

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**CITY OF ST. AUGUSTINE BEACH, FLORIDA  
TABLE OF CONTENTS  
SEPTEMBER 30, 2018**

	<u><b>Page Number(s)</b></u>
<b>FINANCIAL SECTION</b>	
<b>Independent Auditors' Report</b>	1 - 3
<b>Management's Discussion and Analysis</b>	4 - 8
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet—Governmental Funds	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15 - 34
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	35
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Road and Bridge Fund	36
Schedule of Proportionate Share of Net Pension Liability – FRS/HIS	37
Schedule of Contributions – FRS/HIS	38
Schedule of Changes in Total OPEB Liability and Related Ratios	39
Notes to Required Supplementary Information	40 - 41
<b>COMPLIANCE AND OTHER REPORTS</b>	
<b>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	42 - 43
<b>Independent Auditors' Management Letter Required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General</b>	44 – 45
<b>Independent Accountants' Examination Report</b>	46
<b>Independent Auditors' Report on Compliance for Each Major State Project and on Internal Control Over Compliance in Accordance with Chapter 10.550, Rules of the Auditor General</b>	47 - 48
<b>Schedule of Expenditures of State Financial Assistance</b>	49
<b>Notes to the Schedule of Expenditures of State Financial Assistance</b>	50
<b>Schedule of Findings and Questioned Costs</b>	51
<b>Management's Response to Findings</b>	52

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission, and City Manager,  
City of St. Augustine Beach, Florida:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of St. Augustine 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***

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

### ***Auditors' 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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Change in Accounting Principle***

As discussed in Note (10)(B) to the financial statements, in 2018 the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effects of these standards have also been applied to the financial statements as of and for the year ended September 30, 2017. See Note (16) for the effect of GASB 75 on beginning net position. Our opinion is not modified with respect to this matter.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

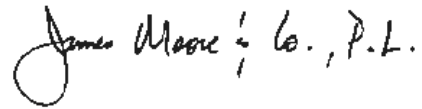
### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by Section 215.97, Florida Statutes, *Florida Single Audit Act*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive, flowing style.

Daytona Beach, Florida  
April 29, 2019

**CITY OF ST. AUGUSTINE BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

As management of the City of St. Augustine Beach (the City), we offer readers of the City of St. Augustine Beach's financial statements this narrative overview and analysis of the finance activities of the City of St. Augustine Beach for the fiscal year ended September 30, 2018.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$20,346,457 (net position). The governments' total net position increased by \$1,049,859.
- As of the close of the current fiscal year, the City of St. Augustine Beach's governmental funds reported a combined ending fund balance of \$4,568,794 an increase of \$1,226,259. The unassigned General Fund balance available for spending at the City's discretion is \$1,044,198.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide Financial Statements**

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

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, physical environment (solid waste), human services, transportation, and culture recreation. The City currently does not have any functions that would be classified as business-type activities.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of St. Augustine Beach, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial

**CITY OF ST. AUGUSTINE BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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

The City maintains three major governmental funds as well as smaller project-related funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, road and bridge fund, debt service fund, and other government funds.

The City of St. Augustine Beach adopts annual appropriated budgets for all funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of St. Augustine Beach, assets exceeded liabilities by \$20,346,457 or a 5% increase at the close of the most recent fiscal year. The following table reflects the condensed statement of net position for the current and prior years. For a more detail see the Statement of Net Position on page 7.

#### **Net Position**

	<b>2018</b>	<b>2017</b>
Current and Other Assets	\$ 4,792,090	\$ 3,762,904
Capital Assets	28,917,483	29,091,864
Total Assets	33,709,573	32,854,768
Deferred Outflows of Resources	2,252,951	2,414,884
Long-term Liabilities Outstanding	14,814,227	14,543,750
Other Liabilities	347,443	1,147,214
Total Liabilities	15,161,670	15,690,964
Deferred Inflows of Resources	454,397	203,325
Net Position:		
Net Investment in Capital Assets	20,069,085	19,695,713
Restricted	1,391,114	1,084,233
Unrestricted	(1,113,742)	(1,404,583)
Total Net Position	\$ 20,346,457	\$ 19,375,363

At the end of the current fiscal year, the government's liabilities decreased by \$529,294 or 3.4% which can be attributed to a decrease in current liabilities such as Accounts Payable and Accrued Liabilities \$799,771 which was offset by other increased long-term liabilities such as Other Post-Employment Benefits (OPEB)

**CITY OF ST. AUGUSTINE BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

Liability other than retirement of \$177,854 which was due to a restatement of the beginning balance due to the implementation of GASB Statement No. 75.

Ninety-nine percent (99%) of the City's net position reflect its investment in capital assets (e.g. land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of St. Augustine Beach's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of St. Augustine Beach's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of Net Position is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of St. Augustine Beach is able to report positive balances in all categories of net position except for Unrestricted which is due to the City's net pension liability being elected on the statements.

The government's net position increased by \$1,049,859 in the current fiscal year. This mainly attributed to receiving a \$1.5 million grant from the Florida Communities Trust. The following table reflects the condensed Statement of Activities for the current and prior years. See page 8 for more detail.

**Changes in Net Position**

	<u>2018</u>	<u>2017</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 768,381	\$ 727,738
Operating Grants and Contributions	1,803,385	488,128
Capital Grants and Contributions	119,142	-
General Revenues:		
Property Taxes	3,287,763	2,996,792
Other Taxes	2,419,716	2,294,006
Other	53,521	92,005
Total Revenues	<u>8,451,908</u>	<u>6,598,669</u>
Expenses:		
General Government	1,937,323	1,796,050
Public Safety	2,849,666	2,850,904
Physical Environment	1,253,746	1,285,020
Transportation	948,624	892,324
Economic Environment	-	5,250
Human Services	53	49
Culture and Recreation	128,634	148,360
Interest on Long-term Debt	284,003	328,268
Total Expenses	<u>7,402,049</u>	<u>7,306,225</u>
Change in Net Position	<u>1,049,859</u>	<u>(707,556)</u>
Net Position - October 1	19,296,598	20,082,919
Net Position - September 30	<u>\$ 20,346,457</u>	<u>\$ 19,375,363</u>



**CITY OF ST. AUGUSTINE BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

**Financial Analysis of the Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of St. Augustine Beach's financing requirements. Unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of September 30, 2018, fund balances were \$4,568,794, an increase of \$1,226,259 in comparison with the prior year. This includes \$1,044,198 in Unassigned Fund Balance for the General Fund which would be available for spending at the City's discretion, however, the Road & Bridge Fund and Capital Projects fund have a negative fund balance which the General Fund will have to subsidize in the next reporting period.

The General Fund's fund balance increased by \$1,158,489 from \$2,131,701 to \$3,290,190. Revenues were higher than budgeted amounts and expenditures were less than budgeted amounts. The City received \$1.5 million dollars in a grant from the Florida Communities Trust for the prior purchase of the additional 4.5 acres of Ocean Hammock Park which contributed to the increase in the excess of revenues over expenditures.

The Road and Bridge fund balance decreased by \$124,002, from \$(280,773) to \$(404,775). Revenues were less than budgeted amounts and expenditures were less than budgeted amounts although expenditures from this fund included temporary repairs to a weir that was damaged due to Hurricane Irma. The City expects reimbursement from FEMA for the repairs to the temporary weir which will aid in restoring the fund balance.

The Debt Service Fund has a fund balance of \$1,700,125. This is an increase of \$348,543 in comparison with the prior year. The revenues are generated from voted debt millage of 0.5 mills and also transfers from General Fund per the requirement to budget and appropriate funds for the 2016A, 2016B and 2016D revenue bonds. The voted debt millage is set to sunset in 2028 at which time a portion of the fund balance will satisfy the remaining debt service payments for 2009 and 2016C revenue bonds

**Budgetary Highlights**

The City continues monitoring the status of intergovernmental revenues during the first quarter of the fiscal year. As is typical, the budget is reevaluated at the six-month mark and adjusted where necessary.

