

City of Mexico Beach, Florida

**Annual Financial Statements
September 30, 2018**

Vance CPA LLC
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CITY OF MEXICO BEACH, FLORIDA
SEPTEMBER 30, 2018

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**CITY OF MEXICO BEACH, FLORIDA
SEPTEMBER 30, 2018**

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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, 2018, 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, the schedule of proportionate share of net pension liability and the schedule of pension contributions 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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
October 28, 2019

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 \$23,081,499 (net position). Of this amount, \$2,360,635 is unrestricted net position for governmental activities and \$603,516 is unrestricted net position for business-type activities, \$727,700 is restricted net position for governmental activities and \$1,919,415 is restricted net position for business-type activities.
- Total net position increased by \$938,785. Of this amount, \$188,497 is attributable to governmental activities and \$750,288 is attributable to business-type activities.
- As of September 30, 2018, the general fund's unassigned fund balance was \$3,074,246 or 94% of total general fund expenditures.
- Governmental activities revenues decreased to \$3,041,019 or 47%, while governmental activities expenditures increased to \$2,895,179. Business-type activities revenues increased to \$4,261,404 or 31%, while business-type activities expenditures increased 8% to \$3,300,790.

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, 2018 and 2017. 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	
	2018	2017	2018	2017	2018	2017
Current/other assets	\$ 4,885,186	\$ 4,748,961	\$ 2,905,156	\$ 2,711,290	\$ 7,790,342	\$ 7,460,251
Capital assets	<u>10,458,834</u>	<u>10,400,577</u>	<u>12,427,452</u>	<u>12,480,434</u>	<u>22,886,286</u>	<u>22,881,011</u>
Total assets	<u>15,344,020</u>	<u>15,149,538</u>	<u>15,332,608</u>	<u>15,191,724</u>	<u>30,676,628</u>	<u>30,341,262</u>
Deferred Outflows	<u>669,767</u>	<u>789,058</u>	<u>245,777</u>	<u>307,010</u>	<u>915,544</u>	<u>1,096,068</u>
Current liabilities	125,952	138,674	626,401	730,617	752,353	869,291
Noncurrent liabilities	<u>1,703,339</u>	<u>1,778,843</u>	<u>5,210,619</u>	<u>5,763,547</u>	<u>6,913,958</u>	<u>7,542,390</u>
Total liabilities	<u>1,829,291</u>	<u>1,917,517</u>	<u>5,837,020</u>	<u>6,494,164</u>	<u>7,666,311</u>	<u>8,411,681</u>
Deferred Inflows	<u>804,562</u>	<u>829,642</u>	<u>39,800</u>	<u>53,293</u>	<u>844,362</u>	<u>882,935</u>
Net investment in capital assets	10,291,599	10,169,352	7,178,634	6,690,805	17,470,233	16,860,157
Net Position - restricted	727,700	230,373	1,919,415	1,454,305	2,647,115	1,684,678
Net Position - Unrestricted	<u>2,360,635</u>	<u>2,791,712</u>	<u>603,516</u>	<u>806,167</u>	<u>2,964,151</u>	<u>3,597,879</u>
Total net position	<u>\$ 13,379,934</u>	<u>\$13,191,437</u>	<u>\$ 9,701,565</u>	<u>\$ 8,951,277</u>	<u>\$23,081,499</u>	<u>\$22,142,714</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 76%. 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 1% 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* \$2,964,151 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, 2018 and 2017.

Changes in Net Position						
Year Ended September 30,	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues -						
Charges for services	\$ 195,218	\$ 160,695	\$ 4,264,234	\$ 3,255,568	\$ 4,459,452	\$ 3,416,263
Operating grants/ contributions	76,768	74,410	—	—	76,768	74,410
Capital grants/ contributions	146,710	2,947,967	—	—	146,710	2,947,967
General Revenues -						
Taxes	1,824,736	1,832,089	—	—	1,824,736	1,832,089
Utility taxes/franchise fees	356,044	178,088	—	—	356,044	178,088
Occupational and other taxes	299,471	395,947	—	—	299,471	395,947
Interest	4,137	3,739	—	—	4,137	3,739
Other	<u>21,421</u>	<u>120,119</u>	<u>—</u>	<u>—</u>	<u>21,421</u>	<u>120,119</u>
Total revenues	<u>2,924,505</u>	<u>5,713,054</u>	<u>4,264,234</u>	<u>3,255,568</u>	<u>7,188,739</u>	<u>8,968,622</u>
Expenses						
General government	718,462	556,560	—	—	718,462	556,560
Public safety	760,139	958,016	—	—	760,139	958,016
Highways and streets	369,521	335,166	—	—	369,521	335,166
Economic environment	23,396	414,993	—	—	23,396	414,993
Human services	154,658	141,911	—	—	154,658	141,911
Parks and recreation	541,975	274,195	—	—	541,975	274,195
Physical environment	167,857	201,465	—	—	167,857	201,465
Interest on long-term debt	—	—	—	—	—	—
Water	—	—	1,026,827	979,617	1,026,827	979,617
Sewer	—	—	1,410,248	1,380,202	1,410,248	1,380,202
Sanitation	—	—	679,440	691,624	679,440	691,624
Fire Fund	<u>—</u>	<u>—</u>	<u>397,431</u>	<u>—</u>	<u>397,431</u>	<u>—</u>
Total expenditures	<u>2,736,008</u>	<u>2,882,306</u>	<u>3,513,946</u>	<u>3,051,443</u>	<u>6,249,954</u>	<u>5,933,749</u>
Change in net position	<u>\$ 188,497</u>	<u>\$ 2,830,748</u>	<u>\$ 750,288</u>	<u>\$ 204,125</u>	<u>\$ 938,785</u>	<u>\$ 3,034,873</u>

Governmental activities revenues exceeded expenses by \$188,497 while business-type activities revenues exceeded expenses by \$750,288. Total revenues decreased \$12,788,549 from the previous year. Total expenses decreased \$146,298 from the previous year.

62% of the revenues for governmental activities were generated by taxes, while most of the governmental resources were expended for general government 26%, public safety 28%, parks 20%, and highways and streets 14%.

100% of the revenues for the business-type activities were generated from charges for services while sewer costs made up the majority 39% 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, 2018, total assets were \$4,939,509 and total liabilities were \$103,546. At the end of fiscal year 2016, unassigned fund balance of the general fund was \$3,074,246.

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:

<u>Fund</u>	<u>Unrestricted Net Position</u>	
	<u>2018</u>	<u>2017</u>
<i>September 30,</i>		
Water	\$ 383,460	\$ 311,925
Sewer	144,808	546,601
Sanitation	10,198	(52,359)
Fire Tax	65,050	—
Total	\$ 603,516	\$ 806,167

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.

