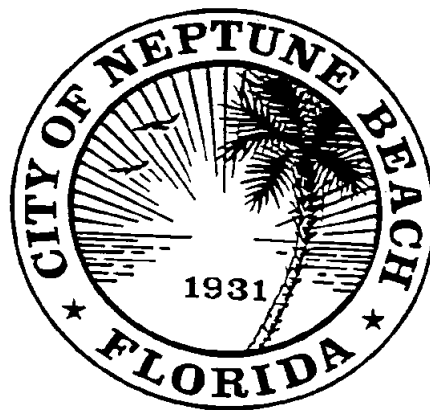


**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
CITY OF NEPTUNE BEACH, FLORIDA  
SEPTEMBER 30, 2017**



**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
CITY OF NEPTUNE BEACH, FLORIDA  
SEPTEMBER 30, 2017**

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**FINANCIAL STATEMENTS  
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CITY OF NEPTUNE BEACH, FLORIDA**

**SEPTEMBER 30, 2017**

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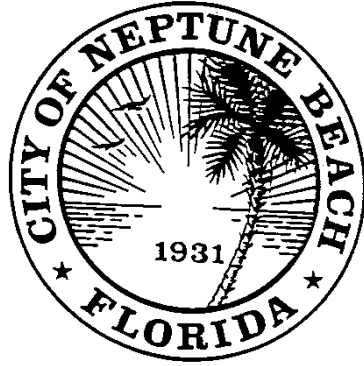
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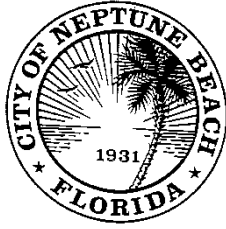
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# Introductory Section

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Annual Financial Report



# City of Neptune Beach, Florida

## Principal Officials

(September 30, 2017)

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### **Elected Officials**

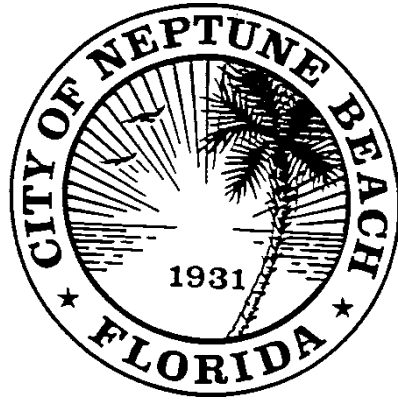
Elaine Brown - Mayor  
Scott Wiley - Vice Mayor  
Rory Diamond - Councilor  
Richard Authur - Councilor  
Fred Jones - Councilor

### **City Council Appointed Officials**

Andrew E. Hyatt - City Manager  
Patrick Krechowski - City Attorney  
Catherine Ponson - City Clerk

### **Appointed by City Manager/Confirmed by City Council**

Richard J. Pike - Director of Public Safety  
Steven L. Ramsey - Director of Finance



# Financial Section

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Annual Financial Report

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune Beach, Florida

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Neptune Beach, Florida, (the City), as of and for the year ended September 30, 2017, 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 Responsibilities for the Financial Statements**

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

### **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 of material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Certified Public Accountants**

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505  
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542  
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762  
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309  
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune Beach, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

**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 part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 (RSI) in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, and schedule of expenditures of the City of Jacksonville grant funds per Ordinance Code Chapter 118.205(e), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The combining and individual nonmajor fund financial statements and the schedule of expenditures of the City of Jacksonville grant funds are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Other Reports Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated April 27, 2018, 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 this 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.



April 27, 2018  
Gainesville, Florida



## **Management's Discussion and Analysis**

(Unaudited)

As management of the City of Neptune Beach (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017.

### ***Financial Highlights***

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of fiscal year 2017 by \$17,467,954 (net position). The net position of the City increased by \$1,278,193.
- At September 30, 2017, the City's governmental funds reported combined ending fund balances of \$2,898,286, a decrease of \$632,268 in comparison with the prior year.
- At September 30, 2017, unassigned fund balance for the General Fund was \$1,587,490 or 27.3% of total General Fund expenditures.
- General fund revenues increased by \$235,803 or 5.0% above the prior fiscal year due an increase in property and other taxes.
- The City's outstanding notes payable and bonded debt decreased by \$669,112 or 10.5% during fiscal year 2017. This decrease was due to normal debt payments made during the fiscal year.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### ***Government-wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the City'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 outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or 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 changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include water and sewer, sanitation, and stormwater. The government-wide financial statements can be found on pages 11 - 12 of this report.

## **Management's Discussion and Analysis**

*(Continued)*

### ***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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a 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 financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with this budget.