General Fund

A comparison of the budget versus actual for the General Fund can be found on page 33. The City received a grant from the Florida Communities Trust in the amount of \$1.5 million which reimbursed the general fund for the initial payment made to the Trust for Public Lands which acquired the remaining 4.5 acres of the property Ocean Hammock Park. Additionally, the City had to adjust overtime wages and other expenditure line items such as solid waste disposal to appropriate additional funds for the cleanup in the aftermath of Hurricane Irma. Though some reimbursement from the Federal Emergency Management Agency (FEMA), more is anticipated in future periods. As of the September 30, 2018, the City received more than the overall budgeted amount for revenues and spent less than the budgeted amounts for expenditures.

Road and Bridge Fund

A comparison of the budget versus actual for the Road and Bridge Fund can be found on page 34. The City received less than the overall budgeted amount for revenues which is related to the decline in impact fees

**CITY OF ST. AUGUSTINE BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

collected. The Ridge subdivision, which is the newest subdivision in the City began construction later in the fiscal year than anticipated which delayed the collection of road impact fees. As of September 30, 2018, the City spent less than the budgeted amounts for expenditures in the Road and Bridge Fund.

**Capital Assets**

The City's investment in capital assets as of September 30, 2018, amounts to \$28,917,483 (net of accumulated depreciation). See Note 6 for details. Capital assets include land, buildings and improvements, machinery and equipment, and infrastructure. The total decrease in the City's investment in capital assets net of depreciation for the current fiscal year was 0.60%.

**Debt Administration**

The City decreased its bond and loan payables during the current fiscal year by \$519,037, which is a decrease of 5.34% percent. See Note 8 for details.

**Economic Factors**

We are not currently aware of any conditions that are expected to have a significant effect on the City's financial position or results of operations.

**Request for Information**

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Chief Financial Officer, 2200 A1A South, St. Augustine Beach, Florida 32080.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,298,135
Investments	417,697
Receivables, net	202,473
Due from other governments	1,795,518
Inventories	3,959
Prepays	74,308
Capital assets:	
Non-depreciable capital assets	14,548,123
Other capital assets, net of depreciation	14,369,360
Total assets	<u>33,709,573</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>2,252,951</u>
<b>LIABILITIES</b>	
Accounts payable	195,691
Accrued payroll and employee benefits	23,385
Customer deposits	300
Due to other governments	3,920
Accrued interest payable	124,147
Noncurrent liabilities:	
Due within one year:	
Bonds and notes payable	481,046
Capital leases	72,458
Compensated absences	53,242
Due in more than one year:	
Bonds and notes payable	8,166,254
Capital leases	128,640
Compensated absences	301,709
Total OPEB liability	660,692
Net pension liability	4,950,186
Total liabilities	<u>15,161,670</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>454,397</u>
<b>NET POSITION</b>	
Net investment in capital assets	20,069,085
Restricted for:	
Impact fees	658,119
Police department - communications	22,699
Law enforcement - forfeiture and seizure	5,589
Building department	401,315
Debt service	303,392
Unrestricted	(1,113,742)
Total net position	<u><u>\$ 20,346,457</u></u>

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 1,937,323	\$ 71,081	\$ -	\$ 12,215	\$ (1,854,027)
Public safety	2,849,666	338,557	-	2,723	(2,508,386)
Physical environment	1,253,746	331,248	206,426	-	(716,072)
Human services	53	180	-	-	127
Transportation	948,624	22,094	20,000	100,777	(805,753)
Culture and recreation	128,634	5,221	1,576,959	3,427	1,456,973
Interest on long-term debt	284,003	-	-	-	(284,003)
Total governmental activities	<u>\$ 7,402,049</u>	<u>\$ 768,381</u>	<u>\$ 1,803,385</u>	<u>\$ 119,142</u>	<u>(4,711,141)</u>
General revenues:					
Property taxes					3,287,763
Sales and use taxes					1,139,347
Franchise and utility taxes					434,707
Public service taxes					644,526
Other taxes and fees					201,136
Investment earnings (loss)					24,274
Miscellaneous revenues					21,148
Gain on sale of asset					8,099
Total general revenues					<u>5,761,000</u>
Change in net position					1,049,859
Net position - beginning, as restated					19,296,598
Net position - ending					<u>\$ 20,346,457</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2018**

	<b>General Fund</b>	<b>Road and Bridge</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 544,676	\$ 53,471	\$ 1,272,449	\$ -	\$ 1,870,596
Cash with fiscal agent	-	-	427,539	-	427,539
Investments	410,364	7,333	-	-	417,697
Receivables, net	202,473	-	-	-	202,473
Due from other governments	1,729,475	65,906	137	-	1,795,518
Due from other funds	518,961	6,042	-	-	525,003
Inventories	1,674	2,285	-	-	3,959
Prepaid items	74,308	-	-	-	74,308
Total assets	<u>\$ 3,481,931</u>	<u>\$ 135,037</u>	<u>\$ 1,700,125</u>	<u>\$ -</u>	<u>\$ 5,317,093</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 167,174	\$ 28,517	\$ -	\$ -	\$ 195,691
Accrued liabilities	20,347	3,038	-	-	23,385
Due to other governments	3,920	-	-	-	3,920
Due to other funds	-	508,257	-	16,746	525,003
Customer deposits	300	-	-	-	300
Total liabilities	<u>191,741</u>	<u>539,812</u>	<u>-</u>	<u>16,746</u>	<u>748,299</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventories	1,674	2,285	-	-	3,959
Prepaid items	74,308	-	-	-	74,308
Restricted for:					
Impact fees	325,311	332,808	-	-	658,119
Police department - communications	22,699	-	-	-	22,699
Law enforcement - forfeiture and seizure	5,589	-	-	-	5,589
Building department	401,315	-	-	-	401,315
Debt service	-	-	427,539	-	427,539
Assigned to:					
Parks and recreation	749,613	-	-	-	749,613
Capital projects	600,000	-	-	-	600,000
Beach Blast Off	15,483	-	-	-	15,483
Emergencies and contingencies	50,000	-	-	-	50,000
Debt service	-	-	1,272,586	-	1,272,586
Unassigned	1,044,198	(739,868)	-	(16,746)	287,584
Total fund balances	<u>3,290,190</u>	<u>(404,775)</u>	<u>1,700,125</u>	<u>(16,746)</u>	<u>4,568,794</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 3,481,931</u></u>	<u><u>\$ 135,037</u></u>	<u><u>\$ 1,700,125</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,317,093</u></u>

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

**Fund balances - total governmental funds** \$ 4,568,794

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

Total governmental capital assets	35,660,062	
Less: accumulated depreciation	<u>(6,742,579)</u>	28,917,483

On the governmental fund statements, a net pension liability is not recorded until an amount is legally due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.