The *fire tax fund* is used to account for the fire tax assessments.

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, 2018, was \$22,886,286 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

Capital Assets (net of depreciation)

Year Ended September 30,	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 237,111	\$ 237,111	\$ 412,145	\$ 288,191	\$ 649,256	\$ 525,302
Construction in progress	—	—	—	42,146	—	42,146
Buildings	1,455,089	1,495,858	67,766	—	1,522,855	1,495,858
Improvements	8,286,969	8,264,506	11,258,936	11,604,799	19,545,905	19,869,305
Machinery & equipment	<u>479,665</u>	<u>403,102</u>	<u>688,605</u>	<u>491,111</u>	<u>1,168,270</u>	<u>894,213</u>
Total	<u>\$ 10,458,834</u>	<u>\$ 10,400,577</u>	<u>\$ 12,427,452</u>	<u>\$ 12,426,247</u>	<u>\$ 22,886,286</u>	<u>\$ 22,826,824</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, 2018 the City had total bond debt outstanding of \$4,764,373. This debt represents bonds secured solely by specified revenue sources (i.e., revenue and capital improvement bonds).

Outstanding Bond Debt

Year Ended September 30,	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bonds	<u>\$ 167,235</u>	<u>\$ 231,225</u>	<u>\$ 4,597,138</u>	<u>\$ 4,987,023</u>	<u>\$ 4,764,373</u>	<u>\$ 5,218,248</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

On October 10, 2018 the eye of Hurricane Michael, a category 5 hurricane, passed over Mexico Beach, Florida, causing devastating destruction and property damage to buildings and businesses throughout the area. There was minor to substantial structural and water damage to many City owned buildings and infrastructures. At the time of issuance of these financial statements the full impact of the damages and their effects on the City’s financial statements have not been determined.

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.

BASIC FINANCIAL STATEMENTS

CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets,			
Cash and cash equivalents	\$ 3,806,414	\$ 925,964	\$ 4,732,378
Accounts receivable, net	5,716	266,612	272,328
Internal balances	206,835	(206,835)	—
Due from other governmental units	63,926	—	63,926
Fuel inventory	9,249	—	9,249
Prepaid expense	65,346	—	65,346
Total Current Assets (unrestricted)	<u>4,157,486</u>	<u>985,741</u>	<u>5,143,227</u>
Restricted assets : Cash and cash equivalents	<u>727,700</u>	<u>1,919,415</u>	<u>2,647,115</u>
Total Current Assets (restricted)	<u>727,700</u>	<u>1,919,415</u>	<u>2,647,115</u>
Total Current Assets	<u>4,885,186</u>	<u>2,905,156</u>	<u>7,790,342</u>
Noncurrent assets			
Capacity rights	—	54,187	54,187
Capital assets	237,111	357,958	595,069
Nondepreciable	—	—	—
Depreciable, net	<u>10,221,723</u>	<u>12,015,307</u>	<u>22,237,030</u>
Total Noncurrent Assets	<u>10,458,834</u>	<u>12,427,452</u>	<u>22,886,286</u>
Total Assets	<u>15,344,020</u>	<u>15,332,608</u>	<u>30,676,628</u>
DEFERRED OUTLOWS OF RESOURCES			
Employee Pension Contributions	<u>669,767</u>	<u>245,777</u>	<u>915,544</u>
Total Deferred outflows of resources	<u>669,767</u>	<u>245,777</u>	<u>915,544</u>
LIABILITIES			
Current liabilities			
Accounts payable	30,327	23,340	53,667
Payroll liabilities	18,896	16,912	35,808
Accrued interest	—	16,709	16,709
Total Current Liabilities	<u>49,223</u>	<u>56,961</u>	<u>106,184</u>
Noncurrent liabilities			
Due within one year			
Accrued compensated absences	9,832	5,944	15,776
Notes payable within one year	—	155,599	155,599
Bonds payable within one year	66,897	407,897	474,794
Due in more than one year			
Accrued compensated absences	29,494	17,833	47,327
Notes payable after one year	—	496,081	496,081
Bonds payable after one year	100,338	4,189,241	4,289,579
Pension Liability	<u>1,573,507</u>	<u>507,464</u>	<u>2,080,971</u>
Total Noncurrent Liabilities	<u>1,780,068</u>	<u>5,780,059</u>	<u>7,560,127</u>
Total Liabilities	<u>1,829,291</u>	<u>5,837,020</u>	<u>7,666,311</u>
DEFERRED INFLOWS OF RESOURCES			
Insurance proceeds	642,068	—	642,068
Pension earnings	<u>162,494</u>	<u>39,800</u>	<u>202,294</u>
Total Deferred Inflows of resources	<u>804,562</u>	<u>39,800</u>	<u>844,362</u>
NET POSITION			
Net investment in capital assets	10,291,599	7,178,634	17,470,233
Restricted for:			
Bond retirement	—	628,071	628,071
Law enforcement	1,762	—	1,762
Construction	564,656	—	564,656
Impact fees	161,282	1,291,344	1,452,626
Unrestricted	<u>2,360,635</u>	<u>603,516</u>	<u>2,964,151</u>
Total Net position	<u>\$13,379,934</u>	<u>\$ 9,701,565</u>	<u>\$23,081,499</u>

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018**

		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
Primary government							
Governmental activities							
General government	\$ 718,462	\$ 133,063	\$ —	\$ —	\$ (585,399)	\$ —	\$ (585,399)
Public safety	760,139	—	—	—	(760,139)	—	(760,139)
Highways and streets	369,521	—	22,248	—	(347,273)	—	(347,273)
Economic environment	23,396	—	—	—	(23,396)	—	(23,396)
Human services	154,658	—	—	—	(154,658)	—	(154,658)
Parks and recreation	541,975	62,155	54,520	146,710	(278,590)	—	(278,590)
Physical environment	167,857	—	—	—	(167,857)	—	(167,857)
Total governmental activities	<u>2,736,008</u>	<u>195,218</u>	<u>76,768</u>	<u>146,710</u>	<u>(2,317,312)</u>	<u>—</u>	<u>(2,317,312)</u>
Business-Type Activities							
Water	1,026,827	1,254,937	—	—	—	228,110	228,110
Sewer	1,410,248	1,490,477	—	—	—	80,229	80,229
Sanitation	679,440	724,193	—	—	—	44,753	44,753
Fire Fund	397,431	794,627	—	—	—	397,196	397,196
Total business-type activities	<u>3,513,946</u>	<u>4,264,234</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>750,288</u>	<u>750,288</u>
Total Primary Government	<u>\$ 6,249,954</u>	<u>\$4,459,452</u>	<u>\$ 76,768</u>	<u>\$ 146,710</u>	<u>(2,317,312)</u>	<u>750,288</u>	<u>(1,567,024)</u>
General Revenues:							
Taxes:							
Ad valorem					1,824,736	—	1,824,736
Utility					159,603	—	159,603
Local option gas tax					70,863	—	70,863
Occupational and other taxes					8,984	—	8,984
Franchise fees					196,441	—	196,441
Sales tax and other shared revenues					219,624	—	219,624
Miscellaneous					21,421	—	21,421
Interest earnings					4,137	—	4,137
Total General Revenues					<u>2,505,809</u>	<u>—</u>	<u>2,505,809</u>
Changes in Net Position					188,497	750,288	938,785
Net Position – Beginning of Year					<u>13,191,437</u>	<u>8,951,277</u>	<u>22,142,714</u>
Net Position – End of Year					<u>\$ 13,379,934</u>	<u>\$ 9,701,565</u>	<u>\$ 23,081,499</u>

