan. Repayable over 20 years upon completion of water system improvements. See (A) below.	\$ 1,361,984	\$ —	\$ (133,500)	\$ 1,228,484	\$ 137,744
<b>Total notes payable</b>					
<b>Enterprise -</b>	<b><u>\$ 1,361,984</u></b>	<b><u>\$ —</u></b>	<b><u>\$ (133,500)</u></b>	<b><u>\$ 1,228,484</u></b>	<b><u>\$ 137,744</u></b>

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8- LONG - TERM DEBT – BUSINESS-TYPE ACTIVITIES**

A synopsis of significant enterprise fund notes payable follows:

- A. The note payable to the State Revolving Fund was made to the City for the purpose of financing the cost of replacing public water system lines. The loan is repayable over 20 years in semiannual installments each January 15 and July 15 of \$87,214 including interest at 3.08%. The loan is secured by pledged revenues of water charges by the utility fund.

Business-type debt service requirements to maturity on notes payable at September 30, 2014 are as follows:

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 137,744	\$ 36,684	\$ 174,428
2016	142,007	32,421	174,428
2017	146,403	28,025	174,428
2018	150,934	23,494	174,428
2019	155,606	18,822	174,428
2020-2022	495,790	26,969	522,759
<b>Total</b>	<b><u>\$ 1,228,484</u></b>	<b><u>\$ 166,415</u></b>	<b><u>\$ 1,394,899</u></b>

**Compensated absences**

	<b>Balance September 30, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance September 30, 2014</b>	<b>Due Within One Year</b>
Liability for compensated absences	\$ 21,818	\$ —	\$ (2,124)	\$ 19,694	\$ 3,939

**NOTE 9 – FUND EQUITY**

***Net Asset Restrictions***

The government-wide statement of net position for governmental activities reports \$238,353 of restricted net position, all of which is restricted by enabling legislation. Business-type activities reports \$1,221,438 of restricted net position, of which, \$915,946 is restricted by enabling legislation.

***Restricted Fund Equity***

Reservations of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses. The purpose for each is indicated as follows:

<b>Funds</b>	<b>Purpose</b>	<b>Amount</b>
General fund	Impact fees	\$ 237,846
General fund	Law enforcement	507
Water fund	Debt service	81,927
Water fund	Impact fees	116,750
Sewer fund	Debt service	223,565
Sewer fund	Impact fees	799,196
<b>Total restricted fund equity</b>		<b><u>\$ 1,459,791</u></b>

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10- COMMITMENTS AND CONTINGENCIES**

***Litigation***

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City of Mexico Beach.

***Contingent Liability***

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be minimal.

***Conduit Debt Obligations***

The City is authorized by the provisions of Chapter 159, Part II, Florida Statutes to make and execute financing agreements which provide assistance to qualified nonprofit corporations to finance and refinance healthcare facilities and other projects described in Section 159.27, Florida Statutes. In December 1997, the City sponsored a \$150,000,000 local government floating rate bond issue from which the proceeds were used to make variable rate loans to those entities described above. Any loans issued for financing these projects are secured by a pledge of the revenue derived from the projects and security interests in such projects.

The bonds are secured by the property finances and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**NOTE 11- PENSION PLAN**

**Plan Description**

The City participates in the Florida Retirement System (FRS) which is a multiple-employer; cost-sharing retirement system established by Chapter 121, Florida Statutes. The Florida Retirement System is administered by the Division of Retirement of the State of Florida Department of Administration. The City's payroll for employees covered by the system for the years ended September 30, 2014, 2013, and 2012 was \$1,019,599, \$1,056,546, and \$1,206,583, respectively.

FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Blvd., Bldg B., Tallahassee, Florida, 32399-1560.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11- PENSION PLAN (continued)**

The system provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six year of service and attaining age 62, or 30 years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a 5% benefit reduction for each year prior to normal retirement. FRS also provides death and disability benefits and cost-of-living adjustments. Generally, membership is compulsory for all full-time and part-time employees. Retirement coverage for employees is 3% of covered payroll.