Net pension liability	(4,950,186)	
Deferred outflows related to pensions	2,252,951	
Deferred inflows related to pensions	<u>(454,397)</u>	(3,151,632)

Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities and other long-term liabilities consist of the following:

Bonds and notes payable	(8,647,300)	
Capital leases payable	(201,098)	
Accrued interest payable	(124,147)	
Total OPEB liability	(660,692)	
Compensated absences	<u>(354,951)</u>	(9,988,188)

<b>Net position of governmental activities</b>		<u><u>\$ 20,346,457</u></u>
--	--	-----------------------------

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>General</b>	<b>Road and Bridge</b>	<b>Debt Service</b>	<b>Nonmajor Governmental</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Taxes	\$ 3,598,152	\$ 266,213	\$ 567,005	\$ -	\$ 4,431,370
Licenses and permits	745,716	100,777	-	-	846,493
Intergovernmental	2,348,450	244,378	-	-	2,592,828
Charges for services	415,014	22,493	-	-	437,507
Fines and forfeitures	42,994	-	-	-	42,994
Interest revenues (losses)	23,069	522	683	-	24,274
Miscellaneous	68,343	-	-	-	68,343
Total revenues	<u>7,241,738</u>	<u>634,383</u>	<u>567,688</u>	<u>-</u>	<u>8,443,809</u>
<b>Expenditures</b>					
Current:					
General government	1,576,424	-	-	-	1,576,424
Public safety	2,438,502	-	-	-	2,438,502
Physical environment	777,854	-	-	-	777,854
Transportation	-	884,545	-	-	884,545
Human services	53	-	-	-	53
Culture and recreation	96,121	-	-	-	96,121
Capital outlay	224,527	398,962	-	-	623,489
Debt service					
Principal	70,331	110,733	355,796	-	536,860
Interest and fiscal charges	7,975	56,633	227,193	-	291,801
Total expenditures	<u>5,191,787</u>	<u>1,450,873</u>	<u>582,989</u>	<u>-</u>	<u>7,225,649</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>2,049,951</u>	<u>(816,490)</u>	<u>(15,301)</u>	<u>-</u>	<u>1,218,160</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	535,717	363,844	-	899,561
Transfers out	(899,561)	-	-	-	(899,561)
Proceeds from sale of capital assets	8,099	-	-	-	8,099
Total other financing sources (uses)	<u>(891,462)</u>	<u>535,717</u>	<u>363,844</u>	<u>-</u>	<u>8,099</u>
<b>Net change in fund balances</b>	<u>1,158,489</u>	<u>(280,773)</u>	<u>348,543</u>	<u>-</u>	<u>1,226,259</u>
<b>Fund balances, beginning of year</b>	2,131,701	(124,002)	1,351,582	(16,746)	3,342,535
<b>Fund balances, end of year</b>	<u>\$ 3,290,190</u>	<u>\$ (404,775)</u>	<u>\$ 1,700,125</u>	<u>\$ (16,746)</u>	<u>\$ 4,568,794</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Net change in fund balances - total governmental funds** \$ 1,226,259

Differences in amounts reported for governmental activities in the statement of activities are:

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

Capital outlay expenditures	623,489	
Depreciation expense	<u>(797,870)</u>	(174,381)

Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:

Principal repayment of general long-term debt	536,860	
Amortization of debt premium	<u>10,891</u>	547,751

Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the Statement of Activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the Statement of Activities are amounts required to be amortized.

Change in net pension liability and deferred inflows/outflows related to pensions	(418,574)
---	-----------

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:

Change in accrued interest on long-term debt	(3,093)
Change in total OPEB liability	(99,089)
Change in compensated absences liability	(29,014)

<b>Change in net position of governmental activities</b>	<u><u>\$ 1,049,859</u></u>
--	----------------------------

The accompanying notes to financial statements  
are an integral part of this statement.



**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**(1) Summary of Significant Accounting Policies:**

The financial statements of the City of St. Augustine Beach, Florida (the City), have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the City's significant accounting policies:

(a) **Reporting entity**—The City was constituted a municipality on June 20, 1959, under the provisions of Chapter 59-1790, Laws of Florida, Acts of 1959. The City operates under a commission/manager form of government and provides the following services as authorized by its charter: law enforcement, planning and zoning, code enforcement, building inspection, solid waste collections, road and right-of-way maintenance, maintenance of City buildings, drainage and storm water management, and street lighting.

The accompanying financial statements present the financial position, results of operations, and cash flows of the applicable funds governed by the City Commission of the City, the reporting entity of government for which the City Commission is considered to be financially accountable. In evaluating the City as a reporting entity, management has addressed all potential component units that may or may not fall within the City's oversight and control, and thus, be included in the City's financial statements. No such entities or component units have been identified.

(b) **Government-wide and fund financial statements**—The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City has no business-type activities.

The government-wide statement of activities reflects both the gross and net costs per functional category (e.g., public safety, physical environment, etc.), which are otherwise being supported by general government revenues (e.g., property, sales taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by the related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net cost (by function) is normally covered by general revenue (e.g., property, sales taxes, intergovernmental revenues, interest income, etc.). This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize the major funds of the City.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**(1) Summary of Significant Accounting Policies:** (Continued)

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and demonstrate how the City's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statement, a reconciliation is presented on the page following the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, which briefly explains the adjustments necessary to transform the fund-based financial statements into the government-wide presentation.

As a general rule, the effect of interfund City activities has been eliminated from the government-wide financial statements.

**(c) Measurement focus and basis of accounting**—The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pensions, are recorded only when payment is due.

**(d) Financial statement presentation**—The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of all funds combined) for the determination of major funds.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(1) **Summary of Significant Accounting Policies:** (Continued)

The City reports the following major governmental funds:

The **General Fund** accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City are financed through revenues received by the General Fund.

The **Road and Bridge Fund** is used to account for and report activities of the Road and Bridge Department. Resources are primarily provided by gas taxes, impact fees, and intergovernmental revenue.

The **Debt Service Fund** is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs. This fund type is used to provide for the debt service requirements of the City's governmental long-term debt.

(e) **Budgets and budgetary accounting**—Annual budgets for all governmental funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- i. Prior to September 1st, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
- ii. Budget workshop sessions are scheduled by the City Commission, as needed.
- iii. A general summary of the budget and notice of public hearing is published in a local newspaper.
- iv. Prior to October 1<sup>st</sup>, the budget is legally enacted through passage of an ordinance.
- v. The City Commission, by resolution, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.
- vi. The City Manager may make transfers within a department as long as the total budget for the department is not increased, and the legal level of control is \$1,500. Transfers of appropriations between departments require the approval of the Commission. The City's Ordinance establishes the level at which expenditures may not exceed appropriations at the department level.
- vii. Every appropriation lapses at the close of the fiscal year.

The budgets for governmental funds that were either adopted or amended during the year by the City Commission were prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. Each of the City's governmental funds have legally adopted budgets.

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **Cash deposits and investments**—The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

(h) **Receivables and payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. All unpaid property taxes receivable at year end are at least 180 days past due, at which time the applicable property is subject to lien, and penalties and interest are assessed; therefore, these amounts are fully allowed for and no provision for taxes receivable has been made on the City’s financial statements.

(i) **Capital assets**—Capital assets include property, plant, equipment and infrastructure assets. Capital assets are defined by the City as assets with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets, including donations and easements or other intangible rights of use, are recorded at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10 - 40 years
Machinery Equipment	3 - 20 years
Infrastructure	40 years

(j) **Compensated absences**—Since the liability for employees’ leave time will not be liquidated with expendable available financial resources, the liability has not been reported in the governmental funds. A liability for compensated absences is accrued when incurred in the government-wide financial statements.

(k) **Long-term obligations**—In the government-wide financial statements, long-term debt obligations are reported as liabilities, net of any outstanding premiums or discounts. Debt issuance costs are expensed when paid.

(l) **Inventory and prepaids**—Inventory is valued at cost under the first-in, first-out method and is accounted for using the consumption method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(1) **Summary of Significant Accounting Policies:** (Continued)

(m) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will, if required, report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (10).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (10).

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

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

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e. when the government assesses, levies, charges, or otherwise mandates payment of resources from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Commission are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

*Assigned* – Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. Assignments can be made by the City Commission or the City Manager.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund. This classification represents 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.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(1) **Summary of Significant Accounting Policies:** (Continued)

For spendable resources, is the City's policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unassigned.

(o) **Net position flow assumption**—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the City's policy to consider restricted net position to have been used before unrestricted net position is applied.