See accompanying notes to the basic financial statements

**CITY OF MEXICO BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2018**

	General Fund
Assets	
Cash and cash equivalents	\$ 3,806,414
Accounts receivable, net	5,716
Fuel inventory	9,249
Due from other funds	261,158
Due from other governments	63,926
Prepaid expenses	65,346
Cash and cash equivalents - restricted	<u>727,700</u>
Total Assets	<u>4,939,509</u>
 Liabilities, Deferred Inflows and Fund Balance	
Liabilities	
Accounts payable	30,327
Accrued expenses	18,896
Due to other funds	<u>54,323</u>
Total Liabilities	<u>103,546</u>
 Deferred Inflows	
Deferred inflows – insurance proceeds	<u>642,068</u>
Deferred Inflows	<u>642,068</u>
 Fund balance	
Nonspendable	
Inventory	9,249
Restricted for:	
Impact fees	161,282
Construction	564,656
Law enforcement	1,762
Committed for:	
Boat ramp maintenance	84,028
Public works	16,650
Canal maintenance	282,022
Unassigned	<u>3,074,246</u>
Total Fund Balance	<u>\$ 4,193,895</u>

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.	10,458,834
Pension liabilities are not due and payable in the current period and therefore, are not reported as liabilities in government funds, nor are related deferred outflows and inflows.	(1,066,234)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(206,561)</u>
Net Position of Governmental Activities	<u>\$13,379,934</u>

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, 2018

	General Fund
Revenues	
Taxes	\$ 2,064,186
Franchise fees	196,441
Licenses and permits	89,514
Intergovernmental	504,117
Fines and forfeitures	2,719
Charges for services	102,985
Rental income	38,404
Miscellaneous revenues	42,653
Total revenues	<u>3,041,019</u>
Expenditures	
Current operating	
General government	689,492
Public safety	712,701
Highways and streets	336,873
Economic environment	32,628
Physical environment	136,355
Human services	157,658
Parks and recreation	315,821
Capital outlay	440,390
Debt service	73,261
Total expenditures	<u>2,895,179</u>
Net change in fund balance	145,840
Fund balance – beginning	<u>4,048,055</u>
Fund balance - ending	<u>\$ 4,193,895</u>

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, 2018**

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

Net change in fund balances – total governmental funds.	\$ 145,840
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 is exceeded by capital outlays in the current period.	(58,257)
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.	19,232
Pension contributions are reported as expenditures in the funds while pension expense is reported in the government-wide statements.	17,692
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>63,990</u>
Change in net position of governmental activities	<u>\$ 188,497</u>

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, 2018

	<u>Budget Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final
	<u>Original</u>	<u>Final</u>		Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,250,535	\$ 2,250,535	\$ 2,064,186	\$ (186,349)
Franchise fees	165,037	165,037	196,441	31,404
License and permits	38,500	38,500	89,514	51,014
Intergovernmental	322,218	322,218	504,117	181,899
Fines	2,000	2,000	2,719	719
Charges for services	92,000	92,000	102,985	10,985
Rental Income	27,000	27,000	38,404	11,404
Miscellaneous revenues	<u>48,225</u>	<u>48,225</u>	<u>42,653</u>	<u>(5,572)</u>
Total revenues	<u>2,945,515</u>	<u>2,945,515</u>	<u>3,041,019</u>	<u>95,504</u>
Expenditures:				
Current				
General government	521,653	690,011	689,492	519
Public safety	922,234	922,234	712,701	209,533
Highways and streets	375,067	375,067	336,873	38,194
Economic environment	—	32,628	32,628	—
Physical environment	229,613	229,613	136,355	93,258
Human services	134,073	159,620	157,658	1,962
Culture and recreation	151,435	318,011	315,821	2,190
Capital outlay	348,000	440,390	440,390	—
Debt service	<u>118,340</u>	<u>118,340</u>	<u>73,261</u>	<u>45,079</u>
Total expenditures	<u>2,800,415</u>	<u>3,285,914</u>	<u>2,895,179</u>	<u>390,735</u>
Net change in fund balance	145,100	(340,399)	145,840	486,239
Fund balance - beginning	<u>4,048,055</u>	<u>4,048,055</u>	<u>4,048,055</u>	<u>—</u>
Fund balance - ending	<u>\$ 4,193,155</u>	<u>\$ 3,707,656</u>	<u>\$ 4,193,895</u>	<u>\$ 486,239</u>

See accompanying notes to the basic financial statements

CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

Business-type Activities/Enterprise Funds					
	Water	Sewer	Sanitation	Fire Fund	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 518,609	\$ 185,500	\$ 149,076	\$ 72,779	\$ 925,964
Accounts receivable (net)	117,163	99,238	50,211	—	266,612
Due from other funds	<u>—</u>	<u>42,982</u>	<u>71,555</u>	<u>—</u>	<u>114,537</u>
Total current assets	<u>635,772</u>	<u>327,720</u>	<u>270,842</u>	<u>72,779</u>	<u>1,307,113</u>
Restricted assets - cash					
Bond and interest sinking	67,931	560,140	—	—	628,071
Impact fees	<u>317,585</u>	<u>973,759</u>	<u>—</u>	<u>—</u>	<u>1,291,344</u>
Total restricted assets - cash	<u>385,516</u>	<u>1,533,899</u>	<u>—</u>	<u>—</u>	<u>1,919,415</u>
Noncurrent assets					
Capacity rights	—	54,187	—	—	54,187
Land	17,765	270,426	—	69,767	357,958
Property, plant, and equipment	11,467,442	7,234,997	559,628	277,413	19,539,480
Less accumulated depreciation	<u>(3,590,493)</u>	<u>(3,623,685)</u>	<u>(294,961)</u>	<u>(15,034)</u>	<u>(7,524,173)</u>
Total noncurrent assets	<u>7,894,714</u>	<u>3,935,925</u>	<u>264,667</u>	<u>332,146</u>	<u>12,427,452</u>
Total assets	<u>8,916,002</u>	<u>\$ 5,797,544</u>	<u>\$ 535,509</u>	<u>\$ 404,925</u>	<u>\$15,653,980</u>
Deferred Outflows of Resources					
Employee pension contributions	<u>72,147</u>	<u>94,211</u>	<u>79,419</u>	<u>—</u>	<u>245,777</u>
Total Deferred Outflows of Resources	<u>\$ 72,147</u>	<u>\$ 94,211</u>	<u>\$ 79,419</u>	<u>\$ —</u>	<u>\$ 245,777</u>

