

MEMORANDUM

TO: Mayor England
Vice Mayor Kostka
Commissioner George
Commissioner Samora
Commissioner Rumrell

FROM: Max Royle, City Manager 

DATE: February 24, 2020

SUBJECT: Presentations:

- A. Interview of Candidates for Two Alternate Positions on the Comprehensive Planning and Zoning Board
- B. Audit Report for Fiscal Year 2019

ITEM A. INTERVIEWS

With the recent resignations of two regular members, the Planning Board's alternates have automatically moved up to be regular members. For the two vacant alternates' seats, the City is fortunate to have three citizens interested in serving. In alphabetical order, they are:

- 1) Mr. A. Victor Sarris
- 2) Mr. John Tisdall
- 3) Mr. Patrick Wilson

Attached is the application submitted by each. They have been invited to your March 2nd meeting for the customary interview. We suggest that you interview them in alphabetical order.

ITEM B. FISCAL YEAR 2019 AUDIT REPORT

The report is attached. Mr. James Halleran of James Moore, the City's auditing firm, will make a presentation to explain it to you. In advance of his explanation, we suggest you read the entire report and look at the following in particular:

- a. Page 6, which is the Statement of Activities and shows the difference between FY 2018 and FY 2019 in various categories of revenues and expenditures.
- b. Page 10 which shows the Statement of Activities as of the end of FY 2019 (September 30, 2019)
- c. Page 13, which provides an overview of revenues, expenditures and changes to the fund balance for FY 2019.
- d. Pages 23-25, which describe the City's long-term debt.

- e. Pages 25-26, which describe the transfer of money from the General Fund to the Road/Bridge Fund because dedicated revenue sources for the latter fund are insufficient each fiscal year to pay the costs of the fund's activities (the Road/Streets Department).
- f. Pages 34-35, which compares the amounts budgeted and actually earned or spent during the fiscal year.
- g. Pages 47-42, the auditor's report on internal controls.
- h. Pages 43-44, the auditor's Management Letter
- i. Page 45, the auditor's finding that the City has complied with the financial requirements for FY 2019.
- j. Page 47, the City management responses to the auditor's comments. Please note the last response, which concerns the Commission amending the City's budget regulations to give the Police Chief and the City Manager the authority to transfer appropriations between departments. At this time, any transfers in excess of \$1,500 must be approved by budget resolution by the City Commission.

Action Requested

It is that you have Mr. Halleran present the report and that you discuss its details with him.

In particular, we ask you to discuss a major finding, which is shown on page 44 under the title Fund Deficits. The City needs to strengthen its fund balance starting with the FY 2021 budget. The General Fund's unassigned fund balance is low. The auditor recommends that it be restored to acceptable levels in two years (FY 2021 and 2022).



**ST. AUGUSTINE BEACH CITY COMMISSION
BOARD AND COMMITTEE APPLICATION**

FOR APPOINTMENTS TO COMMITTEES INVOLVED IN LAND USE

Date received by City 1/28/2020

Thank you for your expressed interest in being considered for appointment to committees, boards, commissions, or advisory groups appointed by the City Commission. The Commission appreciates your willingness to serve your fellow citizens in a volunteer capacity. Please complete this application to the best of your ability. (You may attach a resume and/or additional data. Please reference attachments in the appropriate section(s).)

Name: A. Victor Sarris

Address: 174 Spanish Oaks Ln. St. Aug. FL 32080

Phone #: 904/219-7592 E-Mail Address: Victor@avsbuildersinc.com

How long have you been a legal resident of the City of St. Augustine Beach? 15 yrs

I am a full-time ☒ part-time ☐ resident.

I am ☒ am not ☐ a registered voter in St. Johns County.

List all active professional licenses and certifications: State Certified
Contractor Lic # CBC 1252835

Educational background: Bachelor's Degree in Construction
Mgt Louisiana State Univ 1987 (LSU)

Past work experience: General Contractor For Over
30 yrs

Please list all civic clubs, professional organizations, or public interest groups of which you are a member or in which you have been active: (attached additional sheet if necessary).

1. NEFBA
2. YMCA Bd. of Directors
City of St. Aug. Beach

3. _____ 4. _____

Please list the location and size of all parcels of property in St. Augustine Beach of which you have ownership: 124 Spanish Oaks Ln. 100' x 120'

#6 10th St. 60' x 90'

Please list any companies/industries doing business in St. Augustine Beach in which you have a financial interest (i.e., proprietary, partnership, stock holdings, etc.)

AUS Builders, Inc.

Please indicate by preference all City boards, committees, or councils in which you have an interest:

1. Code Enforcement Board ☐

2. Comprehensive Planning & Zoning Board ☒

3. Other ☐

I am available for meetings

a. During the day only ☐

b. Evenings only ☒

c. Anytime ☐

List three (3) personal or professional references:

1. Mike Davis 904/669-1522

2. Mick Bailey 904/669-1963

3. Lacey Finbowser 904/669-5584

You may use this space for a brief biographical profile or to list certain skills you possess that may be relevant to the appointment you are seeking. Please indicate whether you have had experience with the reading of blueprints, technical drawings or diagrams. (Indicate below if you are attaching a resume.)

I have extensive experience in the construction
industry from construction of Office Bldgs, Restaurants,
Homes, Subdivisions, Roads, Water & Sewer Lines, Restaurants

NOTE: All information provided will become a matter of public record and will be open to the public. If you require special accommodations because of a disability to participate in the application/selection process, you must notify the City Commission in advance. This application will be kept for one (1) year, at which time you must notify the

City Commission of your intent to remain an active applicant and update your application accordingly or it will be removed from the active file.

I hereby authorize the City of St. Augustine Beach or its representatives to verify all information provided, and I further authorize the release of any information by those in possession of such information which may be requested by the City. I certify that all information provided herein is true and accurate to the best of my knowledge. I understand that a volunteer position provides for no compensation except that as may be provided by Florida Statutes or other enabling legislation.



Signature

1/28/20

Date

Please return completed application to:

The City of St. Augustine Beach
2200 A1A South
St. Augustine Beach, FL 32080
Phone (904) 471-2122
FAX (904) 471-4108

Thank you for your interest!



**ST. AUGUSTINE BEACH CITY COMMISSION
BOARD AND COMMITTEE APPLICATION**

FOR APPOINTMENTS TO COMMITTEES INVOLVED IN LAND USE

Date received by City _____

Thank you for your expressed interest in being considered for appointment to committees, boards, commissions, or advisory groups appointed by the City Commission. The Commission appreciates your willingness to serve your fellow citizens in a volunteer capacity. Please complete this application to the best of your ability. (You may attach a resume and/or additional data. Please reference attachments in the appropriate section(s).)

Name: John Tisdall

Address: 732 Saltwater Circle

Phone # 262-492-1885 E-Mail Address: john.tisdall@watsonrealty.com

How long have you been a legal resident of the City of St. Augustine Beach? 04/01/2019

I am a full-time ☒ part-time _____ resident.