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a 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. A detailed explanation of these differences is provided in this reconciliation.

(3) **Property Tax Calendar:**

Under Florida law, the assessment of all properties and collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser. State laws regulating tax assessment are designed to ensure a consistent property valuation method statewide and permit municipalities to levy property taxes at a rate of up to 10 mills. For the fiscal year ended September 30, 2018, the millage rate assessed by the City was 2.3992 per \$1,000.

The City tax calendar is as follows:

Lien Date:	January 1
Levy Date:	October 1
Discount Period	November-February
Delinquent Date	April 1

(4) **Cash Deposits and Investments:**

The City maintains cash and investment accounts for various other purposes or to segregate cash balances for amounts which are restricted or held on behalf of others. The City's investment policy authorizes the City to invest excess funds in time deposits, mutual funds, obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government, repurchase agreements, intergovernmental investment pools, and/or the State Board of Administration (SBA) Local-Government Surplus Trust Fund Investment Pool (Florida PRIME).

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**(4) Cash Deposits and Investments:** (Continued)

As of September 30, 2018, all City cash deposits were held in qualified public depositories pursuant to Chapter 280, Florida Statutes, the *Florida Security for Public Deposits Act* (the Act), and, accordingly, are entirely insured by Federal Depository Insurance Corporation (FDIC) insurance or collateralized pursuant to the Act. The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125%, may be required if deemed necessary. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney. Under the Act, the City is authorized to deposit funds only in qualified public depositories.

The City invests temporarily idle resources in the Florida Prime Investment Pool (Florida PRIME) and Florida Local Government Investment Trust (FLGIT). Florida PRIME is administered by the Florida State Board of Administration (SBA), who provides regulatory oversight. Florida PRIME and FLGIT are similar to money market funds in which units are owned in the fund rather than the underlying investments. These investments are reported at amortized cost and meet the requirements of GASB Statement No. 31, as amended by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. There is no limitation or restrictions on withdrawals from Florida PRIME or FLGIT; although in the occurrence of an event that has a material impact on liquidity or operations of the trust fund, the funds' executive director may limit contributions to or withdrawals from the trust fund for a period of 48 hours.

As of September 30, 2018, the Florida PRIME and FLGIT had weighted average maturities of 33 days and 34 days, respectively. The City held no assets or investments carried at fair value at September 30, 2018, and subject to the required disclosures of GASB 72.

As of September 30, 2018, the City's governmental investment portfolio is composed of the following investments:

<u>Investment</u>	<u>Credit Quality Rating</u>	<u>Carrying Value</u>
Florida PRIME	AAAm (S&P)	\$ 366,247
FLGIT Day to Day	AAAm (Fitch)	\$ 51,450

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. To limits its exposure to fair value losses arising from increases in interest rates, the City prohibits direct investment in U.S. government securities or repurchase agreements maturing more than seven years from the date of purchase and in time deposits maturing more than one year from the date of purchase. There were no investments in the City's portfolio that exceeded this maximum maturity at September 30, 2018.

*Credit Risk:* Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The City's investment policy utilizes portfolio diversification in order to limit investments to governmental funds and securities backed by state and federal governments, and mutual funds with a minimum credit rating of AAAm by Standard & Poor's (S&P) or an equivalent. The City's portfolio is held entirely with public depositories and is invested in SBA and FLGIT funds, as described above.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**(4) Cash Deposits and Investments:** (Continued)

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy limits investments in mutual funds and time deposits to a maximum of 25% deposited with any one issuer and limits repurchase agreements to a maximum of 10% of funds invested with one institution, excluding one-business-day agreements. Investments in state and federal government funds and securities are excluded from the concentration of credit risk requirement per the investment policy.

In addition to describing the credit risk of investments in the portfolio, governmental entities will need to disclose the concentration of credit risk with a single issuer, if 5 or more percent of the total assets of the portfolio are invested with one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from the concentration of credit risk disclosure requirements.

*Custodial Credit Risk:* All demand deposits are held with qualified public depositories, as defined above. In the case of investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2018, the City's investment of \$366,247 in Florida PRIME funds and \$51,450 in FLGIT funds are backed by the full faith and credit of the State of Florida, or explicitly guaranteed by the State of Florida.

**(5) Accounts Receivable:**

The City's receivables consists of \$202,473 at September 30, 2018, all of which was included in the general fund and governmental activities. There was no allowance for doubtful accounts at September 30, 2018.

**(6) Capital Assets:**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 14,297,130	\$ -	\$ -	\$ 14,297,130
Construction in progress	320,132	235,793	(304,932)	250,993
Total capital assets, not being depreciated	14,617,262	235,793	(304,932)	14,548,123
Capital assets, being depreciated –				
Machinery and equipment	3,627,621	220,976	(162,203)	3,686,394
Buildings and improvements	4,795,557	41,508	-	4,837,065
Infrastructure	12,158,337	430,143	-	12,588,480
Total capital assets, being depreciated	20,581,515	692,627	(162,203)	21,111,939
Less: accumulated depreciation	(6,106,912)	(797,870)	162,203	(6,742,579)
Total capital assets, being depreciated, net	14,474,603	(105,243)	-	14,369,360
Governmental activities capital assets, net	<u>\$ 29,091,865</u>	<u>\$ 130,550</u>	<u>\$ (304,932)</u>	<u>\$ 28,917,483</u>



**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**(6) Capital Assets:** (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 175,665
Public safety	165,759
Physical environment	420,354
Transportation	3,579
Culture and recreation	32,513
Total depreciation expense - governmental activities	<u>\$ 797,870</u>

**(7) Capital Leases:**

The City has entered into certain lease agreements as a lessee for financing the acquisition of six police vehicles in the 2016 fiscal year and three police vehicles in the 2017 fiscal year. The lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows:

Asset:	
Vehicles and Accessories	\$ 364,248
Accumulated depreciation	(169,229)
Net book value of leased assets	<u>\$ 195,019</u>

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

<u>Year Ending September 30</u>	<u>Present Value of Net Minimum Payments</u>	<u>Amounts Representing Interest</u>	<u>Total Minimum Lease Payments</u>
2019	\$ 72,458	\$ 6,149	\$ 78,607
2020	74,649	3,958	78,607
2021	26,577	1,700	28,277
2022	27,414	863	28,277
Total	<u>\$ 201,098</u>	<u>\$ 12,670</u>	<u>\$ 213,768</u>

**(8) Long-Term Debt:**

Notes and bonds payable at September 30, 2018, are comprised of the following:

\$5,350,000 Series 2009 Florida Municipal Loan Council Revenue Bonds, issued to purchase land at a fixed rate of interest of 5.37%. Interest payments are payable semiannually on January 1 and July 1. Principal payments are due annually on July 1 each year until final maturity on July 1, 2029. The bond issue is payable from and secured by certain ad valorem revenues and the approximate amount of the pledge is equal to the remaining principal and interest of \$724,059. During 2018, \$567,005 in ad valorem revenues were recognized and \$65,881 were paid for debt service.