See accompanying notes to the basic financial statements

CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

Business-type Activities/Enterprise Funds					
	Water	Sewer	Sanitation	Fire Fund	Total
Liabilities					
Current liabilities					
Accounts payable	\$ 10,669	\$ 11,001	\$ 345	\$ 1,325	\$ 23,340
Accrued expenses	2,480	6,345	8,087	—	16,912
Accrued compensated absences	3,480	466	1,998	—	5,944
Due to other funds	128,082	61,589	125,297	6,404	321,372
Notes payable, current portion	155,599	—	—	—	155,599
Bonds payable, current portion	186,509	221,388	—	—	407,897
Total current liabilities	<u>486,819</u>	<u>300,789</u>	<u>135,727</u>	<u>7,729</u>	<u>931,064</u>
Current liabilities payable from restricted assets					
Accrued interest	<u>9,756</u>	<u>6,953</u>	<u>—</u>	<u>—</u>	<u>16,709</u>
Total current liabilities payable from restricted assets	<u>9,756</u>	<u>6,953</u>	<u>—</u>	<u>—</u>	<u>16,709</u>
Noncurrent liabilities					
Accrued compensated absences	10,440	1,398	5,995	—	17,833
Notes payable – due after one year	496,081	—	—	—	496,081
Bond payable – due after one year	2,228,516	1,960,725	—	—	4,189,241
Net pension liability	147,957	177,388	182,119	—	507,464
Total noncurrent liabilities	<u>2,882,994</u>	<u>2,139,511</u>	<u>188,114</u>	<u>—</u>	<u>5,210,619</u>
Total Liabilities	<u>3,379,569</u>	<u>2,447,253</u>	<u>323,841</u>	<u>7,729</u>	<u>6,158,392</u>
Deferred inflows of Resources					
Total Deferred Inflows of Resources	<u>11,595</u>	<u>11,983</u>	<u>16,222</u>	<u>—</u>	<u>39,800</u>
	<u>11,595</u>	<u>11,983</u>	<u>16,222</u>	<u>—</u>	<u>39,800</u>
Net Position					
Net investment in capital assets	4,828,009	1,753,812	264,667	332,146	7,178,634
Restricted for					
Bond retirement	67,931	560,140	—	—	628,071
Impact fees	317,585	973,759	—	—	1,291,344
Unrestricted	383,460	144,808	10,198	65,050	603,516
Total Net Position	<u>\$ 5,596,985</u>	<u>\$ 3,432,519</u>	<u>\$ 274,865</u>	<u>\$ 397,196</u>	<u>\$ 9,701,565</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, 2018

Business-type Activities/Enterprise Funds					
	Water	Sewer	Sanitation	Fire Fund	Total
Operating revenues					
Charges for services	\$ 1,136,591	\$ 1,309,006	\$ 704,959	\$ 766,399	\$ 3,916,955
New installations	25,143	18,620	—	—	43,763
Reconnections	7,055	8,648	—	—	15,703
Impact fees	75,644	152,469	—	—	228,113
Other utility income	9,645	—	19,120	28,105	56,780
Total operating revenue	<u>1,254,078</u>	<u>1,488,743</u>	<u>724,079</u>	<u>794,504</u>	<u>4,261,404</u>
Operating expenses					
Personnel services	213,213	251,285	488,348	228,814	1,205,660
Utilities	1,483	442,382	—	715	444,580
Insurance	21,455	18,260	8,936	4,962	53,613
Repairs and maintenance	17,028	100,006	17,807	55,333	190,174
Operating supplies	246,838	246,985	45,242	55,249	594,314
Communication services	2,650	172	606	13,322	16,750
Professional services	17,180	5,000	5,000	—	27,180
Public utility services	41,196	—	—	—	41,196
Tipping fees	—	—	74,662	—	74,662
Rentals	980	—	960	—	1,940
Miscellaneous	58,470	16,026	5,125	—	79,621
Depreciation	<u>307,548</u>	<u>215,762</u>	<u>32,754</u>	<u>15,036</u>	<u>571,100</u>
Total operating expenses	<u>928,041</u>	<u>1,295,878</u>	<u>679,440</u>	<u>397,431</u>	<u>3,300,790</u>
Operating income	<u>326,037</u>	<u>192,865</u>	<u>44,639</u>	<u>397,073</u>	<u>960,614</u>
Nonoperating revenues (expenses)					
Interest income	859	1,734	114	123	2,830
Interest expense	<u>(98,786)</u>	<u>(114,370)</u>	<u>—</u>	<u>—</u>	<u>(213,156)</u>
Total non operating revenues (expenses)	<u>(97,927)</u>	<u>(112,636)</u>	<u>114</u>	<u>123</u>	<u>(210,326)</u>
Change in net position	228,110	80,229	44,753	397,196	750,288
Net position - beginning	<u>5,368,875</u>	<u>3,352,290</u>	<u>230,112</u>	<u>—</u>	<u>8,951,277</u>
Net position - ending	<u>\$ 5,596,985</u>	<u>\$ 3,432,519</u>	<u>\$ 274,865</u>	<u>\$ 397,196</u>	<u>\$ 9,701,565</u>