The rates, as a percentage of gross earnings, are as follows:

	<b>10/01/2013 through 6/30/2014</b>	<b>7/01/2014 through 9/30/2014</b>
Regular employees	6.95%	7.37%
Special risk employees	19.06 %	19.82%
DROP plan participants	12.84%	12.28%

During the year ended September 30, 2014, the city contributed \$92,622 to the system. These contributions represented 9% of covered payroll.

<b>Three Year Trend Information</b>			
	<b>Annual Pension Cost (APC)</b>	<b>Percent of APC Contribution</b>	<b>Net Pension Obligation</b>
2014	\$ 92,622	100%	—
2013	75,164	100%	—
2012	81,205	100%	—

**Defined Contribution Plan**

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (“FRS Investment Plan”), a cost-sharing multiple-employer defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. This FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. Changes to the law can only occur through an act of the Florida Legislature. The FRS Investment Plan is administered by the Florida State Board of Administration. Information about this plan can be obtained by writing to FRS Plan Administrator, P.O. Box 56290, Jacksonville, Florida 32241-6290 or by calling 866-377-2121.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11- PENSION PLAN (continued)**

FRS Investment Plan is funded through employee and employer contributions. The employees contribute 3% to the plan. The City's contributory rates for the year ended September 30, 2014 were as follows:

	<b>10/01/2013 through 6/30/2014</b>	<b>7/01/2014 through 9/30/2014</b>
Regular employees	6.95%	7.37%
Special risk employees	19.06 %	19.82%
DROP plan participants	12.84%	12.28%

Required employer contributions made to the plan totaled \$38,668.

**NOTE 12- OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The City provides health insurance to its active and retired employees (the OPEB Plan). Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Currently, the City funds the OPEB Plan on a pay-as-you-go basis as a current operating expense, and reflects the expense in its financial statements in the fiscal year in which the payments are made. Pursuant to the provisions of GASB 43, *Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*, governments who provide postemployment benefits other than pensions are required to show all or a portion of the liabilities associated with their OPEB Plans in their financial statements and whether, and to what extent, progress is being made in funding those liabilities. The City has no related expense or liability at September 30, 2014.

**NOTE 13- RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Insurance against losses are provided for the following types of risk:

- Workers' compensation and employer's liability
- General and automobile liability
- Real and personal property damage
- Public officials' liability
- Accidental death and dismemberment

The City's coverage of workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to-date of the City's experience for this type of risk.

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 13- RISK MANAGEMENT (continued)**

A disputed claim for an unpaid invoice in the amount of \$48,825 was presented to the City for work done in a prior period. It is probable that the City will settle with the vendor and pay at least a portion of this invoice but no reasonable estimate of the amount to be paid is available at this time.

**NOTE 14- INTERLOCAL AGREEMENTS**

The City entered into a wastewater treatment contract with Bay County in May 1997, whereby Bay County will exclusively reserve for the City 323,000 gallons per day of allocated wastewater treatment capacity of the Military Point Advanced Wastewater Treatment Facility. The City has agreed to pay for such capacity and treatment services for wastewater collected from City customers.

The City has entered into a memorandum of agreement with the Mexico Beach Community Development Council, Inc. (the Council) for the maintenance of the City's municipal canal and beaches. The agreements which are renewable annually provide for the Council to pay the City \$18,000 and \$15,000 annually respectively, for canal and beach maintenance. Additionally, the City has entered into an agreement with the Council for the maintenance and operation of the City's public television station granted by franchise agreement, at no cost to the Council.

**NOTE 15 – ACCOUNTING CHANGES, ACCOUNTING STANDARDS**

In fiscal year 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement 63 "Financial Reporting of Deferred Outflows of Resources Deferred Inflows of Resources, and Net Position" and Statement 65 "Items Previously Reported as Assets and Liabilities". Statement 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of Statement 65 resulted in the reclassification of the beginning net position of the business-type activities in the government-wide financial statements. The deferred charges for issuance costs were reclassified as expense of prior periods and resulted in the adjustment below:

Business-type:	
Net position at September 30, 2013	\$7,930,656
Change in reporting for deferred charges to debt issuance costs	<u>(61,560)</u>
Net position at September 30, 2013, restated	<u>\$7,869,096</u>

The GASB has issued the following Statement which will become effective in future years as shown below:

**CITY OF MEXICO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 13- ACCOUNTING CHANGES, ACCOUNTING STANDARDS (continued)**

Statement no. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*". The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement will become effective for the City in fiscal year 2015. Management has not yet determined the impact of this Statement on the financial statements.