\$ 536,124

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**(8) Long-Term Debt:** (Continued)

<p>\$1,460,000 Series 2016A Florida Municipal Loan Council Refunding and Improvement Bonds, issued for the purchase of land and capital improvements at interest rates ranging from 2.00% to 5.00%. Interest payments are payable semiannually on April 1 and October 1. Principal payments are due annually on October 1 each year until final maturity on October 1, 2046. The bond issue is payable from and secured by non-ad valorem revenues and the approximate amount of the pledge is equal to the remaining principal and interest of \$2,197,038. During 2018, \$5,156,046 in non-ad valorem revenues were recognized and \$75,750 were paid for debt service.</p>	<p>\$ 1,430,000</p>
<p>\$1,610,000 Series 2016B Florida Municipal Loan Council Refunding and Improvement Bonds, issued for the purchase of land and capital improvements at interest rates ranging from 2.00% to 4.00%. Interest payments are payable semiannually on April 1 and October 1. Principal payments are due annually on October 1 each year until final maturity on October 1, 2028. The bond issue is payable from and secured by certain ad valorem revenues and the approximate amount of the pledge is equal to the remaining principal and interest of \$1,720,600. During 2018, \$567,005 in ad valorem revenues were recognized and \$157,775 were paid for debt service.</p>	<p>1,495,000</p>
<p>\$1,920,000 Series 2016C Florida Municipal Loan Council Refunding and Improvement Bonds, issued for a current refunding of Series 2004A Florida Municipal Loan Council Revenue Bonds, at interest rates ranging from 2.00% to 5.00%. Interest payments are payable semiannually on April 1 and October 1. Principal payments are due annually on October 1 each year until final maturity on October 1, 2034. The bond issue is payable from and secured by non-ad valorem revenues and the approximate amount of the pledge is equal to the remaining principal and interest of \$2,378,775. During 2018, \$5,156,046 in non-ad valorem revenues were recognized and \$138,375 were paid for debt service.</p>	<p>1,840,000</p>
<p>\$1,430,000 Series 2016D Florida Municipal Loan Council Refunding and Improvement Bonds, issued for a current refunding of Series 2010AA Florida Municipal Loan Council Revenue Bonds, at interest rates ranging from 2.00% to 5.00%. Interest payments are payable semiannually on April 1 and October 1. Principal payments are due annually on October 1 each year until final maturity on October 1, 2029. The bond issue is payable from and secured by non-ad valorem revenues and the approximate amount of the pledge is equal to the remaining principal and interest of \$1,589,044. During 2018, \$5,156,046 in non-ad valorem revenues were recognized and \$136,063 were paid for debt service.</p>	<p>1,335,000</p>
<p>\$2,520,323 Department of Environmental Protection note payable, used to connect approximately 620 residential units to the St. Johns County Utility System, at an interest rate of 2.92%. Principal and interest payments of \$83,683 are payable semiannually on January 15 and July 15 through July 15, 2032. Repayment of loan balance is secured revenue received from St. Johns County equal to the semiannual debt service payment to the City as each payment becomes due. See Note (14) for further discussion of this activity.</p>	<p>1,856,249</p>
<p>Notes and bonds payable at September 30, 2018</p>	<p>8,492,373</p>
<p>Add: unamortized bond premiums</p>	<p>154,927</p>
<p>Less: current portion of bonds and notes payable</p>	<p>(481,046)</p>
<p>Total long-term debt, governmental activities</p>	<p><u>\$ 8,166,254</u></p>

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**(8) Long-Term Debt:** (Continued)

The City was in compliance with all applicable debt covenants as of and for the year ended September 30, 2018.

Annual debt service requirements to maturity for the City's notes and bonds payable are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 481,046	\$ 262,012	\$ 743,058
2020	496,389	244,920	741,309
2021	516,937	227,246	744,183
2022	522,700	210,834	733,534
2023	538,685	192,224	730,909
2024-2028	2,981,704	721,883	3,703,587
2029-2033	1,839,912	302,647	2,142,559
2034-2038	525,000	124,950	649,950
2039-2043	310,000	71,175	381,175
2044-2047	280,000	18,688	298,688
Total	<u>\$ 8,492,373</u>	<u>\$ 2,376,579</u>	<u>\$ 10,868,952</u>

For the fiscal year ended September 30, 2018, a summary of the long-term liability transactions for the City is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Notes and bonds payable	\$ 8,958,902	\$ -	\$ (466,529)	\$ 8,492,373	\$ 481,046
Plus: Original issue premium	165,818	-	(10,891)	154,927	-
Total notes and bonds payable	9,124,720	-	(477,420)	8,647,300	481,046
Capital leases	271,429	-	(70,331)	201,098	72,458
Compensated absences	326,237	181,159	(152,445)	354,951	53,242
Governmental activities – Total long-term liabilities	<u>\$ 9,722,386</u>	<u>\$ 181,159</u>	<u>\$ (700,196)</u>	<u>\$ 9,203,349</u>	<u>\$ 606,746</u>

**(9) Interfund Loans, Advances, Fees and Transfers:**

The outstanding balances between funds are short-term loans to cover short-term cash flow needs and expected to be repaid in full over the course of the next fiscal year. Individual fund interfund receivables and payables for the primary government at September 30, 2018, are comprised of the following:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Activities:		
General Fund	\$ 518,961	\$ -
Road and Bridge Fund	6,042	508,257
Capital Projects Fund	-	16,746
Total – All Funds	<u>\$ 525,003</u>	<u>\$ 525,003</u>

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**(9) Interfund Loans, Advances, Fees and Transfers:** (Continued)

For the year ended September 30, 2018, interfund transfers consisted of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
Governmental Activities:		
General Fund	\$ 899,561	\$ -
Road and Bridge Fund	-	535,717
Debt Service Fund	-	363,844
Total – All Funds	<u>\$ 899,561</u>	<u>\$ 899,561</u>

The transfer from the general fund to the road and bridge fund represents funds for capital project outlay. The transfer from the general fund to the debt service fund represents the requirements for debt service payments.

**(10) Employees' Retirement Plans and Other-Postemployment Benefits:**

**A. Florida Retirement System**

**Plan Description and Administration**

The City participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the City's full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the City are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**(10) Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

**Benefits Provided and Employees Covered**

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

**Financial Statements**

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site ([www.myfloridacfo.com](http://www.myfloridacfo.com)). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services  
Division of Retirement, Research and Education Services  
P.O. Box 9000  
Tallahassee, FL 32315-9000  
850-488-5706 or toll free at 877-377-1737

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**(10) Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

**Contributions**

Employers may participate in certain classes of FRS membership. The employee contribution rate for eligible employees, other than those in DROP from ERS who are not required to contribute, is 3.0%. Each class has descriptions and employer contribution rates in effect during the fiscal year ended September 30, 2018, as follows (contribution rates are in agreement with the actuarially determined rates):

<b>FRS Membership Plan &amp; Class</b>	<b>Through June 30, 2018</b>	<b>After June 30, 2018</b>
Regular Class	7.92%	8.26%
Elected Officer Class	45.50%	48.70%
Senior Management Service Class (SMSC)	22.71%	24.06%
Special Risk	23.27%	24.50%
DROP	13.26%	14.03%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll, included in the above rates.

Actual contributions made for City employees participating in FRS and HIS for the plan year ended June 30, 2018, were as follows:

City Contributions – FRS	\$ 382,002
City Contributions – HIS	46,772
Employee Contributions – FRS	84,527

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

At September 30, 2018, the City reported a net pension liability related to FRS and HIS as follows:

FRS	\$ 4,037,340
HIS	912,846
Total	<u>\$ 4,950,186</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the organization's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2018 and 2017, the City's proportionate share of the FRS and HIS net pension liabilities were as follows:

<b>Plan</b>	<b>2018</b>	<b>2017</b>
FRS	0.013403952%	0.013616542%
HIS	0.008624683%	0.008575529%

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**(10) Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

For the plan year ended June 30, 2018, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$	778,745
HIS		90,968
Total	\$	<u>869,713</u>

*Deferred outflows/inflows related to pensions:*

At September 30, 2018, deferred outflows of resources and deferred inflows of resources related to pensions were recorded from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 342,023	\$ (12,414)	\$ 13,975	\$ (1,551)
Changes of assumptions	1,319,206	-	101,520	(96,514)
Net difference between projected and actual investment earnings	-	(311,934)	551	-
Change in City's proportionate share	251,953	(31,984)	95,226	-
Contributions subsequent to measurement date	115,576	-	12,921	-
	<u>\$ 2,028,758</u>	<u>\$ (356,332)</u>	<u>\$ 224,193</u>	<u>\$ (98,065)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2019	\$	618,238
2020		433,764
2021		98,891
2022		247,014
2023		144,989
Thereafter		127,161
Total	\$	<u>1,670,057</u>