See accompanying notes to the basic financial statements

CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2018

Business-type Activities/Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Fire Fund</u>	<u>Total</u>
Operating Activities					
Receipts from customers	\$ 1,251,154	\$ 1,486,302	\$ 751,545	\$ 794,504	\$ 4,283,505
Payments to suppliers	(369,052)	(910,855)	(115,798)	(121,854)	(1,517,559)
Payments to personnel	(212,922)	(249,294)	(486,441)	(252,814)	(1,201,471)
Net cash provided by					
Net cash provided					
by operating activities	<u>669,180</u>	<u>326,153</u>	<u>149,306</u>	<u>419,836</u>	<u>1,564,475</u>
Capital and Related					
Financing Activities					
Principal paid bonds	(178,569)	(211,316)	—	—	(389,885)
Principal paid notes & leases	(150,926)	—	—	—	(150,926)
Interest paid bond, notes & leases	(98,786)	(114,370)	—	—	(213,156)
Purchase of capital assets	(57,668)	(98,308)	(14,950)	(347,180)	(518,106)
Net cash used in capital					
and related financing activities	<u>(485,949)</u>	<u>(423,994)</u>	<u>(14,950)</u>	<u>(347,180)</u>	<u>(1,272,073)</u>
Investing Activities					
Interest received	<u>859</u>	<u>1,734</u>	<u>114</u>	<u>123</u>	<u>2,830</u>
Net cash provided by					
investing activities	<u>859</u>	<u>1,734</u>	<u>114</u>	<u>123</u>	<u>2,830</u>
Net change in cash and					
cash equivalents	<u>184,090</u>	<u>(96,107)</u>	<u>134,470</u>	<u>72,779</u>	<u>295,232</u>
Cash and cash equivalents					
- beginning	<u>720,035</u>	<u>1,815,506</u>	<u>14,606</u>	<u>—</u>	<u>2,550,147</u>
Cash and cash equivalents					
- ending	<u>\$ 904,125</u>	<u>\$ 1,719,399</u>	<u>\$ 149,076</u>	<u>\$ 72,779</u>	<u>\$ 2,845,379</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, 2018

Business-type Activities/Enterprise Funds					
	Water	Sewer	Sanitation	Fire Fund	Total
Reconciliation of operating income to net cash provided by operating activities					
Operating Income	\$ 326,037	\$ 192,865	\$ 44,639	\$ 397,073	\$ 960,614
Adjustments to reconcile Operating income to net cash provided by operating activities					
Depreciation	307,548	215,762	32,754	15,036	571,100
(Increase) decrease in assets					
Accounts receivable, net	(2,924)	(2,441)	(2,500)	—	(7,865)
Due from other funds	—	—	6,790	—	6,790
Deferred outflows	17,096	18,655	25,482	—	61,233
(Increase) decrease in liabilities					
Accounts payable	(14,365)	(116,378)	(3,436)	1,325	(132,854)
Accrued expenses	291	1,981	1,907	—	4,179
Due to other funds	32,249	17,897	52,681	6,402	109,229
Deferred inflows	(3,766)	(4,111)	(5,616)	—	(13,493)
Accrued compensated absences	6,180	1,013	(2,152)	—	5,041
Net pension	834	910	(1,243)	—	501
Total adjustments	<u>343,143</u>	<u>133,288</u>	<u>104,667</u>	<u>22,763</u>	<u>603,861</u>
Net cash provided by Operating activities	<u>\$ 669,180</u>	<u>\$ 326,153</u>	<u>\$ 149,306</u>	<u>\$ 419,836</u>	<u>\$ 1,564,475</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.
- The fire tax fund is used to account for the revenues and cost associated with the fire tax assessment.

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, 2018, was 5.45 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, and proprietary funds 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.

Deferred Outflows

Deferred outflows of resources represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The deferred outflows of resources reported in the City's Statement of Net Position represent pension related balances for changes in actuarial assumptions, the net difference between projected and actual earnings on Health Insurance Subsidy differences between the City's contributions and proportionate share of contributions, and the City's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as increases in pension expense in future years.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Subsequent events

The City evaluated subsequent events through October 28, 2019, the date which the financial statements were available to be issued.

On October 10, 2018 the eye of Hurricane Michael, a category 5 hurricane, passed over Bay County, Florida, causing devastating destruction and property damage to buildings and businesses throughout the area. There was minor to substantial structural and water damage to many City owned buildings and infrastructures. At the time of issuance of these financial statements the full impact of the damages and their effects on the City's financial statements have not been determined.

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	\$13,631,482
Less: accumulated depreciation	<u>(3,172,648)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$10,458,834</u>

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

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

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	\$ 167,235
Compensated absences	<u>39,326</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ 206,561</u>

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	\$ 440,390
Depreciation expense	<u>(382,133)</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>\$ 58,257</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>19,232</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>\$ 19,232</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	\$ 63,990
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>\$ 63,990</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, 2018

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

NOTE 3 - CASH AND INVESTMENTS (continued)

Interest Rate Risk

At September 30, 2018, 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, 2018, 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, 2018, the City did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

As September 30, 2018, 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, 2018, accounts receivable in the governmental funds are summarized as follows:

Total accounts receivable	\$	5,716
Less: allowance for doubtful accounts		—
Net accounts receivable	\$	5,716

At September 30, 2018, accounts receivable in the proprietary funds are summarized as follows:

Accounts receivable	\$	266,612
Less: allowance for doubtful accounts		—
Net accounts receivable	\$	266,612

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

NOTE 6- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

	<u>September 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2018</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 237,111	\$ —	\$ —	\$ 237,111
Total capital assets, not being depreciated	<u>237,111</u>	<u>—</u>	<u>—</u>	<u>237,111</u>
Capital assets being depreciated:				
Buildings	1,738,829	—	—	1,738,829
Improvements	9,153,710	259,124	—	9,412,834
Machinery and equipment	<u>2,061,442</u>	<u>181,266</u>	<u>—</u>	<u>2,242,708</u>
Total capital assets being depreciated	<u>12,953,981</u>	<u>440,390</u>	<u>—</u>	<u>13,394,371</u>
Less accumulated depreciation for:				
Buildings	(242,971)	(40,769)	—	(283,740)
Improvements	(889,204)	(236,661)	—	(1,125,865)
Machinery and equipment	<u>(1,658,340)</u>	<u>(104,703)</u>	<u>—</u>	<u>(1,763,043)</u>
Total accumulated depreciation	<u>(2,790,515)</u>	<u>(382,133)</u>	<u>—</u>	<u>(3,172,648)</u>
Capital assets, being depreciated (net of accumulated depreciation)	<u>10,163,466</u>	<u>58,257</u>	<u>—</u>	<u>10,221,723</u>
Total Governmental activities, capital assets, (net of accumulated depreciation)	<u>\$ 10,400,577</u>	<u>\$ 58,257</u>	<u>\$ —</u>	<u>\$ 10,458,834</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 288,191	\$ 69,767	\$ —	\$ 357,958
Construction in progress	<u>42,146</u>	<u>—</u>	<u>(42,146)</u>	<u>—</u>
Total capital assets, not being depreciated	<u>330,337</u>	<u>69,767</u>	<u>(42,146)</u>	<u>357,958</u>
Capital assets being depreciated:				
Buildings	10,606	67,766	—	78,372
Improvements	17,841,958	155,985	—	17,997,943
Machinery and equipment	<u>1,196,596</u>	<u>266,569</u>	<u>—</u>	<u>1,463,165</u>
Total capital assets being depreciated	<u>19,049,160</u>	<u>490,320</u>	<u>—</u>	<u>19,539,480</u>
Less accumulated depreciation				
Buildings	(10,606)	—	—	(10,606)
Improvements	(6,237,159)	(476,056)	—	(6,713,215)
Machinery and equipment	<u>(705,309)</u>	<u>(95,044)</u>	<u>—</u>	<u>(800,353)</u>
Total accumulated depreciation	<u>(6,953,074)</u>	<u>(571,100)</u>	<u>—</u>	<u>(7,524,174)</u>
Total capital assets being depreciated, net	<u>12,096,086</u>	<u>(80,780)</u>	<u>—</u>	<u>12,015,306</u>
Total business-type activities', capital assets, (net of accumulated depreciation)	<u>\$ 12,426,423</u>	<u>\$ (11,013)</u>	<u>\$ (42,146)</u>	<u>\$ 12,373,265</u>