I am ☒ am not _____ a registered voter in St. Johns County.

List all active professional licenses and certifications: Florida Real Estate Broker
Leading RE Certified
Commercial Investment Broker

Educational background: 40 years Real Estate

Past work experience: Broker, Consultant, Sales

Please list all civic clubs, professional organizations, or public interest groups of which you are a member or in which you have been active: (attached additional sheet if necessary).

1. Saint Augustine Board of Realtors

3. _____ 4. _____

Please list the location and size of all parcels of property in St. Augustine Beach of which you have ownership:

13.2 Saltwater Circle

Please list any companies/industries doing business in St. Augustine Beach in which you have a financial interest (i.e., proprietary, partnership, stock holdings, etc.)

None

Please indicate by preference all City boards, committees, or councils in which you have an interest:

- | | |
|--|-------------------------------------|
| 1. Code Enforcement Board | <input checked="" type="checkbox"/> |
| 2. Comprehensive Planning & Zoning Board | <input checked="" type="checkbox"/> |
| 3. Other | <input type="checkbox"/> |

I am available for meetings

- | | |
|------------------------|-------------------------------------|
| a. During the day only | <input type="checkbox"/> |
| b. Evenings only | <input type="checkbox"/> |
| c. Anytime | <input checked="" type="checkbox"/> |

List three (3) personal or professional references:

- | | |
|----|--|
| 1. | <u>Beth Ruggeri - Watson Real Estate</u> |
| 2. | <u>Craig Crum - 11 11</u> |
| 3. | <u>Ed Richet - Seagrave HOA member</u> |

You may use this space for a brief biographical profile or to list certain skills you possess that may be relevant to the appointment you are seeking. Please indicate whether you have had experience with the reading of blueprints, technical drawings or diagrams. (Indicate below if you are attaching a resume.)

Real Estate, Builder, Commercial Painter
See linked in - Resume

NOTE: All information provided will become a matter of public record and will be open to the public. If you require special accommodations because of a disability to participate in the application/selection process, you must notify the City Commission in advance. This application will be kept for one (1) year, at which time you must notify the

City Commission of your intent to remain an active applicant and update your application accordingly or it will be removed from the active file.

I hereby authorize the City of St. Augustine Beach or its representatives to verify all information provided, and I further authorize the release of any information by those in possession of such information which may be requested by the City. I certify that all information provided herein is true and accurate to the best of my knowledge. I understand that a volunteer position provides for no compensation except that as may be provided by Florida Statutes or other enabling legislation.


Signature

2-5-2020
Date

Please return completed application to:

The City of St. Augustine Beach
2200 A1A South
St. Augustine Beach, FL 32080
Phone (904) 471-2122
FAX (904) 471-4108

Thank you for your interest!



**ST. AUGUSTINE BEACH CITY COMMISSION
BOARD AND COMMITTEE APPLICATION**

FOR APPOINTMENTS TO COMMITTEES INVOLVED IN LAND USE

Date received by City 1.31.20.

Thank you for your expressed interest in being considered for appointment to committees, boards, commissions, or advisory groups appointed by the City Commission. The Commission appreciates your willingness to serve your fellow citizens in a volunteer capacity. Please complete this application to the best of your ability. (You may attach a resume and/or additional data. Please reference attachments in the appropriate section(s).)

Name: Patrick Wilson

Address: 904 Sandy Beach Circle

Phone #: 352-222-8079 E-Mail Address: Dubugue31@gmail.com

How long have you been a legal resident of the City of St. Augustine Beach? 5 YRS

I am a full-time X part-time _____ resident.

I am X am not _____ a registered voter in St. Johns County.

List all active professional licenses and certifications: Certified General Contractor
1521778, OSHA 30 hour Certified

Educational background: BA - University of Florida Business Administration

Past work experience: PM Construction Superintendent for Single Family Home Builder

Please list all civic clubs, professional organizations, or public interest groups of which you are a member or in which you have been active: (attached additional sheet if necessary).

1. Police Athletic League (PAL)
2. Habitat for Humanity

3. Young life

4. Veritas Classical School - ^{Founding}
^{Family}
^{member}

Please list the location and size of all parcels of property in St. Augustine Beach of which you have ownership: 1.904 Sandy Beach Circle 0.33 Acres

Please list any companies/industries doing business in St. Augustine Beach in which you have a financial interest (i.e., proprietary, partnership, stock holdings, etc.)

N/A

Please indicate by preference all City boards, committees, or councils in which you have an interest:

1. Code Enforcement Board ☐
2. Comprehensive Planning & Zoning Board ☒
3. Other ☐

I am available for meetings

- a. During the day only ☐
- b. Evenings only ☒
- c. Anytime ☐

List three (3) personal or professional references:

1. Robert Miller FAIA 321-663-8862 (Architect)
2. David McDaniel 407-970-8383 (Land Broker)
3. Dominic Scine 410-271-3547 (CPA)

You may use this space for a brief biographical profile or to list certain skills you possess that may be relevant to the appointment you are seeking. Please indicate whether you have had experience with the reading of blueprints, technical drawings or diagrams. (Indicate below if you are attaching a resume.)

- Certified General Contractor CGC1521778
- Recently Work for a Multi Family CGC. My Daily Responsibilities Requires involvement With Government inspectors, Plan Review & technical Reading, Contract Negotiations and Owner meeting.
- Versed in Microsoft Project, excel, Word & Blue Beam

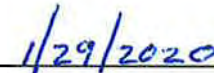
NOTE: All information provided will become a matter of public record and will be open to the public. If you require special accommodations because of a disability to participate in the application/selection process, you must notify the City Commission in advance. This application will be kept for one (1) year, at which time you must notify the

City Commission of your intent to remain an active applicant and update your application accordingly or it will be removed from the active file.

I hereby authorize the City of St. Augustine Beach or its representatives to verify all information provided, and I further authorize the release of any information by those in possession of such information which may be requested by the City. I certify that all information provided herein is true and accurate to the best of my knowledge. I understand that a volunteer position provides for no compensation except that as may be provided by Florida Statutes or other enabling legislation.



Signature



Date

Please return completed application to:

The City of St. Augustine Beach
2200 A1A South
St. Augustine Beach, FL 32080
Phone (904) 471-2122
FAX (904) 471-4108

Thank you for your interest!

February 19, 2020

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

We have audited the financial statements of the City of St. Augustine Beach, Florida (the City) as of and for the year ended September 30, 2019, and have issued our report thereon dated February 19, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 10, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and other matters noted during our audit in a separate letter to you dated February 19, 2020.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, and our firm has complied with all relevant ethical requirements regarding independence.