### ***Proprietary Funds***

The City maintains three proprietary or enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The City uses enterprise funds to account for its water and sewer fund, the sanitation fund, and the stormwater fund.

Proprietary funds provide the same type information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and the sanitation fund, considered to be major funds of the City and the stormwater fund, reported as a non-major fund. The basic proprietary fund financial statements can be found on pages 17 - 19 of this report.

### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City (e.g., pension beneficiaries). Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary financial statements can be found on pages 20 - 21 of this report.

## Management's Discussion and Analysis (Continued)

### 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. The notes to the financial statements can be found on pages 22 - 50 of this report.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide the Police Officers pension benefits and other post-employment benefits. Required supplementary information can be found on pages 51-57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on the pension. Combining and individual fund statements and schedules can be found on pages 58-71 of this report.

### 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, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$17,467,954 at the close of the fiscal year ended September 30, 2017.

#### City of Neptune Beach's Net Position September 30, 2017 (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 3,749	\$ 3,716	\$ 3,773	\$ 4,606	\$ 7,522	\$ 8,322
Capital Assets	4,218	4,077	13,975	12,195	18,193	16,272
<b>Total Assets</b>	<u>7,967</u>	<u>7,793</u>	<u>17,748</u>	<u>16,801</u>	<u>25,715</u>	<u>24,594</u>
Deferred Outflows	1,077	944	0	0	1,077	944
Long-term Liabilities Outstanding	2,064	1,948	5,024	5,720	7,088	7,668
Other Liabilities	714	378	1,450	1,302	2,164	1,680
<b>Total Liabilities</b>	<u>2,778</u>	<u>2,326</u>	<u>6,474</u>	<u>7,022</u>	<u>9,252</u>	<u>9,348</u>
Deferred Inflows	72	0	0	0	72	0
Net Position						
Net Invested in Capital Assets	4,217	4,077	9,277	7,363	13,494	11,440
Restricted	1,299	1,091	57	452	1,356	1,543
Unrestricted	678	1,243	1,940	1,964	2,618	3,207
<b>Total Net Position</b>	<u>\$ 6,194</u>	<u>\$ 6,411</u>	<u>\$ 11,274</u>	<u>\$ 9,779</u>	<u>\$ 17,468</u>	<u>\$16,190</u>

The largest portion of the City's net position \$13,493,948 (77.2%) reflects its investment in capital assets (e.g., land, buildings, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## Management's Discussion and Analysis

(Continued)

### Government-wide Financial Analysis (Concluded)

A portion of the City's net position, \$1,355,339 (7.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the net position, \$2,618,667 (15.0%) represents unrestricted net position. At the end of the current fiscal year, the City is able to report positive balances in total net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The 2017 governmental activities unrestricted net position balance decreased \$564,209 compared to the prior. The decrease was chiefly due to a decrease in cash related to expenses incurred by the City for Hurricanes Matthew and Irma, which were not reimbursed by FEMA or Florida Department of Emergency Management as of year-end.

Following is a summary of activities for the City during the fiscal years ended September 30, 2017 and 2016:

#### City of Neptune Beach's Change in Net Position (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 406	\$ 436	\$ 6,235	\$ 6,026	\$ 6,641	\$ 6,462
Operating Grants and Contributions	1,144	816	0	0	1,144	816
Capital Grants and Contributions	121	33	276	0	397	33
General Revenues:						
Property Taxes	2,437	2,286	0	0	2,437	2,286
Sales and Use Taxes	745	730	0	0	745	730
Franchise and Utility Taxes	607	593	0	0	607	593
Discretionary Sales Surtax	466	448	0	0	466	448
State Revenue Sharing	192	182	0	0	192	182
Interest Revenue	20	9	17	8	37	17
Miscellaneous	200	156	0	0	200	156
<b>Total Revenues</b>	6,338	5,689	6,528	6,034	12,866	11,723
<b>Expenses</b>						
General Government	1,893	989	0	0	1,893	989
Public Safety	3,195	2,842	0	0	3,195	2,842
Public Works	1,274	1,170	0	0	1,274	1,170
Culture and Recreation	470	469	0	0	470	469
Water and Sewer	0	0	3,138	3,073	3,138	3,073
Sanitation	0	0	1,361	1,205	1,361	1,205
Stormwater	0	0	257	234	257	234
<b>Total Expenses</b>	6,832	5,470	4,756	4,512	11,588	9,982
<b>Net (Decrease) Increase in Net Position Before Transfers</b>	(494)	219	1,772	1,522	1,278	1,741
<b>Transfers</b>	277	135	(277)	(135)	0	0
<b>(Decrease) Increase in Net Position</b>	(217)	354	1,495	1,387	1,278	1,741
<b>Net Position – Beginning</b>	6,411	6,057	9,779	8,392	16,190	14,449
<b>Net Position – Ending</b>	\$ 6,194	\$ 6,411	\$ 11,274	\$ 9,779	\$ 17,468	\$ 16,190

## Management's Discussion and Analysis

(Continued)

### ***Governmental Activities***

Governmental activities decreased the City's net position by \$216,665, accounting for a 3.4% decrease in governmental net position. This decrease was due to the added expense of debris clean up and damages of two hurricanes (Matthew and Irma) in the same fiscal year.