**SUPPLEMENTARY INFORMATION**

**CITY OF MEXICO BEACH, FLORIDA**  
**COMPARATIVE SCHEDULE OF NET POSITON – WATER FUND – PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2014**

	<b>2013</b>	<b>2014</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 524,648	\$ 459,768
Accounts receivable, net	63,084	87,356
Due from other funds	178,723	180,226
Due from other governments	70,830	70,830
Total Current Assets	837,285	798,180
Restricted assets - cash		
Bond and interest sinking	96,195	81,927
Impact fees	106,803	116,750
Total restricted assets - cash	202,998	198,677
Noncurrent assets		
Deferred changes	10,400	—
Property, plant, and equipment	10,982,880	11,346,607
Less accumulated depreciation	(2,597,929)	(2,768,205)
Total non-current Assets	8,395,351	8,578,402
Total Assets	9,435,634	9,575,259
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	43,058	20,626
Accrued expenses	2,927	880
Due to other funds	6,710	71,060
Notes payable, current portion	133,500	137,744
Bonds payable, current portion	123,132	173,882
Total current liabilities	309,327	404,192
Current liabilities payable from restricted assets		
Accrued interest	13,711	19,162
Total current liabilities payable from restricted assets	13,711	19,162
Non-current Liabilities		
Accrued compensated absences	7,718	7,714
Notes payable – due after one year	1,228,484	1,090,740
Bonds payable, due after one year	3,098,213	2,904,305
Total non-current liabilities	4,334,415	4,002,759
Total Liabilities	4,657,453	4,426,113
<b>DEFERRED INFLOWS</b>		
Deferred utility income	45,604	45,706
Total Deferred Inflows	45,604	45,706
<b>NET POSITION</b>		
Net investment in capital assets	3,801,622	4,271,731
Restricted for:		
Bond retirement	82,484	81,927
Impact fees	106,803	116,750
Unrestricted	741,668	633,032
<b>Total Net Position</b>	<b>\$ 4,732,577</b>	<b>\$ 5,103,440</b>

**CITY OF MEXICO BEACH, FLORIDA**  
**COMPARATIVE SCHEDULE OF NET POSITON – SEWER FUND – PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2014**

	<b>2013</b>	<b>2014</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 516,452	\$ 628,151
Accounts receivable, net	53,938	95,170
Due from other funds	<u>2,500</u>	<u>2,672</u>
Total current assets	<u>572,890</u>	<u>725,993</u>
Restricted assets - cash		
Bond and interest sinking	219,182	223,565
Impact fees	<u>755,355</u>	<u>799,196</u>
Total restricted assets - cash	<u>974,537</u>	<u>1,022,761</u>
Noncurrent assets		
Deferred charges	51,160	—
Capacity rights	54,187	54,187
Property, plant, and equipment	7,148,971	7,153,952
Less accumulated depreciation	<u>(2,608,108)</u>	<u>(2,804,292)</u>
Total non-current Assets	<u>4,646,210</u>	<u>4,409,847</u>
Total Assets	<u>6,193,637</u>	<u>6,152,601</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	36,562	35,160
Accrued expenses	3,993	417
Due to other funds	163,397	200,116
Bonds payable, current portion	<u>177,419</u>	<u>169,899</u>
Total current liabilities	<u>381,371</u>	<u>405,592</u>
Current liabilities payable from restricted assets		
Accrued interest	<u>7,890</u>	<u>12,614</u>
Total current liabilities payable from restricted assets	<u>7,890</u>	<u>12,614</u>
Non-current Liabilities		
Accrued compensated absences	4,644	4,262
Bonds payable, due after one year	<u>2,987,996</u>	<u>2,837,790</u>
Total non-current liabilities	<u>2,992,640</u>	<u>2,842,052</u>
Total Liabilities	<u>3,381,901</u>	<u>3,260,258</u>
<b>DEFERRED INFLOWS</b>		
Deferred utility income	<u>2,571</u>	<u>2,571</u>
Total Deferred Inflows	<u>2,571</u>	<u>2,571</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,375,448	1,341,971
Restricted for:		
Bond retirement	211,292	223,565
Impact fees	755,355	799,196
Unrestricted	<u>467,070</u>	<u>525,040</u>
<b>Total Net Position</b>	<b><u>\$ 2,809,165</u></b>	<b><u>\$ 2,889,772</u></b>