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

Website: www.jmco.com | Email: info@jmco.com | Member of AGN International with offices in principal cities worldwide

We have applied safeguards related to our preparation of the City's financial statements, including, but not limited to, an assessment of management's skills, knowledge, and experience, and by obtaining a completed financial statement disclosure checklist from management.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of useful lives for depreciation was based on past history within each capital asset class. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimates of the net pension liability and total OPEB liability were based on actuarial factors and were calculated by actuaries independent of the City. We evaluated the key factors and assumptions used to develop the net pension liability and net OPEB obligation in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to:

Note 4 summarizes the City's deposits and investments, including any risks or concentrations in investments held.

Notes 7 and 8 to the financial statements summarizes the City's long-term debt obligations, including future debt service payments.

Note 10 to the financial statements summarizes the basic information regarding the City's pension plans, the net pension liability, and the total OPEB liability.

Note 15 to the financial statements summarizes recently issued Governmental Accounting Standards Board pronouncements.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The following summarizes uncorrected financial statement misstatements, if any, whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit. There were no such uncorrected misstatements in the current year.

In addition, professional standards require us to communicate to you all significant, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following significant misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- Approximately \$73,000 adjustment to recognize FEMA grant revenue and related accounts receivable in the Road and Bridge Fund for project costs incurred and obligated by the Florida Division of Emergency Management during the current year.
- Approximately \$112,500 adjustment to recognize the final month of FY2019 intergovernmental revenues and the related intergovernmental accounts receivable. Approximately \$70,000 is related to the General Fund and approximately \$42,000 is related to the Road and Bridge Fund.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain representations from management that are included in the management representation letter dated February 19, 2020.

To the Honorable Mayor and City Commission Members,
City of St. Augustine Beach, Florida
February 19, 2020
Page 4

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

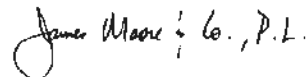
In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This report is intended solely for the information and use of the City Commission and management of the City of St. Augustine Beach, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink, appearing to read "James Moore & Co., P.L.", written in a cursive, flowing style.

JAMES MOORE & CO., P.L.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

**CITY OF ST. AUGUSTINE BEACH, FLORIDA
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SEPTEMBER 30, 2019**

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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's 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.

- 1 -

121 Executive Circle
Daytona Beach, FL 32114-1180
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Tallahassee, FL 32308-4386
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Website: www.jmco.com | Email: info@jmco.com | Member of AGN International with offices in principal cities worldwide

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, 2019, 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.

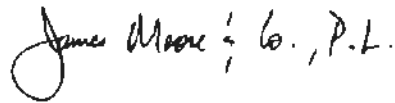
Other Matters

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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.



Daytona Beach, Florida
February 19, 2020

**CITY OF ST. AUGUSTINE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

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, 2019.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$20,301,002 (net position). The governments' total net position decreased by \$45,455.
- 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 \$4,763,758 an increase of \$194,964. The unassigned General Fund balance available for spending at the City's discretion is \$1,103,533. However, the Road & Bridge Fund has a negative fund balance of \$539,894, which the General Fund will have to subsidize in the next reporting period

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, deferred inflows, liabilities, and deferred outflows with the difference between the four 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 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.

**CITY OF ST. AUGUSTINE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

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 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 the 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. 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 \$20,301,002 or a .22% decrease 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 9.

**CITY OF ST. AUGUSTINE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

Net Position

	2019	2018
Current and Other Assets	\$ 5,000,448	\$ 4,792,090
Capital Assets	29,279,396	28,917,483
Total Assets	<u>34,279,844</u>	<u>33,709,573</u>
Deferred Outflows of Resources	2,013,524	2,252,951
Long-term Liabilities Outstanding	15,176,945	14,814,227
Other Liabilities	352,865	347,443
Total Liabilities	<u>15,529,810</u>	<u>15,161,670</u>
Deferred Inflows of Resources	<u>(462,556)</u>	<u>(454,397)</u>
Net Position:		
Net Investment in Capital Assets	20,775,393	20,069,085
Restricted	1,726,560	1,391,114
Unrestricted	<u>(2,200,951)</u>	<u>(1,113,742)</u>
Total Net Position	<u>\$ 20,301,002</u>	<u>\$ 20,346,457</u>

At the end of the current fiscal year, the government's liabilities increased by \$368,140 or 2.4% which can be attributed to an increase in Long Term liabilities of \$362,718 comprised of an increase in Capital Leases \$146,915 and an increase in Net Pension Liability \$689,507, which was offset by other decreases in long-term liabilities such as Bonds and Notes Payable \$493,310.

One hundred and two percent (102%) 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. The deficit unrestricted net position is result of the \$5,639,693 Net Pension Liability and \$681,891 Total OPEB Liability.

The government's net position decreased by \$45,455 in the current fiscal year. The following table reflects the condensed Statement of Activities for the current and prior years. See page 10 for more detail.

**CITY OF ST. AUGUSTINE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

Statement of Activities

	<u>2019</u>	<u>2018</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 950,235	\$ 768,381
Operating Grants and Contributions	603,452	1,803,385
Capital Grants and Contributions	196,733	119,142
General Revenues:		
Property Taxes	3,541,540	3,287,763
Other Taxes	2,448,338	2,419,716
Other	87,779	53,521
Total Revenues	<u>7,828,077</u>	<u>8,451,908</u>
Expenses:		
General Government	2,043,177	1,937,323
Public Safety	3,185,044	2,849,666
Physical Environment	1,242,677	1,253,746
Transportation	966,647	948,624
Economic Environment	250	-
Human Services	-	53
Culture and Recreation	178,318	128,634
Interest on Long-term Debt	257,419	284,003
Total Expenses	<u>7,873,532</u>	<u>7,402,049</u>
Change in Net Position	(45,455)	1,049,859
Net Position - October 1	20,346,457	19,296,598
Net Position - September 30	<u>\$ 20,301,002</u>	<u>\$ 20,346,457</u>

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 assess 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, 2019, fund balances were \$4,763,758 an increase of \$194,964 in comparison with the prior year. This includes \$1,103,533 in Unassigned Fund Balance for the General Fund which would be available for spending at the City's discretion, however, the Road & Bridge Fund has a negative fund balance of \$539,894 which the General Fund will have to subsidize in the next reporting period.

The General Fund's fund balance decreased by \$552,268 from \$3,290,190 to \$2,737,922. The decrease in fund balance is a result of a budget resolution to reduce the Parks & Recreation Assigned Fund Balance to aid in offsetting the revenue shortfall and increase in subsidy to the Road & Bridge Fund.

The Road and Bridge unassigned fund balance increased by \$199,974, from \$(739,868) to \$(539,894). Revenues were more than budgeted amounts and expenditures were less than budgeted amounts.