### ***Business-type Activities***

Business-type activities increased the City's net position by \$1,494,858, accounting for a 15.3% increase in business-type activities net position. This increase was due to increased rate charges in user fees and a slight decrease in expenditures.

### ***Overall Financial Position***

The overall financial position of the City has improved by \$1,278,193, thereby accounting for a total increase in net position of 7.9%. This was attributable to the explanations given above for the business-type activities.

### ***Financial Analysis of the City's Funds***

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### ***Governmental Funds***

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of fiscal year 2017, the City's governmental funds reported combined ending fund balances of \$2,898,286, a decrease of \$632,268 in comparison with the prior year. This decrease is a result of the expenses related to Hurricanes Matthew and Irma.

The general fund is the chief operating fund of the City. At the end of fiscal year 2017, unassigned fund balance of the general fund was \$1,587,490. Unassigned fund balance represents 27.3% of the total general fund expenditures and transfers out. The fund balance of the City's general fund decreased by \$812,796 during the current fiscal year. This decrease in unassigned fund balance was related to Hurricanes Matthew and Irma.

Non-major governmental funds consisting of special revenue funds have a combined fund balance of \$1,266,167. The net increase in fund balance during the current year in non-major governmental funds was \$180,528. This increase was largely due to increased receipts in the special revenue funds.

### ***Proprietary Funds***

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position in the proprietary funds at the end of the year amounted to \$1,940,297.

### ***General Fund Budgetary Highlights***

The major difference in the amount of \$189,365 between the final budget and the actual expenditures in the general fund was due to anticipated costs that were not incurred amongst the various departments.

## Management's Discussion and Analysis

(Continued)

### Capital Asset and Debt Administration

#### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$18,192,492 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 11.8%.

#### City of Neptune Beach's Capital Assets

(Net of Depreciation)

(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital Assets not Being Depreciated, Land, and Construction in Progress	\$ 161	\$ 44	\$ 990	\$ 1,101	\$ 1,151	\$ 1,145
Buildings and Other Improvements	3,685	3,690	12,607	10,888	16,292	14,578
Equipment	371	343	378	206	749	549
<b>Total</b>	<b>\$ 4,217</b>	<b>\$ 4,077</b>	<b>\$ 13,975</b>	<b>\$ 12,195</b>	<b>\$ 18,192</b>	<b>\$ 16,272</b>

Additional information on the City of Neptune Beach's capital assets can be found in Note 5 on pages 36-37 of this report.

#### Long-term Debt

At the end of fiscal year 2017, the City had total bonded debt outstanding of \$5,707,299. The City's debt represents bonds, Florida Department of Environmental Protection loans, and Bank loans secured solely by specified revenue sources (i.e., revenue bonds).

#### City of Neptune Beach's Outstanding Debt General Obligation, Revenue Bonds, and SRF Loans (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue Bonds	\$ 0	\$ 0	\$ 650	\$ 740	\$ 650	\$ 740
Sewer Line Loan	0	0	3,105	3,260	3,105	3,260
Refunding Loan	0	0	0	76	76	76
State Revolving Fund Loans	0	0	1,952	2,300	1,952	2,300
<b>Total</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,707</b>	<b>\$ 6,376</b>	<b>\$ 5,707</b>	<b>\$ 6,376</b>

## **Management's Discussion and Analysis** *(Concluded)*

### ***Long-term Debt (Concluded)***

The City's total debt decreased by \$669,112 (10.5%) during the current fiscal year. This decrease was due to normal debt payments made during the fiscal year.

Under Florida statutes, no debt limit margin is placed on local governments.

Additional information on the City's long-term debt can be found in Note 6 on pages 37 - 40 of this report.

### ***Economic Factors and Next Year's Budgets and Rates***

The State of Florida, by constitution, does not have a state personal income tax and therefore the State operates primarily using sales, gasoline, and corporate income taxes. Local governments (cities, counties, and school boards) primarily rely on property and a limited array of permitted other taxes (sales, gasoline, utilities services, etc.) and fees (franchise, occupational license, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one time) grants from both state and federal governments.