*Actuarial assumptions:*

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**(10) Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans are assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments are 7.00%. This rate decreased from the prior year rate, which was 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.87% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.58%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

*Long-term expected rate of return:*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2018, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.9%
Fixed income	18.0%	4.4%
Global equities	54.0%	7.6%
Real estate	11.0%	6.6%
Private equity	10.0%	10.7%
Strategic investments	6.0%	6.0%
Total	100.0%	

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the proportionate shares of the FRS and HIS net pension liability of the City calculated using the current discount rates, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.00%	\$ 7,368,314	\$ 4,037,340	\$ 1,270,768
HIS	3.87%	1,039,678	912,846	807,124



**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**(10) Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

**B. Other Post-Employment Benefits (OPEB):**

**Plan Description**

As described further at Note (16), effective October 1, 2017, the City implemented GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*, for certain post-employment healthcare benefits provided by the City. The City elected to implement the requirements of this statement prospectively. No assets are held in trust for payment of the OPEB liability as the City had no OPEB liability other than as arising from the implicit rate subsidy, as discussed in the following paragraph.

Retirees and their dependents are permitted to remain covered under the City's respective health care plans as long as they pay a full premium applicable to the coverage elected. Eligible participants include all regular employees of the City who retire from active service under one of the pension plans sponsored by the City. Under certain conditions, eligible individuals also include spouses and dependent children. This conforms to the minimum required of Florida governmental employers per Chapter 112.08, Florida Statutes. The Other Post-Employment Benefit Plan does not issue a stand-alone report.

**Benefits Provided**

The Other Post-Employment Benefits Plan is a single-employer benefit healthcare plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverage elected, however, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. The older retirees actually have a higher cost which means the City is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of the premium on behalf of the active employee. GASB No. 75 calls this the "implicit rate subsidy."

**Plan Membership**

At October 1, 2016, the date of the latest actuarial valuation, plan participation consisted of 63 covered individuals, including two inactive employees and beneficiaries and 61 active employees. Plan participation does not include any inactive employees entitled to but not yet receiving benefits.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the October 1, 2016, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Discount rate	3.35%
Salary increases	3.00%
Healthcare cost trend rate	7.50% in 2018, downgraded 0.50% per year to 5.00% in 2023
Age-related morbidity	3.50% for each year of age
Retirees' share of benefit-related costs	100.00%

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**(10) Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

The City does not have a dedicated Trust to pay retiree healthcare benefits. The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index as of September 30, 2017.

Mortality rates were based on the RP-2000 Combined Mortality Table for males and females (general employees) or RP-2000 Blue Collar Mortality Table for males and females (police officers) with full generational improvements in mortality using Scale BB.

**Total OPEB Liability**

The City's total OPEB liability of \$660,692 was measured as of September 30, 2017, and was determined by an actuarial valuation as of October 1, 2016, utilizing the Alternative Measurement Method for small plans.

Changes in the OPEB liability for the fiscal year ended September 30, 2018, were as follows:

	<b>Total OPEB Liability</b>
Balance at September 30, 2017	\$ 561,603
Changes for a year:	
Service cost	78,300
Interest	21,426
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments – implicit rate subsidy	(637)
Other changes	-
Net changes	99,089
Balance at September 30, 2018	\$ 660,692

*Sensitivity of the total OPEB liability to changes in the discount rate:*

The following presents the total OPEB liability of the City calculated using the discount rate of 3.35%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.35%) or 1% higher (4.35%) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 725,592	\$ 660,692	\$ 599,388

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:*

The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.50%, decreasing to 4.00%) or 1% higher (8.50%, decreasing to 6.00%) than the current healthcare cost trend rates (7.50%, decreasing to 5.00%):

	<b>1% Decrease</b>	<b>Current Trend Rates</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 569,375	\$ 660,692	\$ 771,712

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**(11) 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 City carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

The City is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the City's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the City.

**(12) Commitments and Contingencies:**

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2018. The outcomes of established claims are included in these financial statements. In the opinion of the City's legal counsel, no legal proceedings are pending or threatened against the City which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

**(13) Fund Deficit:**

As of September 30, 2018, the Road and Bridge Fund had a deficit fund balance of \$404,775, and the Capital Projects Fund, presented as "Other Governmental Funds," had a deficit fund balance of \$16,746.

**(14) Interlocal Agreement:**

Through the Department of Environmental Protection's State Revolving Loan Program, the City obtained funding in September 2009 to connect approximately 620 residential units in seven neighborhoods to the St. Johns County Utility System.

The City contracted with St. Johns County to extend their current utility system into these neighborhoods. The new lines are in place and will be both operated and maintained by St. Johns County. The City is the owner of the new utility lines until such time as the debt instrument that has been used to finance the project has been retired, upon which the ownership shall vest solely with St. Johns County. St. Johns County will share the revenues generated from the new utility connections with the City in an amount equal to the debt service on the City's loans not forgiven, as it becomes due and payable.

**(15) Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board ("GASB") has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 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. The provisions in GASB 87 are effective for periods beginning after December 15, 2019.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**(15) Recent Accounting Pronouncements:** (Continued)

GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in April 2018. GASB 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The provisions in GASB 88 are effective for periods beginning after June 15, 2018.

**(16) Restatement of Net Position:**

Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; was issued June 2015 and was implemented for the City, beginning with its year ending September 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This Statement replaces the requirements of GASB Statement No. 45, *Accounting for Postemployment Benefits Other Than Pensions*, as well as the requirements of GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plan, for OPEB*, as they relate to OPEB liabilities being recorded in the statements of net position.

The City's implementation of this Statement has required the restatement of certain liabilities in the Statement of Net Position. GASB No. 75 established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. Recognition of these liabilities requires a restatement to the prior year's net position.

The impact of the restatement on the governmental activities beginning net position at September 30, 2017, are as follows:

**Governmental Activities:**

Net position – September 30, 2017, as originally reported	\$ 19,375,363
Recording of beginning OPEB liability	(78,765)
Net position – September 30, 2017, as restated	<u>\$ 19,296,598</u>

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Taxes	\$ 3,578,296	\$ 3,578,296	\$ 3,598,152	\$ 19,856
Licenses and permits	720,750	728,750	745,716	16,966
Intergovernmental	779,651	1,039,939	2,348,450	1,308,511
Charges for services	439,454	439,454	415,014	(24,440)
Fines and forfeitures	39,800	39,800	42,994	3,194
Interest revenues	21,800	21,800	23,069	1,269
Miscellaneous	67,300	67,300	68,343	1,043
Total revenues	<u>5,647,051</u>	<u>5,915,339</u>	<u>7,241,738</u>	<u>1,326,399</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative	85,852	109,263	87,669	21,594
Executive	170,122	171,213	168,559	2,654
Finance	673,028	709,892	686,248	23,644
Comp planning	157,803	184,982	173,460	11,522
Other general government	645,028	651,447	488,276	163,171
Public Safety:				
Police	2,342,030	2,374,543	2,317,294	57,249
Protective Inspection	258,743	323,792	317,947	5,845
Physical Environment	846,426	909,974	777,854	132,120
Human Services	55	55	53	2
Culture and Recreation	263,700	166,200	96,121	70,079
Debt Service:				
Principal	69,006	70,331	70,331	-
Interest and fiscal charges	8,277	8,277	7,975	302
Total expenditures	<u>5,520,070</u>	<u>5,679,969</u>	<u>5,191,787</u>	<u>488,182</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>126,981</u>	<u>235,370</u>	<u>2,049,951</u>	<u>1,814,581</u>
<b>Other financing sources (uses)</b>				
Transfers out	(717,492)	(899,561)	(899,561)	-
Proceeds from sale of capital assets	11,500	11,500	8,099	(3,401)
Total other financing sources (uses)	<u>(705,992)</u>	<u>(888,061)</u>	<u>(891,462)</u>	<u>(3,401)</u>
<b>Net change in fund balances</b>	<u>(579,011)</u>	<u>(652,691)</u>	<u>1,158,489</u>	<u>1,811,180</u>
<b>Fund balances, beginning of year</b>	2,131,701	2,131,701	2,131,701	-
<b>Fund balances, end of year</b>	<u><u>\$ 1,552,690</u></u>	<u><u>\$ 1,479,010</u></u>	<u><u>\$ 3,290,190</u></u>	<u><u>\$ 1,811,180</u></u>