**CITY OF ST. AUGUSTINE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

The debt service fund has a fund balance of \$2,089,268. This is an increase of \$389,143 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 34. The City received more than the overall budgeted amount for revenues and spent less than the budgeted amounts for expenditures. Revenues were primarily greater than budget due to increases in building permits, plan review/platt fees, and receipt of \$139,571 disaster relief grants. Expenditures were lower than budgeted primarily due to \$432,221 of capital outlay not expended during the year.

Changes between the original and final budget were primarily as of result of eliminating \$403,368 of parking fee revenue.

Road and Bridge Fund

A comparison of the budget versus actual for the Road and Bridge Fund can be found on page 35. The City received more than the overall budgeted amount for revenues which is related to the increase in impact fees collected. The Ridge subdivision, which is the newest subdivision in the City, continues grow. As of September 30, 2019, 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, 2019, amounts to \$29,279,396 (net of accumulated depreciation). See Note 6 for details. Capital assets include land, buildings and improvements, machinery and equipment, and infrastructure. The total increase in the City's investment in capital assets net of depreciation for the current fiscal year was 1.25%.

Debt Administration

The City decreased its bond and loan payables during the current fiscal year by \$491,310, which is a decrease of 5.68% 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.

**CITY OF ST. AUGUSTINE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

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 Finance Director, 2200 A1A South, St. Augustine Beach, Florida 32080.

CITY OF ST. AUGUSTINE BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,888,621
Investments	1,563,459
Receivables, net	164,293
Due from other governments	333,523
Inventories	3,770
Prepays	46,782
Capital assets:	
Non-depreciable capital assets	14,890,535
Other capital assets, net of depreciation	14,388,861
Total assets	<u>34,279,844</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,998,970
Deferred outflows related to OPEB	14,554
Total deferred outflows of resources	<u>2,013,524</u>
LIABILITIES	
Accounts payable	139,054
Accrued payroll and employee benefits	47,383
Customer deposits	600
Unearned revenue	7,784
Due to other governments	41,869
Accrued interest payable	116,175
Noncurrent liabilities:	
Due within one year:	
Bonds and notes payable	496,389
Capital leases	115,253
Compensated absences	52,704
Due in more than one year:	
Bonds and notes payable	7,659,601
Capital leases	232,760
Compensated absences	298,654
Total OPEB liability	681,891
Net pension liability	5,639,693
Total liabilities	<u>15,529,810</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	370,807
Deferred inflows related to OPEB	91,749
Total deferred inflows of resources	<u>462,556</u>
NET POSITION	
Net investment in capital assets	20,775,393
Restricted for:	
Impact fees	832,343
Police department - communications	12,083
Law enforcement - forfeiture and seizure	14,830
Building department	551,043
Debt service	316,261
Unrestricted	(2,200,951)
Total net position	<u>\$ 20,301,002</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, 2019**

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	\$ 2,043,177	\$ 62,780	\$ 153,865	\$ 35,634	\$ (1,790,898)
Public safety	3,185,044	440,741	13,689	6,972	(2,723,642)
Physical environment	1,242,677	389,191	331,937	-	(521,549)
Economic Environment	250	-	-	-	(250)
Human services	-	65	-	-	65
Transportation	966,647	50,138	20,000	143,654	(752,855)
Culture and recreation	178,318	7,320	83,961	10,473	(76,564)
Interest on long-term debt	257,419	-	-	-	(257,419)
Total governmental activities	<u>\$ 7,873,532</u>	<u>\$ 950,235</u>	<u>\$ 603,452</u>	<u>\$ 196,733</u>	<u>(6,123,112)</u>
General revenues:					
Property taxes					3,541,540
Sales and use taxes					1,080,140
Franchise and utility taxes					457,595
Public service taxes					672,457
Other taxes and fees					238,146
Investment earnings (loss)					62,492
Miscellaneous revenues					25,287
Total general revenues					<u>6,077,657</u>
Change in net position					(45,455)
Net position - beginning					20,346,457
Net position - ending					<u>\$ 20,301,002</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, 2019**

	General Fund	Road and Bridge	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 795,873	\$ 3,658	\$ 1,656,654	\$ -	\$ 2,456,185
Cash with fiscal agent	-	-	432,436	-	432,436
Investments	1,555,939	7,520	-	-	1,563,459
Receivables, net	164,293	-	-	-	164,293
Due from other governments	216,572	116,773	178	-	333,523
Due from other funds	138,675	-	-	-	138,675
Inventories	3,770	-	-	-	3,770
Prepaid items	46,782	-	-	-	46,782
Total assets	<u>\$ 2,921,904</u>	<u>\$ 127,951</u>	<u>\$ 2,089,268</u>	<u>\$ -</u>	<u>\$ 5,139,123</u>
LIABILITIES					
Accounts payable	\$ 86,346	\$ 52,708	\$ -	\$ -	\$ 139,054
Accrued liabilities	47,383	-	-	-	47,383
Unearned revenue	7,784	-	-	-	7,784
Due to other governments	41,869	-	-	-	41,869
Due to other funds	-	138,675	-	-	138,675
Customer deposits	600	-	-	-	600
Total liabilities	<u>183,982</u>	<u>191,383</u>	<u>-</u>	<u>-</u>	<u>375,365</u>
FUND BALANCES					
Nonspendable:					
Inventories	3,770	-	-	-	3,770
Prepaid items	46,782	-	-	-	46,782
Restricted for:					
Impact fees	355,881	476,462	-	-	832,343
Police department - communications	12,083	-	-	-	12,083
Law enforcement - forfeiture and seizure	14,830	-	-	-	14,830
Building department	551,043	-	-	-	551,043
Debt service	-	-	432,436	-	432,436
Assigned to:					
Capital projects	600,000	-	-	-	600,000
Emergencies and contingencies	50,000	-	-	-	50,000
Debt service	-	-	1,656,832	-	1,656,832
Unassigned	1,103,533	(539,894)	-	-	563,639
Total fund balances	<u>2,737,922</u>	<u>(63,432)</u>	<u>2,089,268</u>	<u>-</u>	<u>4,763,758</u>
Total liabilities and fund balances	<u><u>\$ 2,921,904</u></u>	<u><u>\$ 127,951</u></u>	<u><u>\$ 2,089,268</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,139,123</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, 2019

Fund balances - total governmental funds **\$ 4,763,758**

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	36,642,798	
Less: accumulated depreciation	<u>(7,363,402)</u>	29,279,396

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	(5,639,693)	
Deferred outflows related to pensions	1,998,970	
Deferred inflows related to pensions	<u>(370,807)</u>	(4,011,530)

On the governmental fund statements, a total OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's total OPEB liability is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to OPEB are also reported.