**CITY OF MEXICO BEACH, FLORIDA  
COMPARATIVE SCHEDULE OF NET POSITON –  
SANITATION FUND – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>2013</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 179,022	\$ 245,703
Accounts receivable, net	27,484	43,430
Due from other funds	<u>—</u>	<u>736</u>
Total current assets	<u>206,506</u>	<u>289,869</u>
Noncurrent assets		
Property, plant, and equipment	395,996	395,996
Less accumulated depreciation	<u>(178,819)</u>	<u>(201,404)</u>
Total non-current Assets	<u>217,177</u>	<u>194,592</u>
Total assets	<u>423,683</u>	<u>484,461</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	9,562	9,554
Accrued expenses	7,987	1,071
Due to other funds	<u>6,775</u>	<u>85,504</u>
Total current liabilities	<u>24,324</u>	<u>96,129</u>
Non-current Liabilities		
Accrued compensated absences	<u>9,456</u>	<u>7,718</u>
Total non-current liabilities	<u>9,456</u>	<u>7,718</u>
Total Liabilities	<u>33,780</u>	<u>103,847</u>
<b>DEFERRED INFLOWS</b>		
Deferred utility income	<u>989</u>	<u>989</u>
Total Deferred Inflows	<u>989</u>	<u>989</u>
<b>NET POSITION</b>		
Net investment in capital assets	217,177	194,592
Unrestricted	<u>171,737</u>	<u>185,033</u>
<b>Total Net Position</b>	<b><u>\$ 388,914</u></b>	<b><u>\$ 379,625</u></b>

**CITY OF MEXICO BEACH, FLORIDA  
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION – WATER FUND – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>2013</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 939,510	\$ 975,890
New installations	2,290	6,470
Reconnections	9,930	10,696
Impact fees	68,475	9,800
Other utility income	<u>15,427</u>	<u>15,384</u>
Total operating revenues	<u>1,035,632</u>	<u>1,018,240</u>
<b>OPERATING EXPENSES</b>		
Personnel services	148,035	191,879
Professional services	12,625	12,320
Office supplies	1,650	830
Utilities	20,162	47,288
Insurance	29,619	27,630
Repairs and maintenance	32,956	32,115
Operating supplies	42,297	85,595
Communication services	12,279	14,665
Public utility services	244,148	163,482
Transportation	—	231
Rentals	7,792	7,873
Printing and binding	3,299	4,056
Miscellaneous	15,564	15,891
Depreciation and amortization	<u>177,290</u>	<u>170,276</u>
Total operating expenses	<u>747,716</u>	<u>774,131</u>
Operating income	<u>287,916</u>	<u>244,109</u>
<b>NONOPERATING REVENUES (expenses)</b>		
Interest income	1,395	868
Interest expense	(166,553)	(127,746)
Grant revenue	1,462,225	264,032
Gain (loss) on sale of assets	<u>(64,625)</u>	<u>—</u>
Total nonoperating revenues (expenses)	<u>1,232,442</u>	<u>137,154</u>
Change in net position	1,520,358	381,263
Prior period adjustment	<u>—</u>	<u>(10,400)</u>
Net position - beginning	<u>3,212,219</u>	<u>4,732,577</u>
Net position - ending	<u>\$ 4,732,577</u>	<u>\$ 5,103,440</u>