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

NOTE 6 - CAPITAL ASSETS (continued)

	<u>Sanitation Fund</u>	<u>Fire Protection</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Land	\$ 69,767	\$ —	\$ 270,426	\$ 17,765	\$ 357,958
Construction in progress	—	—	—	42,146	42,146
Buildings	—	67,766	—	10,606	78,372
Improvements	—	—	7,065,842	10,932,101	17,997,943
Machinery and equipment	<u>559,627</u>	<u>277,413</u>	<u>169,156</u>	<u>482,762</u>	<u>1,488,958</u>
Total	<u>629,394</u>	<u>345,179</u>	<u>7,505,424</u>	<u>11,485,380</u>	<u>19,895,610</u>
Less accumulated depreciation					
Buildings	—	—	—	(10,606)	(10,606)
Improvements	—	—	(3,569,061)	(3,144,154)	(6,713,215)
Machinery and equipment	<u>(296,207)</u>	<u>(15,034)</u>	<u>(54,624)</u>	<u>(434,488)</u>	<u>(800,353)</u>
Total accumulated depreciation	<u>(296,207)</u>	<u>(15,034)</u>	<u>(3,623,685)</u>	<u>(3,589,248)</u>	<u>(7,524,174)</u>
Total business-type activities', Capital assets, (net of accumulated depreciation)	<u>\$ 263,420</u>	<u>\$ 330,145</u>	<u>\$ 3,881,739</u>	<u>\$ 7,896,132</u>	<u>\$ 12,373,265</u>

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

General government	\$ 25,699
Public safety	58,130
Highways and streets	36,648
Physical environment	33,502
Parks and recreation	<u>228,154</u>
Total depreciation expense-governmental activities	<u>\$ 382,133</u>

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

Water	\$ 306,303
Sewer	215,763
Sanitation	34,000
Fire Protection	<u>15,034</u>
Total depreciation expense-business-type activities	<u>\$ 571,100</u>

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

NOTE 7- LONG - TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term obligations and debt at September 30, 2018, are as follows:

	Balance September 30, 2017	Additions	Deductions	Balance September 30, 2018	Due Within One Year
Bonds Payable					
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).	174,814	—	(47,820)	126,994	49,993
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).	56,411	—	(16,170)	40,241	16,904
Total bonds payable	231,225	—	(63,990)	167,235	66,897
Liability for compensated absences	58,558	—	(19,232)	39,326	9,837
Total governmental activities					
Long-term obligations	\$ 289,783	\$ —	\$ (83,222)	\$ 206,561	\$ 76,729

Debt service requirements to maturity for the governmental funds at September 30, 2018 are as follows:

Year Ending September 30,	Governmental Funds		
	Principal	Interest	Total
2019	66,897	6,363	73,260
2020	69,936	3,324	73,260
2021	30,402	477	30,879
Total	\$ 167,235	\$ 10,164	\$ 177,399

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

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

	Original Issue	Balance September 30, 2017	Additions	Reduction	Balance September 30, 2018	Due Within One Year
2013 USDA Bonds See (D) below.	\$ 2,153,000	\$ 2,063,000	\$ —	\$ (32,000)	\$ 2,031,000	\$ 33,000
2009 Utility System Refunding Bonds. See (B) below.	2,490,000	853,502	—	(233,475)	620,027	244,082
2009 Capital Improvement Bonds. See (C) below.	830,001	275,421	—	(78,373)	197,048	82,532
4.875% Sewer System Junior Lien Revenue Bonds, Series 2000, to improve sewer system. See (A) below.	2,303,100	1,795,100	—	(46,037)	1,749,063	48,283
Total bonds payable business-type activities		\$ 4,987,023	\$ —	\$ (389,885)	\$ 4,597,138	\$ 407,897

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, 2018.

Year Ending September 30,	Principal	Interest	Total
2019	\$ 407,897	\$ 172,333	\$ 580,230
2020	426,092	154,230	580,322
2021	236,546	136,924	373,470
2022	91,701	131,039	222,740
2023	95,419	127,330	222,749
2024-2028	546,741	574,853	1,121,594
2029-2033	674,584	453,190	1,127,774
2034-2038	833,861	301,779	1,135,640
2039-2043	513,297	145,508	658,805
2044-2048	399,000	84,813	483,813
2049-2052	372,000	26,170	398,170
Total	<u>\$ 4,597,138</u>	<u>\$ 2,308,169</u>	<u>\$ 6,905,307</u>

Notes Payable

	Balance September 30, 2017	Additions	Deductions	Balance September 30, 2018	Due Within One Year
Florida Department of Environmental Protection state revolving fund loan. Repayable over 20 years upon completion of water system improvements. See (A) below.	\$ 802,606	\$ —	\$ (150,926)	\$ 651,680	\$ 155,599
Total notes payable					
Enterprise -	<u>\$ 802,606</u>	<u>\$ —</u>	<u>\$ (150,926)</u>	<u>\$ 651,680</u>	<u>\$ 155,599</u>

**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, 2018 are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 155,599	\$ 18,831	\$ 174,430
2020	160,414	14,015	174,429
2021	165,379	9,050	174,429
2022	170,288	3,931	174,219
Total	<u>\$ 651,680</u>	<u>\$ 45,827</u>	<u>\$ 697,507</u>

Compensated absences

	Balance September 30, 2017	Additions	Deductions	Balance September 30, 2018	Due Within One Year
Liability for compensated absences	\$ 14,432	\$ 9,345	\$ —	\$ 23,777	\$ 5,944

NOTE 9 – FUND EQUITY

Net Asset Restrictions

The government-wide statement of net position for governmental activities reports \$727,700 of restricted net position, all of which is restricted by enabling legislation. Business-type activities reports \$1,919,415 of restricted net position, of which, \$1,291,344 is restricted by enabling legislation.