Total OPEB liability	(681,891)	
Deferred outflows related to OPEB	14,554	
Deferred inflows related to OPEB	<u>(91,749)</u>	(759,086)

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	(8,155,990)	
Capital leases payable	(348,013)	
Accrued interest payable	(116,175)	
Compensated absences	<u>(351,358)</u>	(8,971,536)

Net position of governmental activities		<u>\$ 20,301,002</u>
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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, 2019

	General	Road and Bridge	Debt Service	Nonmajor Governmental	Total Governmental Funds
Revenues					
Taxes	\$ 3,870,456	\$ 239,983	\$ 610,779	\$ -	\$ 4,721,218
Licenses and permits	861,289	143,654	-	-	1,004,943
Intergovernmental	999,124	400,024	-	-	1,399,148
Charges for services	488,919	50,138	-	-	539,057
Fines and forfeitures	36,349	-	-	-	36,349
Interest revenues (losses)	62,304	188	-	-	62,492
Miscellaneous	42,361	-	-	-	42,361
Total revenues	<u>6,360,802</u>	<u>833,987</u>	<u>610,779</u>	<u>-</u>	<u>7,805,568</u>
Expenditures					
Current:					
General government	1,585,137	-	-	-	1,585,137
Public safety	2,555,840	-	-	-	2,555,840
Physical environment	752,780	-	-	-	752,780
Economic environment	250	-	-	-	250
Transportation	-	837,632	-	-	837,632
Culture and recreation	146,020	-	-	-	146,020
Capital outlay	467,207	655,952	-	-	1,123,159
Debt service					
Principal	72,458	113,989	367,057	-	553,504
Interest and fiscal charges	6,149	53,376	216,757	-	276,282
Total expenditures	<u>5,585,841</u>	<u>1,660,949</u>	<u>583,814</u>	<u>-</u>	<u>7,830,604</u>
Excess (deficiency) of revenues over expenditures	<u>774,961</u>	<u>(826,962)</u>	<u>26,965</u>	<u>-</u>	<u>(25,036)</u>
Other financing sources (uses)					
Transfers in	-	1,174,347	362,178	16,746	1,553,271
Transfers out	(1,547,229)	(6,042)	-	-	(1,553,271)
Proceeds from issuance of debt	220,000	-	-	-	220,000
Total other financing sources (uses)	<u>(1,327,229)</u>	<u>1,168,305</u>	<u>362,178</u>	<u>16,746</u>	<u>220,000</u>
Net change in fund balances	<u>(552,268)</u>	<u>341,343</u>	<u>389,143</u>	<u>16,746</u>	<u>194,964</u>
Fund balances, beginning of year	3,290,190	(404,775)	1,700,125	(16,746)	4,568,794
Fund balances, end of year	<u>\$ 2,737,922</u>	<u>\$ (63,432)</u>	<u>\$ 2,089,268</u>	<u>\$ -</u>	<u>\$ 4,763,758</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, 2019**

Net change in fund balances - total governmental funds **\$ 194,964**

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	1,123,159	
Depreciation expense	(783,755)	
Contributed capital assets	22,509	361,913

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	553,504	
Amortization of debt premium	10,891	
Issuance of governmental long-term debt	(220,000)	344,395

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	(859,898)
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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	7,972
Change in total OPEB liability	(98,394)
Change in compensated absences liability	3,593

Change in net position of governmental activities	\$ (45,455)
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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, 2019

(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, 2019

(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, 2019

(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 1st, 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, 2019

(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 \$5,000 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	5 - 20 years
Infrastructure	40 - 70 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, 2019

(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 pensions and other post-employment benefits (OPEB), 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 pensions and OPEB, 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, 2019

(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, 2019, 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, 2019

(4) Cash Deposits and Investments: (Continued)

As of September 30, 2019, 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), Florida Local Government Investment Trust (FLGIT) and Florida Safe Investment Pool (FLSAFE). Florida PRIME is administered by the Florida State Board of Administration (SBA), who provides regulatory oversight. Florida PRIME, FLGIT and FLSAFE 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, FLGIT, or FLSAFE; 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, 2019, the Florida PRIME, FLGIT and FLSAFE had weighted average maturities of 37 days, 30 days and 37 days, respectively. The City held no assets or investments carried at fair value at September 30, 2019, and subject to the required disclosures of GASB 72.

As of September 30, 2019, 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)	\$ 490,859
FLGIT Day to Day	AAAm (Fitch)	\$ 52,705
FLSAFE	AAAm (S&P)	\$ 1,019,895

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, 2019.

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, FLGIT and FLSAFE funds, as described above.

CITY OF ST. AUGUSTINE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(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 adopted investment policy follows the investment policies set forth in Florida Statutes, Chapter 218.

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, 2019, the City's investment of \$490,859 in Florida PRIME funds, \$52,705 in FLGIT funds, and \$1,019,895 in FLSAFE 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 \$164,293 at September 30, 2019, all of which was included in the general fund and governmental activities. There was no allowance for doubtful accounts at September 30, 2019.

(6) **Capital Assets:**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 14,297,130	\$ -	\$ -	\$ 14,297,130
Construction in progress	250,993	523,825	(181,413)	593,405
Total capital assets, not being depreciated	14,548,123	523,825	(181,413)	14,890,535
Capital assets, being depreciated –				
Machinery and equipment	3,686,394	423,212	(162,932)	3,946,674
Buildings and improvements	4,837,065	54,243	-	4,891,308
Infrastructure	12,588,480	325,801	-	12,914,281
Total capital assets, being depreciated	21,111,939	803,256	(162,932)	21,752,263
Less: accumulated depreciation	(6,742,579)	(783,755)	162,932	(7,363,402)
Total capital assets, being depreciated, net	14,369,360	19,501	-	14,388,861
Governmental activities capital assets, net	<u>\$ 28,917,483</u>	<u>\$ 543,326</u>	<u>\$ (181,413)</u>	<u>\$ 29,279,396</u>

CITY OF ST. AUGUSTINE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(6) Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 172,449
Public safety	166,710
Physical environment	408,674
Transportation	3,624
Culture and recreation	32,298
Total depreciation expense - governmental activities	<u>\$ 783,755</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, three police vehicles in the 2017 fiscal year and one garbage truck in the 2019 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	\$ 580,698
Accumulated depreciation	<u>(244,213)</u>
Net book value of leased assets	<u>\$ 336,485</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>
2020	\$ 115,253	\$ 11,107	\$ 126,360
2021	69,149	7,510	76,659
2022	71,369	5,289	76,658
2023	45,384	2,998	48,382
2024	46,858	1,523	48,381
Total	<u>\$ 348,013</u>	<u>\$ 28,427</u>	<u>\$ 376,440</u>

(8) Long-Term Debt:

Notes and bonds payable at September 30, 2019, 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 \$658,178. During 2019, \$610,779 in ad valorem revenues were recognized and \$65,254 were paid for debt service.