The accompanying notes to the required supplemental  
information are an integral part of this schedule.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - ROAD AND BRIDGE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Taxes	\$ 236,916	\$ 236,916	\$ 266,213	\$ 29,297
Licenses and permits	150,000	150,000	100,777	(49,223)
Intergovernmental	243,121	243,121	244,378	1,257
Charges for services	48,828	48,828	22,493	(26,335)
Interest revenues	1,508	1,508	522	(986)
Total revenues	<u>680,373</u>	<u>680,373</u>	<u>634,383</u>	<u>(45,990)</u>
<b>Expenditures</b>				
Current:				
Transportation	912,154	981,723	884,545	97,178
Capital outlay	454,500	567,000	398,962	168,038
Debt Service:				
Principal	110,733	110,733	110,733	-
Interest and fiscal charges	56,634	56,634	56,633	1
Total expenditures	<u>1,534,021</u>	<u>1,716,090</u>	<u>1,450,873</u>	<u>265,217</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(853,648)</u>	<u>(1,035,717)</u>	<u>(816,490)</u>	<u>219,227</u>
<b>Other financing sources (uses)</b>				
Transfers in	353,648	535,717	535,717	-
Total other financing sources (uses)	<u>353,648</u>	<u>535,717</u>	<u>535,717</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(500,000)</u>	<u>(500,000)</u>	<u>(280,773)</u>	<u>219,227</u>
<b>Fund balances (deficits), beginning of year</b>	(124,002)	(124,002)	(124,002)	-
<b>Fund balances (deficits), end of year</b>	<u><u>\$ (624,002)</u></u>	<u><u>\$ (624,002)</u></u>	<u><u>\$ (404,775)</u></u>	<u><u>\$ 219,227</u></u>

The accompanying notes to the required supplemental  
information are an integral part of this schedule.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS**  
**(UNAUDITED)**

	<b>As of the Plan Year Ended June 30,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Florida Retirement System (FRS)</b>					
Proportion of the net pension liability	0.013403952%	0.013616542%	0.012974748%	0.011402375%	0.010951725%
Proportionate share of the net pension liability	\$ 4,037,340	\$ 4,029,064	\$ 3,276,134	\$ 1,472,770	\$ 668,216
Covered payroll	2,817,583	2,733,987	2,494,066	1,694,975	1,475,719
Proportionate share of the net pension liability as a percentage of covered payroll	143.29%	147.37%	131.36%	86.89%	45.28%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%
<b>Health Insurance Subsidy Program (HIS)</b>					
Proportion of the net pension liability	0.008624684%	0.008575529%	0.008077334%	0.007360546%	0.007151006%
Proportionate share of the net pension liability	\$ 912,846	\$ 916,935	\$ 941,380	\$ 750,660	\$ 668,637
Covered payroll	2,817,583	2,733,987	2,494,066	1,694,975	1,475,719
Proportionate share of the net pension liability as a percentage of covered payroll	32.40%	33.54%	37.74%	44.29%	45.31%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%

\* GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

See accompanying notes to required supplementary information.

The accompanying notes to the required supplemental  
information are an integral part of this schedule.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**SCHEDULE OF CONTRIBUTIONS**  
**LAST 10 FISCAL YEARS**  
**(UNAUDITED)**

	<b>As of the Plan Year Ended June 30,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Florida Retirement System (FRS)</b>					
Contractually required contribution	\$ 382,002	\$ 354,472	\$ 316,410	\$ 278,000	\$ 239,889
Contributions in relation to the contractually required contribution	382,002	354,472	316,410	278,000	239,889
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,817,583	\$ 2,733,987	\$ 2,494,066	\$ 1,694,975	\$ 1,475,719
Contributions as a percentage of covered payroll	13.56%	12.97%	12.69%	16.40%	16.26%
<b>Health Insurance Subsidy Program (HIS)</b>					
Contractually required contribution	\$ 46,772	\$ 45,384	\$ 41,401	\$ 28,137	\$ 24,497
Contributions in relation to the contractually required contribution	46,772	45,384	41,401	28,137	24,497
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,817,583	\$ 2,733,987	\$ 2,494,066	\$ 1,694,975	\$ 1,475,719
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.66%

\* GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

See accompanying notes to required supplementary information.

The accompanying notes to the required supplemental information are an integral part of this schedule.



**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**LAST 10 FISCAL YEARS**  
**(UNAUDITED)**

	<b>2018</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 78,300
Interest	21,426
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments – implicit rate subsidy	(637)
Other changes	-
Net change in total OPEB liability	99,089
Total OPEB liability – beginning	561,603
Total OPEB liability – ending	<u>\$ 660,692</u>
 Covered payroll	 \$ 2,823,671
Total OPEB liability as a percentage of covered payroll	23.40%
 Measurement date	 09/30/2017
Actuarial valuation date	10/01/2016
 Discount rate	 3.35%

\* GASB 75 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

See accompanying notes to required supplementary information.

The accompanying notes to the required supplemental  
information are an integral part of this schedule.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2018**

**(1) Budgetary Information:**

Annual budgets for all governmental funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- i. Prior to September 1st, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
- ii. Budget workshop sessions are scheduled by the City Commission, as needed.
- iii. A general summary of the budget and notice of public hearing is published in a local newspaper.
- iv. Prior to October 1<sup>st</sup>, the budget is legally enacted through passage of an ordinance.
- v. The City Commission, by resolution, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.
- vi. The City Manager may make transfers within a department as long as the total budget for the department is not increased, and the legal level of control is \$1,500. Transfers of appropriations between departments require the approval of the Commission. The City's Ordinance establishes the level at which expenditures may not exceed appropriations at the department level.
- vii. Every appropriation lapses at the close of the fiscal year.

The budgets for governmental funds that were either adopted or amended during the year by the City Commission were prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. Each of the City's governmental funds have legally adopted budgets.

**(2) Changes of Assumptions:**

(a) **Florida Retirement System (FRS) Defined Benefit Pension Plan**—On the Schedule of Proportionate Share of the Net Pension Liability, the only significant actuarial assumption changes affecting the trend of the amount reported for total pension liability for the FRS Pension Plan were changes in the long-term expected rate of return and discount rate. These rates were decreased from 7.65% to 7.60% between September 30, 2015, and September 30, 2016. The rates were further decreased from 7.60% to 7.10% for the year ended September 30, 2017, and then 7.00% for the year ended September 30, 2018. These decreases in rates were made to better align the rates with expected future investment returns.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2018**

(2) **Changes of Assumptions:** (Continued)

(b) **Retiree Health Insurance Subsidy (HIS) Program Defined Benefit Pension Plan**—On the Schedule of Proportionate Share of the Net Pension Liability, the only significant actuarial assumption changes affecting the trend of the amount reported for total pension liability for the HIS Pension Plan were changes in the municipal bond rate and discount rate. These rates were decreased from 3.80% to 2.85% between September 30, 2015, and September 30, 2016. The rates were then increased from 2.85% to 3.58% for the year ended September 30, 2017, and then further increased to 3.87% for the year ended September 30, 2018. These decreases in rates were made to better align the rates with expected future investment returns. For information on the actuarial methods and assumptions used in the July 1, 2018, funding valuation, refer to the valuation report dated December 1, 2018, located on the Publications page of the Division of Retirement's website at [www.frs.myflorida.com](http://www.frs.myflorida.com).