**CITY OF MEXICO BEACH, FLORIDA  
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION – SEWER FUND – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>2013</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,105,778	\$ 1,179,656
New installations	5,145	9,923
Impact fees	22,313	43,031
Other utility income	<u>14,935</u>	<u>12,666</u>
Total operating revenues	<u>1,148,171</u>	<u>1,245,276</u>
<b>OPERATING EXPENSES</b>		
Personnel services	111,555	123,258
Professional services	12,625	12,320
Office supplies	590	395
Utilities	21,974	20,759
Insurance	21,001	18,260
Repairs and maintenance	74,013	90,096
Operating supplies	28,099	39,355
Communication services	1,122	6,466
Public utility services	440,459	435,261
Transportation	397	350
Rentals	7,869	7,702
Printing and binding	2,281	—
Miscellaneous	2,607	3,959
Depreciation and amortization	<u>202,640</u>	<u>196,184</u>
Total operating expenses	<u>927,232</u>	<u>954,365</u>
Operating income	<u>220,939</u>	<u>290,911</u>
<b>NONOPERATING REVENUES (expenses)</b>		
Interest income	1,860	1,726
Interest expense	<u>(155,792)</u>	<u>(160,870)</u>
Total nonoperating revenues (expenses)	<u>(153,932)</u>	<u>(159,144)</u>
Change in net position	67,007	131,767
Prior period adjustment	<u>—</u>	<u>(51,160)</u>
<b>Net position - beginning</b>	<u>2,742,158</u>	<u>2,809,165</u>
<b>Net position - ending</b>	<u><b>\$ 2,809,165</b></u>	<u><b>\$ 2,889,772</b></u>

**CITY OF MEXICO BEACH, FLORIDA  
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION – SANITATION FUND – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>2013</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 436,659	\$ 460,337
Other utility income	<u>81,673</u>	<u>85,988</u>
Total operating revenues	<u>518,332</u>	<u>546,325</u>
<b>OPERATING EXPENSES</b>		
Personnel services	264,512	309,407
Professional services	11,624	8,670
Office supplies	171	518
Insurance	10,566	9,037
Repairs and maintenance	19,470	24,943
Operating supplies	40,118	37,146
Communication services	663	5,187
Tipping fees	134,239	131,049
Rentals	6,825	4,550
Miscellaneous	2,115	2,776
Depreciation	<u>21,225</u>	<u>22,586</u>
Total operating expenses	<u>511,528</u>	<u>555,869</u>
Operating income	<u>6,804</u>	<u>(9,544)</u>
<b>NONOPERATING REVENUES (expenses)</b>		
Interest income	254	255
Gain (loss) on sale of assets	<u>11,753</u>	<u>—</u>
Total nonoperating revenues (expenses)	<u>12,007</u>	<u>255</u>
Change in net position	18,811	(9,289)
<b>Net position - beginning</b>	<u>370,103</u>	<u>388,914</u>
<b>Net position - ending</b>	<u><b>\$ 388,914</b></u>	<u><b>\$ 379,625</b></u>

**CITY OF MEXICO BEACH, FLORIDA  
COMPARATIVE SCHEDULE OF CASH FLOWS  
WATER FUND – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>2013</u>	<u>2014</u>
<b>Operating Activities</b>		
Receipts from customer and users	\$ 938,916	\$ 993,968
Payments to suppliers and others	(434,454)	(373,506)
Payments for personnel services	(148,395)	(191,883)
Net cash provided by operating activities	<u>356,067</u>	<u>428,579</u>
<b>Capital and related financing activities</b>		
Capital contributions - grants	1,462,225	264,032
Proceeds from bonds	2,153,000	—
Principal paid on bonds	(117,860)	(133,500)
Principal paid on notes and leases	(129,481)	(143,148)
Interest paid on notes and leases	(162,453)	(122,295)
Purchase of capital assets	(4,447,110)	(363,727)
Net cash used in capital and related financing activities	<u>(1,241,679)</u>	<u>(498,648)</u>
<b>Investing activities</b>		
Interest received	1,395	868
Net cash provided by investing activities	<u>1,395</u>	<u>868</u>
<b>Net change in cash and cash equivalents</b>	(884,217)	(69,201)
<b>Cash and cash equivalents, beginning</b>	<u>1,611,863</u>	<u>727,646</u>
<b>Cash and cash equivalents, ending</b>	<u><b>\$ 727,646</b></u>	<u><b>\$ 658,445</b></u>
<b>Classified as cash</b>		
Current assets – cash and cash equivalents	524,648	459,768
Restricted assets – cash and cash equivalents	<u>202,998</u>	<u>198,677</u>
<b>Cash and cash equivalents, ending</b>	<u><b>\$ 727,646</b></u>	<u><b>\$ 658,445</b></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	<u>287,916</u>	<u>244,109</u>
Adjustment to reconcile operating income to net cash provided by operating activities		
Amortization	1,300	—
Depreciation	175,990	170,276
(Increase) decrease in assets		
Accounts receivable, net	(7,772)	(24,272)
Due from other funds	(21,763)	(1,503)
Due from other governments	(70,830)	—
(Increase) decrease in liabilities		
Accounts payable	(18,552)	(22,432)
Accrued expenses	(221)	(2,047)
Due to other funds	6,710	64,350
Deferred revenue	3,649	102
Accrued compensated absences	(360)	(4)
Total adjustments	<u>68,151</u>	<u>184,470</u>
<b>Net cash provided by operating activities</b>	<u><b>\$ 356,067</b></u>	<u><b>\$ 428,579</b></u>