\$ 499,694

CITY OF ST. AUGUSTINE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(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 \$2,122,038. During 2019, \$4,286,537 in non-ad valorem revenues were recognized and \$75,000 were paid for debt service.</p>	<p>\$ 1,400,000</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 \$1,565,700. During 2019, \$610,779 in ad valorem revenues were recognized and \$154,900 were paid for debt service.</p>	<p>1,380,000</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 \$2,237,475. During 2019, \$4,286,537 in non-ad valorem revenues were recognized and \$141,300 were paid for debt service.</p>	<p>1,755,000</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 \$1,450,431. During 2019, \$4,286,537 in non-ad valorem revenues were recognized and \$138,613 were paid for debt service.</p>	<p>1,235,000</p>
<p>\$2,508,562 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>1,742,260</p>
<p>Notes and bonds payable at September 30, 2019</p>	<p>8,011,954</p>
<p>Add: unamortized bond premiums</p>	<p>144,036</p>
<p>Less: current portion of bonds and notes payable</p>	<p>(496,389)</p>
<p>Total long-term debt, governmental activities</p>	<p><u>\$ 7,659,601</u></p>

CITY OF ST. AUGUSTINE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(8) Long-Term Debt: (Continued)

The City was in compliance with all applicable debt covenants as of and for the year ended September 30, 2019.

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>
2020	\$ 496,389	\$ 244,920	\$ 741,309
2021	517,564	227,246	744,810
2022	522,700	210,834	733,534
2023	538,685	192,224	730,909
2024	564,903	174,856	739,759
2025-2029	3,056,018	640,005	3,696,023
2030-2034	1,380,695	242,170	1,622,865
2035-2039	405,000	110,650	515,650
2040-2044	315,000	61,019	376,019
2045-2047	215,000	10,644	225,644
Total	<u>\$ 8,011,954</u>	<u>\$ 2,114,568</u>	<u>\$ 10,126,522</u>

For the fiscal year ended September 30, 2019, 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>
Governmental activities:					
Notes and bonds payable	\$ 8,492,373	\$ -	\$ (480,419)	\$ 8,011,954	\$ 496,389
Plus: Original issue premium	154,927	-	(10,891)	144,036	-
Total notes and bonds payable	8,647,300	-	(491,310)	8,155,990	496,389
Capital leases	201,098	220,000	(73,085)	348,013	115,253
Compensated absences	354,951	230,245	(233,838)	351,358	52,704
Governmental activities – Total long-term liabilities	<u>\$ 9,203,349</u>	<u>\$ 450,245</u>	<u>\$ (798,233)</u>	<u>\$ 8,855,361</u>	<u>\$ 664,346</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, 2019, are comprised of the following:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Activities:		
General Fund	\$ 138,675	\$ -
Road and Bridge Fund	-	138,675
Total – All Funds	<u>\$ 138,675</u>	<u>\$ 138,675</u>

CITY OF ST. AUGUSTINE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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

For the year ended September 30, 2019, interfund transfers consisted of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
Governmental Activities:		
General Fund	\$ 1,547,229	\$ -
Road and Bridge Fund	6,042	1,174,347
Debt Service Fund	-	362,178
Capital Projects Fund	-	16,746
Total – All Funds	<u>\$ 1,553,271</u>	<u>\$ 1,553,271</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. The transfers from the general fund and road and bridge fund represent the forgiveness of an unpaid interfund payable from the capital projects fund.

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

(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). 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, 2019

(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, 2019, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Through June 30, 2019</u>	<u>After June 30, 2019</u>
Regular Class	8.26%	8.47%
Elected Officer Class	48.70%	48.82%
Senior Management Service Class (SMSC)	24.06%	25.41%
Special Risk	24.50%	25.48%
DROP	14.03%	14.60%

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, 2019, were as follows:

City Contributions – FRS	\$ 421,259
City Contributions – HIS	47,689
Employee Contributions – FRS	86,184

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

At September 30, 2019, the City reported a net pension liability related to FRS and HIS as follows:

FRS	\$ 4,678,777
HIS	960,916
Total	<u>\$ 5,639,693</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2019 and 2018, the City's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2019</u>	<u>2018</u>
FRS	0.013585849%	0.013403952%
HIS	0.008588042%	0.008624683%

CITY OF ST. AUGUSTINE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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

For the plan year ended June 30, 2019, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$	1,237,534
HIS		96,216
Total	\$	<u>1,333,750</u>

Deferred outflows/inflows related to pensions:

At September 30, 2019, 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	\$ 277,512	\$ (2,904)	\$ 11,671	\$ (1,177)
Changes of assumptions	1,201,711	-	111,265	(78,537)
Net difference between projected and actual investment earnings	-	(258,854)	620	-
Change in City's proportionate share	190,610	(26,061)	72,180	(3,274)
Contributions subsequent to measurement date	120,325	-	13,075	-
	<u>\$ 1,790,158</u>	<u>\$ (287,819)</u>	<u>\$ 208,811</u>	<u>\$ (82,988)</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, 2020. 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:

2020	\$	447,806
2021		415,889
2022		368,898
2023		180,555
2024		59,296
Thereafter		22,318
Total	\$	<u>1,494,762</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 2019 for the period July 1, 2013, through June 30, 2018. 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, 2019

(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 6.90%. This rate decreased from the prior year rate, which was 7.00%. 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 3.50% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.87%. 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 2019, 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%	3.3%
Fixed income	18.0%	4.1%
Global equities	54.0%	8.0%
Real estate	10.0%	6.7%
Private equity	11.0%	11.2%
Strategic investments	6.0%	5.9%
Total	<u>100.0%</u>	

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	6.90%	\$ 8,088,048	\$ 4,678,777	\$ 1,831,460
HIS	3.50%	1,096,935	960,916	847,628

CITY OF ST. AUGUSTINE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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

B. Other Post-Employment Benefits (OPEB):

Plan Description

The City of St. Augustine Beach, Florida Post-Retirement Benefits Plan (the Plan) is a single-employer healthcare plan administered by the City. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the Plan to retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Eligible individuals include all regular employees who retire from active service. Under certain conditions, eligible individuals also include spouses and dependent children. The Plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of plan members are established by state statutes and may be amended by the state legislature. The required contribution is based on projected pay-as-you-go financing requirements and is subject to constant revision. The City has opted to not fund the total OPEB obligation or the resulting unfunded actuarial accrued liability on an annual basis. The City utilizes the general fund and road and bridge fund to liquidate the liability for the OPEB obligation from previous years.

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, known as the "implicit rate subsidy."

Plan Membership

At October 1, 2017, the date of the latest actuarial valuation, plan participation consisted of 57 covered individuals, including two inactive employees and beneficiaries and 55 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, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Discount rate	3.64%
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, 2019

(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, 2018.

Mortality rates were based on the PUB-2010 Mortality Table (without income adjustment) for general and public safety employees, with full generational improvements in mortality using Scale MP-2017.

Total OPEB Liability

The City's total OPEB liability of \$681,891 was measured as of September 30, 2018, and was determined by an actuarial valuation as of October 1, 2017, utilizing the Alternative Measurement Method for small plans.