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

NOTE 9 – FUND EQUITY (continued)

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:

Funds	Purpose	Amount
General fund	Impact fees	\$ 161,282
General fund	Law enforcement	1,762
General fund	Construction	564,656
Water fund	Debt service	67,931
Water fund	Impact fees	317,585
Sewer fund	Debt service	560,140
Sewer fund	Impact fees	973,759
<u>Total restricted fund equity</u>		<u>\$ 2,647,115</u>

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.

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

NOTE 11- PENSION PLAN

A. Florida Retirement System

Plan Description – The County contributes to the Florida Retirement System (the FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The FRS provides retirement, disability or death benefits to retirees or their designated beneficiaries along with an annual cost-of-living adjustment. Employees are classified in either the regular service class or the senior management service class.

The Florida Legislature created the Florida Retirement Investment Plan (the “investment Plan”), a defined contribution plan qualified under Section 401 (a) of the Internal Revenue Code. The Investment Plan is administered by the Department of Management Services and is an alternative available to members of the Florida Retirement System in lieu of participation in the defined benefit retirement plan (“the Pension Plan”). If the Investment Plan is elected, active membership in the Pension Plan is terminated. Eligible members of the Investment Plan are vested at one year of service and receive a contribution in an investment product with a third party administrator selected by the State Board of Administration.

Chapter 121, *Florida Statutes*, establishes the authority for benefit provisions and contribution requirements. Changes to the law can only occur through an act of the Florida Legislature. There are uniform contribution rates as discussed on the following page that cover both the defined benefit and defined contribution plans. Information for the required employer contributions made to the Investment Plan were unavailable from FRS.

Additional Financial and Actuarial Information – Additional audited financial information supporting the Schedules of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the Florida Comprehensive Annual Financial Report (CAFR) and in the Florida Retirement System Pension Plan, and Other State-Administered Systems CAFR.

See <http://www.myfloridacfo.com/Division/AA/Reports/default.htm> for an available copy of the Florida CAFR online.

The FRS CAFR and actuarial valuation reports as of July 1, 2018 are available online at http://ww.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports.

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

NOTE 11- PENSION PLAN (continued)

Reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services
Division of Retirement
Bureau of Research and Member Communications
P O Box 9000
Tallahassee, Florida 32315-900
850-488-4706 or toll free at 877-377-1737

Funding Policy – Prior to July 1, 2011, the FRS was employee noncontributory. Beginning July 1, 2011, employees who are not participating in the Deferred Retirement Option Plan (DROP) are required to contribute 3% of their salary to the FRS. The County is required to contribute at an actuarially-determined rate.

The FRS relies upon contributions from employees and employers, along with investment income, to meet the funding requirements of an actuarially determined accrued liability. As of July 1, 2018, the date of the latest valuation, the FRS funded ratio was 86.50% on the valuation funding basis and 89.70% on a Market Value of Assets basis.

The County also participates in the Retiree Health Insurance Subsidy (HIS) Program, a cost sharing, multiple-employer defined benefit pension plan established under Section 112.363, *Florida Statutes*. The benefit is a monthly cash payment to assist retirees of state-administered retirement systems in paying their health insurance costs.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (“DROP”). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a Florida Retirement System employer for a period not to exceed 60 months after electing to participate. DROP benefits are held in the FRS Trust Fund and accrue interest.

The HIS Program is funded by required contributions from FRS participating employers as set by the State Legislature. Employer contributions are a percentage of gross compensation for all active FRS employees and are reported by employers with monthly payroll reports and included with the amount submitted for retirement contributions. For the fiscal year ended September 30, 2018, the contribution rate was 1.66% of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions required for the years ended September 30, 2018, 2017, and 2016 were \$222,075, \$210,118 and \$172,088, respectively, which is equal to 100% of the required contribution for each year.

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

NOTE 11- PENSION PLAN (continued)

Contributions

The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The City's contribution rates as of September 30, 2018 were as follows:

	<u>FRS</u>	<u>HIS</u>
Regular Class	6.20%	1.66%
Special Risk Class	21.55%	1.66%
Senior Management Service Class	20.99%	1.66%
Elected Officials	43.78%	1.66%
DROP	11.60%	1.66%

Net Pension Liability – At September 30, 2018, the City reported for its share of the FRS and HIS plans the amount for the net pension liability as shown below:

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
June 30, 2018	\$1,605,902	\$ 475,069	\$2,080,971
June 30, 2017	\$1,568,038	\$ 504,666	\$2,072,704

The net pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2018 and July 1, 2017 for the net pension liability as of June 30, 2018 and 2017, respectively.

At September 30, 2018, the City reported for its proportionate share of the employer portion for the FRS and HIS net pension liability the percentages below:

	<u>FRS</u>	<u>HIS</u>
June 30, 2018	0.005331589%	0.004719828%
June 30, 2017	0.005299310%	0.004512518%
Increase in Share for 2018	0.000032279%	0.000231320%

The City's proportionate share of the net pension liability was based on the City's 2017-2018 fiscal year contributions relative to the 2017-2018 fiscal year contributions of all participating members of FRS.

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

NOTE 11- PENSION PLAN (continued)

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2018, was determined by an actuarial valuation dated July 1, 2018, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.0%	N/A
Discount rate	7.0%	3.87%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions used in the valuation dated July 1, 2018 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2018:

FRS: The long-term expected rate of return was decreased from 7.1% to 7.0%, and the active member mortality assumption was updated.

HIS: The municipal rate used to determine total pension liability was increased from 3.58% to 3.87%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>
Cash	1.00%	2.9%	2.9%
Fixed Income	18.00%	4.4%	4.3%
Global Equity	54.00%	7.6%	6.3%
Real Estate (Property)	11.00%	6.6%	6.0%
Private Equity	10.00%	10.7%	7.8%
Strategic Investments	6.00%	6.0%	5.7%
Total	<u>100.00%</u>		

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

NOTE 11- PENSION PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.0%. FRS fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.87% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis – the tables below represent the sensitivity of the net pension liability to changes in the discount rate for Port St. Joe, Florida. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate shows as 1.00% higher or 1.00% lower than the current discounted rate at June 30, 2018.