(c) **Other Post-Employment Benefits (OPEB) Plan**—Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employments, mortality, and the healthcare cost trend. The OPEB Plan is funded on a pay-as-you-go basis; there are no assets accumulated in a trust to pay related benefits. No liability for retiree dental and vision benefits are reflected in the valuation.

(3) **Contribution Rates:**

(a) **Florida Retirement System (FRS) Defined Benefit Pension Plan**—For information on the actuarial methods and assumptions used in the July 1, 2018, funding valuation, refer to the valuation report dated December 1, 2018, located on the Publications page of the Division of Retirement's website at [www.frs.myflorida.com](http://www.frs.myflorida.com).

(b) **Retiree Health Insurance Subsidy (HIS) Program Defined Benefit Pension Plan**—The HIS essentially uses “pay-as-you-go” funding structure. As of June 30, 2018, accumulated HIS assets constituted approximately five months of projected benefit payments. The ability of the current statutory contribution rate to pay full HIS benefits is very sensitive to near-term demographic experience, particularly the volume and timing of retirements and the amount of payroll on which the statutory rate is charged.

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

To the Honorable Mayor, City Commission, and City Manager,  
City of St. Augustine Beach, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of St. Augustine 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, and have issued our report thereon dated April 29, 2019.

***Internal Control over Financial Reporting***

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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'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 the following instance of noncompliance or other matters that is 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.

Daytona Beach, Florida  
April 29, 2019

*James Moore & Co., P.L.*

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED  
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA  
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Commission, and City Manager,  
City of St. Augustine Beach, Florida:

**Report on the Financial Statements**

We have audited the financial statements of the City of St. Augustine Beach, Florida, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated April 29, 2019.

**Auditors' Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C 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 April 29, 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. There were no such findings or recommendations in the preceding annual financial audit report.

**Official Title and Legal Authority**

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

**Financial Condition**

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

- 44 -

121 Executive Circle  
Daytona Beach, FL 32114-1180  
Telephone: 386-257-4100

133 East Indiana Avenue  
DeLand, FL 32724-4329  
Telephone: 386-738-3300

5931 NW 1st Place  
Gainesville, FL 32607-2063  
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308-4386  
Telephone: 850-386-6184

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

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

#### **2018-001 – Fund Deficits**

During our analysis of fund balance classifications and amounts, we noted that the Road and Bridge Fund and Capital Projects Fund have fund deficit balances. Based on recent year trends of related revenues and expenses, the General Fund will likely need to subsidize the Road and Bridge Fund, similar to what has been done in prior years. The fund deficit in the Capital Projects Fund is due to an interfund payable to the General Fund. We recommend the appropriate transfers be approved in a timely manner to ensure positive fund balances are shown in subsequent years or consider closing any inactive funds, as necessary.

#### **Additional Matters**

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

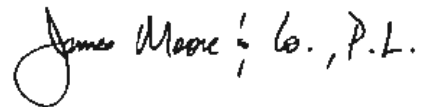
#### **City of St. Augustine Beach, Florida's Response to Findings**

The City's responses to the finding identified in our audit are described starting on page 52. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this 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 State granting agencies, the City Commission, management, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

Daytona Beach, Florida  
April 29, 2019



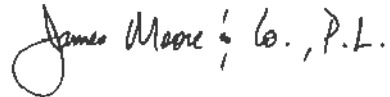
## INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, City Commission, and City Manager,  
City of St. Augustine Beach, Florida

We have examined the City of St. Augustine Beach, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the City of St. Augustine Beach, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.



Daytona Beach, Florida  
April 29, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE  
PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Commission, and City Manager,  
City of St. Augustine Beach, Florida

**Report on Compliance for Each Major State Project**

We have audited the City of St. Augustine Beach, Florida's (the City) compliance with the types of compliance requirements described in the *Department of Financial Services'* State Projects Compliance Supplement that could have a direct and material effect on each of the City's major State projects for the year ended September 30, 2018. The City's major State projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with State statutes, regulations, and terms and conditions of its State projects applicable to its State projects.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the audit requirements of Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes 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 audit provides a reasonable basis for our opinion on compliance for each major State projects. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major State Project***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended September 30, 2018.

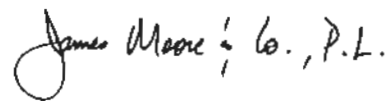
## Report on Compliance for Each Major State Project

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive, flowing style.

Daytona Beach, Florida  
April 29, 2019

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<u>State Agency / Pass-Through Entity / State Program</u>	<u>CSFA Number</u>	<u>Contract / Grant Identifying Number</u>	<u>Expenditures</u>
<b>STATE FINANCIAL ASSISTANCE</b>			
<b>State of Florida Department of Environmental Protection</b>			
Direct:			
Florida Communities Trust	37.078	16-014-UA17	\$ 1,500,000
<b>Total State of Florida Department of Environmental Protection</b>			<u>\$ 1,500,000</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>			<u><u>\$ 1,500,000</u></u>

The accompanying notes to the schedule of expenditures of  
state financial assistance are an integral part of this statement.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO SCHEDULE OF EXPENDITURES**  
**OF STATE FINANCIAL ASSISTANCE**  
**SEPTEMBER 30, 2018**

**(1) Basis of Presentation:**

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of City of St. Augustine Beach, Florida (the City), and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Section 215.97, Florida Statutes, and Chapter 10.550, Rules of the Auditor General. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in fund balance of the City.

**(2) Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or the cost principles contained in Section 215, Florida Statutes wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2018**

**I. Summary of Auditors' Results:**

***Financial Statements:***

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?                      \_\_\_ yes       X  no

Significant deficiency(ies) identified?                      \_\_\_ yes       X  none reported

Noncompliance material to financial statements noted?                      \_\_\_ yes       X  no

***State Projects:***

Internal control over major State projects:

Material weakness(es) identified?                      \_\_\_ yes       X  no

Significant deficiency(ies) identified?                      \_\_\_ yes       X  none reported

Type of auditor's report issued on compliance for major State projects: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557, Rules of the Auditor General?                      \_\_\_ yes       X  none reported

Dollar threshold used to distinguish between type A and type B programs:  \$ 300,000

Identification of major State projects:

<u>CSFA Number</u>	<u>Project Name</u>
37.078	Florida Communities Trust

**II. Financial Statement Findings:** None.

**III. State Financial Assistance Projects Findings and Questioned Costs:** None.

**IV. Prior Audit Findings:** Not applicable as no prior year findings have been reported.

**V. Corrective Action Plan:** Not applicable as no current year findings have been reported.



## City of St. Augustine Beach

2200 A1A South  
St. Augustine Beach, FL 32080  
[www.staugbch.com](http://www.staugbch.com)

City Mgr. (904) 471-2122  
Fax (904) 471-4108

Bldg. & Zoning (904) 471-8758  
Fax (904) 471-4470

**April 29, 2019**

### Management's Response to the Auditor's Comments

#### **2018-001 – Fund Deficits**

The City incurred expenses in the Road and Bridge fund directly related to Hurricane Irma, the City expects to be reimbursed from FEMA, in the interim the City's General Fund will further subsidize the Road and Bridge Fund. The City will close out the Capital Projects Fund in Fiscal Year 2019, as all projects related to the requirement of the fund have been completed.

Max Royle  
City Manager