Changes in the OPEB liability for the fiscal year ended September 30, 2019, were as follows:

	Total OPEB Liability
Balance at September 30, 2018	\$ 660,692
Changes for a year:	
Service cost	79,706
Interest	26,938
Differences between expected and actual experience	-
Demographic experience	(100,753)
Changes of assumptions	15,982
Benefit payments – implicit rate subsidy	(674)
Other changes	-
Net changes	21,199
Balance at September 30, 2019	\$ 681,891

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 3.64%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.64%) or 1% higher (4.64%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 754,953	\$ 681,891	\$ 617,711

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%):

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	\$ 592,027	\$ 681,891	\$ 790,948

CITY OF ST. AUGUSTINE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(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, 2019. 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, 2019, the Road and Bridge Fund had a deficit fund balance of \$63,432.

(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
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 3,783,171	\$ 3,813,171	\$ 3,870,456	\$ 57,285
Licenses and permits	737,200	737,200	861,289	124,089
Intergovernmental	910,597	935,597	999,124	63,527
Charges for services	825,937	429,569	488,919	59,350
Fines and forfeitures	11,700	18,200	36,349	18,149
Interest revenues	19,100	49,100	62,304	13,204
Miscellaneous	62,550	78,173	42,361	(35,812)
Total revenues	<u>6,350,255</u>	<u>6,061,010</u>	<u>6,360,802</u>	<u>299,792</u>
Expenditures				
Current:				
General government:				
Legislative	81,775	81,774	72,941	8,833
Executive	174,668	174,669	172,582	2,087
Finance	739,068	768,568	736,065	32,503
Comp planning	153,175	169,925	166,821	3,104
Other general government	669,018	654,724	509,092	145,632
Public safety:				
Police	2,420,378	2,420,378	2,390,362	30,016
Protective inspection	370,089	370,089	341,732	28,357
Physical environment	1,108,261	1,088,361	969,229	119,132
Transportation	81,081	-	-	-
Economic environment	250	250	250	-
Human services	55	55	-	55
Culture and recreation	346,850	347,550	148,160	199,390
Debt service:				
Principal	73,245	72,459	72,458	1
Interest and fiscal charges	5,363	6,149	6,149	-
Total expenditures	<u>6,223,276</u>	<u>6,154,951</u>	<u>5,585,841</u>	<u>569,110</u>
Excess (deficiency) of revenues over expenditures	<u>126,979</u>	<u>(93,941)</u>	<u>774,961</u>	<u>868,902</u>
Other financing sources (uses)				
Transfers out	(1,184,259)	(1,536,525)	(1,547,229)	(10,704)
Proceeds from sale of capital assets	10,000	10,000	-	(10,000)
Issuance of debt	250,000	250,000	220,000	(30,000)
Total other financing sources (uses)	<u>(924,259)</u>	<u>(1,276,525)</u>	<u>(1,327,229)</u>	<u>(50,704)</u>
Net change in fund balances	<u>(797,280)</u>	<u>(1,370,466)</u>	<u>(552,268)</u>	<u>818,198</u>
Fund balances, beginning of year	3,290,190	3,290,190	3,290,190	-
Fund balances, end of year	<u>\$ 2,492,910</u>	<u>\$ 1,919,724</u>	<u>\$ 2,737,922</u>	<u>\$ 818,198</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, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 247,968	\$ 247,968	\$ 239,983	\$ (7,985)
Licenses and permits	50,000	50,000	143,654	93,654
Intergovernmental	346,138	407,913	400,024	(7,889)
Charges for services	48,328	48,328	50,138	1,810
Interest revenues	810	810	188	(622)
Total revenues	<u>693,244</u>	<u>755,019</u>	<u>833,987</u>	<u>78,968</u>
Expenditures				
Current:				
Transportation	878,493	1,257,493	837,632	419,861
Capital outlay	769,465	804,506	655,952	148,554
Debt service:				
Principal	113,990	113,990	113,989	1
Interest and fiscal charges	53,377	53,377	53,376	1
Total expenditures	<u>1,815,325</u>	<u>2,229,366</u>	<u>1,660,949</u>	<u>568,417</u>
Excess (deficiency) of revenues over expenditures	<u>(1,122,081)</u>	<u>(1,474,347)</u>	<u>(826,962)</u>	<u>647,385</u>
Other financing sources (uses)				
Transfers in	822,081	1,174,347	1,174,347	-
Transfers out	-	-	(6,042)	(6,042)
Total other financing sources (uses)	<u>822,081</u>	<u>1,174,347</u>	<u>1,168,305</u>	<u>(6,042)</u>
Net change in fund balances	<u>(300,000)</u>	<u>(300,000)</u>	<u>341,343</u>	<u>641,343</u>
Fund balances (deficits), beginning of year	<u>(404,775)</u>	<u>(404,775)</u>	<u>(404,775)</u>	<u>-</u>
Fund balances (deficits), end of year	<u>\$ (704,775)</u>	<u>\$ (704,775)</u>	<u>\$ (63,432)</u>	<u>\$ 641,343</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)

	As of the Plan Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
Florida Retirement System (FRS)						
Proportion of the net pension liability	0.013585849%	0.013403952%	0.013616542%	0.012974748%	0.011402375%	0.010951725%
Proportionate share of the net pension liability	\$ 4,678,777	\$ 4,037,340	\$ 4,029,064	\$ 3,276,134	\$ 1,472,770	\$ 668,216
Covered payroll	2,872,805	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	162.86%	143.29%	147.37%	131.36%	86.89%	45.28%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy Program (HIS)						
Proportion of the net pension liability	0.008588042%	0.008624684%	0.008575529%	0.008077334%	0.007360546%	0.007151006%
Proportionate share of the net pension liability	\$ 960,916	\$ 912,846	\$ 916,935	\$ 941,380	\$ 750,660	\$ 668,637
Covered payroll	2,872,805	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	33.45%	32.40%	33.54%	37.74%	44.29%	45.31%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	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)

	As of the Plan Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
Florida Retirement System (FRS)						
Contractually required contribution	\$ 421,259	\$ 382,002	\$ 354,472	\$ 316,410	\$ 278,000	\$ 239,889
Contributions in relation to the contractually required contribution	421,259	382,002	354,472	316,410	278,000	239,889
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,872,805	\$ 2,817,583	\$ 2,733,987	\$ 2,494,066	\$ 1,694,975	\$ 1,475,719
Contributions as a percentage of covered payroll	14.66%	13.56%	12.97%	12.69%	16.40%	16.26%
Health Insurance Subsidy Program (HIS)						
Contractually required contribution	\$ 47,689	\$ 46,772	\$ 45,384	\$ 41,401	\$ 28,137	\$ 24,497
Contributions in relation to the contractually required contribution	47,689	46,772	45,384	41,401	28,137	24,497
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,872,805	\$ 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%	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)