**CITY OF MEXICO BEACH, FLORIDA  
COMPARATIVE SCHEDULE OF CASH FLOWS  
SEWER FUND – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>2013</u>	<u>2014</u>
<b>Operating Activities</b>		
Receipts from customer and users	\$ 1,143,271	\$ 1,204,044
Payments to suppliers and others	(653,925)	(603,354)
Payments for personnel services	(111,356)	(123,640)
Net cash provided by operating activities	<u>377,990</u>	<u>477,050</u>
<b>Capital and related financing activities</b>		
Purchase of capital assets	—	(4,981)
Principal paid on bonds	(169,470)	(157,726)
Interest paid on bonds, notes, and leases	(155,915)	(156,146)
Net cash used in capital and related financing activities	<u>(325,385)</u>	<u>(318,853)</u>
<b>Investing activities</b>		
Interest received	1,860	1,726
Net cash provided by investing activities	<u>1,860</u>	<u>1,726</u>
<b>Net change in cash and cash equivalents</b>	54,465	159,923
<b>Cash and cash equivalents, beginning</b>	<u>1,436,524</u>	<u>1,490,989</u>
<b>Cash and cash equivalents, ending</b>	<u><b>\$ 1,490,989</b></u>	<u><b>\$ 1,650,912</b></u>
<b>Classified as cash</b>		
Current assets – cash and cash equivalents	516,452	628,151
Restricted assets – cash and cash equivalents	<u>974,537</u>	<u>1,022,761</u>
<b>Cash and cash equivalents, ending</b>	<u><b>\$ 1,490,989</b></u>	<u><b>\$ 1,650,912</b></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	<u>220,939</u>	<u>290,911</u>
Adjustment to reconcile operating income to net cash provided by operating activities		
Amortization	6,108	—
Depreciation	196,532	196,184
(Increase) decrease in assets		
Accounts receivable, net	(2,400)	(41,232)
Due from other funds	(2,500)	(172)
(Increase) decrease in liabilities		
Accounts payable	(47,772)	(1,402)
Accrued expenses	447	(3,576)
Due to other funds	6,437	36,719
Accrued compensated absences	199	(382)
Total adjustments	<u>157,051</u>	<u>186,139</u>
<b>Net cash provided by operating activities</b>	<u><b>\$ 377,990</b></u>	<u><b>\$ 477,050</b></u>

**CITY OF MEXICO BEACH, FLORIDA  
COMPARATIVE SCHEDULE OF CASH FLOWS  
SANITATION FUND – PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>2013</u>	<u>2014</u>
<b>Operating Activities</b>		
Receipts from customer and users	\$ 517,267	\$ 530,379
Payments to suppliers and others	(219,225)	(152,808)
Payments for personnel services	(264,471)	(311,145)
Net cash provided by operating activities	<u>33,571</u>	<u>66,426</u>
<b>Capital and related financing activities</b>		
Purchase of capital assets	(136,211)	—
Net cash used in capital and related financing activities	<u>(136,211)</u>	<u>—</u>
<b>Investing activities</b>		
Proceeds from sale of fixed assets	12,000	—
Interest received	254	255
Net cash provided by investing activities	<u>12,254</u>	<u>255</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(90,386)	66,681
<b>Cash and cash equivalents, beginning</b>	<u>269,408</u>	<u>179,022</u>
<b>Cash and cash equivalents, ending</b>	<u><b>\$ 179,022</b></u>	<u><b>\$ 245,703</b></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	<u>6,804</u>	<u>(9,544)</u>
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation	21,225	22,586
(Increase) decrease in assets		
Accounts receivable, net	(1,065)	(15,946)
Due from other funds	—	(736)
(Increase) decrease in liabilities		
Accounts payable, net	(2,648)	(8)
Accrued expenses	2,439	(6,916)
Due to other funds	6,775	78,729
Accrued compensated absences	41	(1,739)
Total adjustments	<u>26,767</u>	<u>75,970</u>
Net cash provided by operating activities	<u><b>\$ 33,571</b></u>	<u><b>\$ 66,426</b></u>