FRS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase
6.0%	7.0%	8.0%
\$2,854,362	\$ 1,605,902	\$ 516,585
HIS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase
2.87%	3.87%	4.87%
\$ 575,890	\$ 475,069	\$ 445,340

Pension Expense and Deferred Outflows (Inflows) of Resources – In accordance with GASB 68, paragraph 71, changes in the net pension liability are recognized as pension expense in the current measurement period with the following exceptions shown below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or inflows of resources using rational method over a time period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Changes of Assumptions or other inputs which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Differences between expected and actual earnings on pension plan investments are amortized over five years.

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

NOTE 11- PENSION PLAN (continued)

For the fiscal year ended September 30, 2018, the County recognized pension expense of \$193,911 for the FRS plan. In addition the County reported deferred outflows of resources and deferred inflows of resources relate to pensions from the following sources:

Description	Deferred Outflows of Resources for the FRS Plan	Deferred Inflows of Resources for the FRS Plan
Differences between expected and actual experience	\$ 136,044	\$ 4,938
Change of assumptions	524,731	—
Net difference between projected and actual earnings on FRS Plan investments	—	124,076
Changes in proportion and differences between City FRS Plan contributions and proportionate share of contributions	96,068	2,066
City FRS Plan contributions subsequent to the measurement date	<u>54,598</u>	<u>—</u>
Total	<u>\$ 811,441</u>	<u>\$ 131,080</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Reporting Period Ending June 30	FRS Expense
2019	\$ 206,027
2020	140,605
2021	19,604
2022	93,624
2023	62,603
Thereafter	9,299

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

NOTE 11- PENSION PLAN (continued)

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$28,164 for the HIS plan. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources for the HIS Plan	Deferred Inflows of Resources for the HIS Plan
Differences between expected and actual experience	\$ 7,273	\$ 807
Change of assumptions	52,834	50,228
Net difference between projected and actual earnings on HIS Plan investments	287	—
Changes in proportion and differences between City HIS Plan contributions and proportionate share of contributions	36,414	20,179
City HIS Plan contributions subsequent to the measurement date	<u>7,292</u>	<u>—</u>
Total	<u>\$ 104,100</u>	<u>\$ 71,214</u>

Other amounts reported by the County as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Reporting Period Ending June 30	FRS Expense
2019	\$ 6,873
2020	6,847
2021	4,797
2022	1,077
2023	(6,688)
Thereafter	(3,066)

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

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, 2018.

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.

NOTE 14- INTERLOCAL AGREEMENT

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.

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

NOTE 15- PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

The following standards have been issued that may have an effect on the City but management has not yet determined the effect these statements will have on the City's financial statements.

GASB Statement No. 84, *Fiduciary Activities*, was issued with the objective of improving guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, was issued with the objective to improvement the information that is disclosed in the notes to government financial statements related to debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, was issued to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simply accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, was issued to improvement to consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MEXICO BEACH, FLORIDA
PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last Ten Years*
SEPTEMBER 30, 2018

Florida Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Mexico Beach, Florida's proportion of the net pension liability	0.005331589%	0.0052993106%	0.004719828%	0.004740202%
Mexico Beach, Florida's proportionate share of the net pension liability	\$ 1,605,902	\$ 1,567,500	\$ 1,191,760	\$ 612,261
Mexico Beach, Florida's covered-employee payroll	\$ 1,577,433	\$ 1,397,900	\$ 1,427,727	\$ 1,194,506
Mexico Beach, Florida's proportionate share of the net pension liability as a percentage of its covered-employee payroll	101.80%	112.13%	83.47%	51.26%
Plan fiduciary net position as a percentage of the total pension liability	0.053%	0.083%	0.084%	0.092%

Health Insurance Subsidy Programs

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Mexico Beach, Florida's proportion of the net pension liability	0.004719828%	0.004719828%	0.004512518%	0.004841030%
Mexico Beach, Florida's proportionate share of the net pension liability	\$ 475,069	\$ 504,666	\$ 525,915	\$ 442,717
Mexico Beach, Florida's covered-employee payroll	\$ 1,577,433	\$ 1,397,900	\$ 1,427,729	\$ 1,194,506
Mexico Beach, Florida's proportionate share of the net pension liability as a percentage of its covered-employee payroll	30.12%	36.10%	36.84%	37.06%
Plan fiduciary net position as a percentage of the total pension liability	0.053%	0.083%	0.084%	0.092%

Notes to schedules:

*The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year

*GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

**Covered employee payroll includes defined benefit plan actives, investment plan members, and members in DROP for the measurement period ending June 30, 2018.

CITY OF MEXICO BEACH, FLORIDA
SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*
SEPTEMBER 30, 2018

Florida Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 193,911	\$ 174,888	\$ 158,839	\$ 146,644
Contributions in relation to the				
Contractually required contribution	<u>(193,911)</u>	<u>(174,888)</u>	<u>(158,839)</u>	<u>(146,644)</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
 Mexico Beach, Florida's				
Covered -employee payroll	\$ 1,577,433	\$ 1,397,900	\$ 1,427,727	\$ 1,194,506
 Contribution as a percentage of				
covered-employee payroll	12.29%	12.51%	11.13%	12.28%

Health Insurance Subsidy Programs

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 28,164	\$ 31,580	\$ 33,408	\$ 24,398
Contributions in relation to the				
contractually required contribution	<u>(28,164)</u>	<u>(31,580)</u>	<u>(33,408)</u>	<u>(24,398)</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
 Mexico Beach Florida's				
covered-employee payroll	\$ 1,577,433	\$ 1,397,900	\$ 1,427,727	\$ 1,194,506
 Contribution as a percentage of				
covered-employee payroll	1.79%	2.26%	2.34%	2.04%

Notes to schedules:

*Covered employee payroll includes defined benefit plan actives, investment plan members, and members in DROP for the fiscal year ended September 30, 2018.

*The amounts presented for each fiscal year were determined as of 6/30 except for the covered payroll determined as of 9/30. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

COMPLIANCE SECTION

Vance CPA LLC

Certified Public Accountant

219-B Avenue E • Apalachicola, FL 32320
Phone (706)278-1221 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, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants 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, 2018.

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
October 28, 2019

Vance CPA LLC

Certified Public Accountant

219-B Avenue E • Apalachicola, FL 32320
Phone (706) 278-1221 Fax (866)-406-7422

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, 2018, and have issued our report thereon dated October 28, 2019.

Auditor's Responsibility

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

Other 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; 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 October 28, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No prior year findings existed.

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., and 10.556(7), 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.b. 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.

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
October 28, 2019

Vance CPA LLC

Certified Public Accountant

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

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, and each major fund, of the City of Mexico Beach, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Mexico Beach, Florida's basic financial statements, and have issued our report thereon dated October 28, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Vance CPA LLC

Vance CPA LLC
October 28, 2019