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 79,706	\$ 78,300
Interest	26,938	21,426
Differences between expected and actual experience	-	-
Changes of assumptions	15,982	-
Benefit payments – implicit rate subsidy	(674)	(637)
Other changes	-	-
Demographic experience	(100,753)	-
Net change in total OPEB liability	<u>21,199</u>	<u>99,089</u>
Total OPEB liability – beginning	660,692	561,603
Total OPEB liability – ending	<u><u>\$ 681,891</u></u>	<u><u>\$ 660,692</u></u>
 Covered payroll	 \$ 2,656,223	 \$ 2,823,671
Total OPEB liability as a percentage of covered payroll	25.67%	23.40%
 Measurement date	 09/30/2018	 09/30/2017
Actuarial valuation date	10/01/2017	10/01/2016
 Discount rate	 3.64%	 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, 2019

(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 1st, 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, and 6.90% for the year ended September 30, 2019. 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, 2019

(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, and 3.50% for the year ended September 30, 2019. 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, 2019, funding valuation, refer to the valuation report dated December 3, 2019, located on the Publications page of the Division of Retirement's website at 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, 2019, funding valuation, refer to the valuation report dated December 3, 2019, located on the Publications page of the Division of Retirement's website at 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, 2019, accumulated HIS assets constituted approximately seven 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 19, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below as items 2019-001 through 2019-002, that we consider to be significant deficiencies.

2019-001 – Preparation of Financial Statements

Professional standards promulgated by the American Institute of Certified Public Accountants provide a system of internal control over financial reporting should allow the City to prepare financial statements, including note disclosures, in accordance with generally accepted accounting principles (GAAP). While auditors can assist with the preparation of financial statements and related footnotes, the financial statements are the responsibility of management. A control deficiency exists in instances where the City is not positioned to draft financial statements and all required disclosures. However, the outsourcing of these services is not unusual in governmental entities of similar budget and personnel size. For subsequent audits, management may wish to take an active role in the drafting of the financial statements and related disclosures.

2019-002 – Reconciliation of Account Balances

During testing of current year revenues, we noted approximately \$70,000 of general fund state revenues, \$42,000 of road and bridge state revenues, and \$73,000 of FEMA grant revenues in the road and bridge fund that were not accrued at year-end. We recommend the City review significant account balances at year-end, including full accrual-based reconciliations, for proper cutoff and completeness to ensure accuracy of all financial reporting.

Compliance and Other Matters

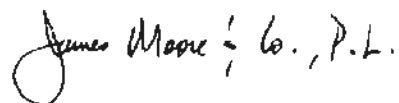
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

Management's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying management's response to findings on page 47. 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 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
February 19, 2020

**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, 2019, and have issued our report thereon dated February 19, 2020.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the 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*; 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 February 19, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The recommendation in the preceding annual financial report numbered as 2018-001 has not been fully corrected and has been modified and repeated below as comment 2019-003. There were no such findings or recommendations in the second 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.

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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:

2019-003 – Fund Deficits (First Year Repeat)

During our analysis of fund balance classifications and amounts, we noted that the Road and Bridge Fund has a \$539,894 fund deficit balance. 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. We recommend the appropriate transfers be approved in a timely manner to ensure positive fund balances are shown in subsequent years as necessary.

The City has a fund balance policy requiring unassigned fund balance of the General Fund to maintain a balance of at least 20% of General Fund expenditures. As of September 30, 2019, the General Fund unassigned fund balance of \$1,103,533 was 19.8% of General Fund expenditures. If the above transfer were to be completed with the current balances, the General Fund unassigned fund balance as a percentage of expenditures would become 10.1%. We recommend the City refer to their fund balance policy for plans to restore the unassigned fund balance to acceptable levels within two years.

2019-004 – Budgetary Legal Level of Control

During our audit of the City's budgetary compliance, we noted the budgetary legal level of control is \$1,500 for the City Manager to make intradepartmental transfers and transfers of appropriations between departments requires approval of the City Commission. To increase efficiency of staff and Commission time, we recommend the City consider amending the City Ordinances to increase the legal level of control to allow City Manager approval for any interdepartmental transfers of appropriation and City Commission approval for any changes in the total budget for a fund.

Additional Matters

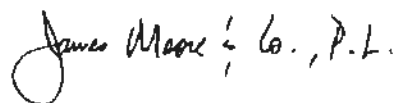
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants 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 47. 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
February 19, 2020

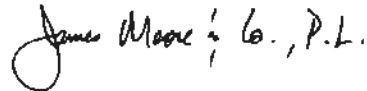
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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, 2019. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019, 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, 2019.



Daytona Beach, Florida
February 19, 2020

AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared Patricia Douylliez, who being duly sworn, deposes and says on oath that:

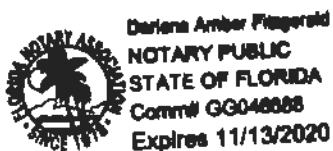
1. I am the Chief Financial Officer of the City of St. Augustine Beach which is a local governmental entity of the State of Florida;
2. The City of St. Augustine Beach entered into an interlocal agreement with the County of St. Johns on August 9, 2005, which allows the City to collect impact fees implemented by the County, adopted by County Ordinance No. 2005-27, as amended through County Ordinance 2018-16; and
3. The City of St. Augustine Beach has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.


Patricia Douylliez, Finance Director

STATE OF FLORIDA
COUNTY OF ST JOHNS

SWORN TO AND SUBSCRIBED before me this 18th day of February, 2020.




NOTARY PUBLIC
Print Name Darlene Amber Fitzgerald

Personally known X or produced identification _____

Type of identification produced: _____

My Commission Expires:

11/13/2020



City of St. Augustine Beach

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St. Augustine Beach, FL 32080
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Fax (904) 471-4108

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

February 19, 2020

Management's Response to the Auditor's Comments

2019-001 – Preparation of Financial Statements

While it has been a practice of the City to have the auditing firm assist with the preparation of our financial statements, however, the City will move toward taking a more active role in the drafting of the financial statements and related disclosures through additional training for the Finance Director.

2019-002 – Reconciliation of Account Balances

The City has developed improved processes to ensure revenues are recognized in the correct fiscal year.

2019-003 – Fund Deficits (First Year Repeat)

The City continues to fund the Road and Bridge Fund expenses from the General Fund via Intrafund Transfers, however, the funding was not adequate to cover the balance of the expenses. The City will ensure transfers to the Road and Bridge Fund are approved in a timely manner so that the fund balance is positive in the future.

The City Manager will review the fund balance with the City Commission and develop a plan to ensure the reserves are increased to acceptable levels over the next two years.

2019-004 – Budgetary Legal Level of Control

The City agrees with giving the City Manager and Chief of Police the increased legal level of control for interdepartmental transfers and transfers of appropriations between departments within the approved annual budget. An amendment to its ordinance will be proposed to the City Commission to reflect this change.