## **COMPLIANCE SECTION**

# Vance CPA LLC

***Certified Public Accountant***

219-B Avenue E • Apalachicola, FL 32320  
Phone (888)531-6408 Fax (866)-406-7422

## **INDEPENDENT AUDITOR'S REPORT ON INVESTMENT COMPLIANCE**

Honorable Mayor and Members of the  
Of the City Commission  
City of Mexico Beach, Florida

We have examined the City of Mexico Beach, Florida's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

*Vance CPA LLC*

**Vance CPA LLC**  
July 13, 2015

# Vance CPA LLC

***Certified Public Accountant***

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## **INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

Honorable Mayor and Members of the  
Of the City Commission  
City of Mexico Beach, Florida

We have audited the financial statements of the City of Mexico, Florida as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated July 13, 2015.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the 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*; Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133; Schedule of Findings and Responses; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated July 13, 2015, 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. Findings 14-001 and 14-002 were prior year findings which were uncorrected. All other prior year findings were resolved.

### **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 statement. This information is disclosed in the notes to the financial statements.

**Financial Condition**

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City of Mexico Beach, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City of Mexico Beach, Florida was not in a state of financial emergency, as it did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Mexico Beach'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.

**Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City of Mexico Beach, Florida for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

**Other Matters**

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

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

**Purpose of this Letter**

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

*Vance CPA LLC*

**Vance CPA LLC**

July 13, 2015

# Vance CPA LLC

***Certified Public Accountant***

219-B Avenue E • Apalachicola, FL 32320  
Phone (888)531-6408 Fax (866)-406-7422

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

Honorable Mayor and Members  
of the City Council  
City of Mexico Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mexico Beach, Florida, (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's of basic financial statements, and have issued our report thereon dated July 13, 2015.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider finding 2014-001 listed on the accompanying schedule of findings and responses to be a material weakness in internal control over financial reporting.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 listed on the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

### **Compliance and Other Matters**

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

### **City of Mexico Beach, Florida's Responses to Findings**

The City of Mexico Beach, Florida's responses to the findings identified in our audit are included in the accompanying schedule of findings and responses. We did not audit the city's responses and, accordingly, we express no opinion on them.

### **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.

*Vance CPA LLC*

**Vance CPA LLC**

July 13, 2015



**CITY OF MEXICO BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2014**

**2014-001 (prior year 2013-03)**

**Segregation of Duties**

Condition:

Due to the small number of staff, the City does not have proper segregation of duties in certain areas, but mainly in the City's backup procedures because employees are cross trained in various areas to be each other's backups.

Effect:

The situation could provide opportunity for unauthorized or improper transactions to occur without being detected in a timely manner.

Recommendation:

We recommend the City segregate incompatible duties as much as possible.

City's Response:

Management has considered the above material weakness in the City's internal control and management believes the costs required to correct it would outweigh the benefits derived from implementing corrective action. However, the City will continue to evaluate segregation of duties and internal controls and implement new procedures as considered necessary.

**2014-002 (prior year 2013-05)**

**Bond Cash Accounts**

Condition:

The City has not set up a bond sinking fund as required per the bond documents.

Criteria:

The City is required to follow the requirements of their bond documents.

Effect:

Not following these requirements means they are not in compliance.

Recommendation:

We recommend the City set up the required bond sinking fund and fund it appropriately as required by the bond documents.

City's Response:

Management will do as you recommended.