#### ***Other Economic Factors:***

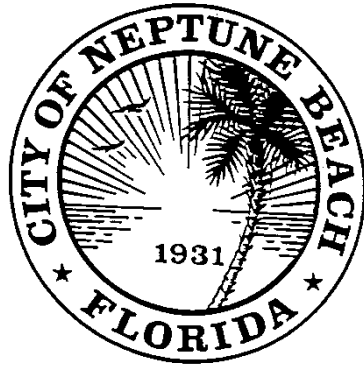
- The unemployment rate for the municipal service area is 3.6%. This compares favorably with the state's average unemployment rate and the national average unemployment rate.
- Inflationary trends in the region compare favorably to national indices.

#### ***Budget Highlights:***

- The City adopted the ad valorem tax rate of 3.3656 mills for its millage rate this budget year. The prior year rate was 3.3656 mills.

### ***Requests for Information***

This financial report is designed to provide a general overview of the City of Neptune Beach's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Neptune Beach, Finance Department Director, 116 First Street, Neptune Beach, Florida 32266.



# **Basic Financial Statements**

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Annual Financial Report



**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 2,799,696	\$ 1,880,608	\$ 4,680,304
Equity in Pooled Investments	139,205	0	139,205
Accounts Receivable	0	538,451	538,451
Due from Other Governments	765,542	0	765,542
Prepaid Expenses	44,629	23,950	68,579
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	1,329,326	1,329,326
Capital Assets:			
Land	37,861	0	37,861
Construction in Progress	122,725	990,440	1,113,165
Buildings	4,330,889	3,323,491	7,654,380
Improvements Other than Buildings	2,815,987	21,164,638	23,980,625
Equipment	3,146,601	3,899,975	7,046,576
(Accumulated Depreciation)	(6,236,899)	(15,403,216)	(21,640,115)
<b>Total Assets</b>	<u><u>7,966,236</u></u>	<u><u>17,747,663</u></u>	<u><u>25,713,899</u></u>
<b>Deferred Outflows of Resources</b>			
Pension Related	1,077,367	0	1,077,367
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities	367,913	291,303	659,216
Unearned Revenue	84,144	1,688	85,832
Deposits	18,611	0	18,611
Due to Other Governments	8,597	0	8,597
Compensated Absences - Current	234,336	90,739	325,075
Payable from Restricted Assets:			
Deposits	0	264,049	264,049
Accrued Interest Payable	0	18,782	18,782
Current Portion of Bonds Payable	0	185,000	185,000
Current Portion of Loans Payable	0	598,543	598,543
Noncurrent Liabilities:			
Compensated Absences - Noncurrent	149,850	30,257	180,107
Other Postemployment Benefit Obligation	126,656	69,943	196,599
Bonds Payable Long-term	0	465,000	465,000
Loans Payable Long-term	0	4,458,756	4,458,756
Net Pension Liability	1,787,520	0	1,787,520
<b>Total Liabilities</b>	<u><u>2,777,627</u></u>	<u><u>6,474,060</u></u>	<u><u>9,251,687</u></u>
<b>Deferred Inflows of Resources</b>			
Pension Related	71,625	0	71,625
<b>Net Position</b>			
Net Investment in Capital Assets	4,217,164	9,276,784	13,493,948
Restricted for:			
Capital Projects	1,193,168	0	1,193,168
Debt Service	0	54,566	54,566
Renewal and Replacement	0	1,956	1,956
Other Purposes	105,649	0	105,649
Unrestricted	678,370	1,940,297	2,618,667
<b>Total Net Position</b>	<u><u>\$ 6,194,351</u></u>	<u><u>\$ 11,273,603</u></u>	<u><u>\$ 17,467,954</u></u>

See accompanying notes.

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

Function/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary Government</b>							
Governmental Activities:							
General Government	\$ 1,893,270	\$ 246,652	\$ 382,189	\$ 0	\$ (1,264,429)	\$ 0	\$ (1,264,429)
Public Safety	3,194,994	88,211	119,950	34,036	(2,952,797)	0	(2,952,797)
Public Works	1,274,065	0	373,026	56,593	(844,446)	0	(844,446)
Culture and Recreation	469,589	71,195	268,598	30,000	(99,796)	0	(99,796)
<b>Total Governmental Activities</b>	<b>6,831,918</b>	<b>406,058</b>	<b>1,143,763</b>	<b>120,629</b>	<b>(5,161,468)</b>	<b>0</b>	<b>(5,161,468)</b>
Business-type Activities:							
Water and Sewer	3,138,140	4,573,317	0	275,550	0	1,710,727	1,710,727
Sanitation	1,360,774	1,366,510	0	0	0	5,736	5,736
Storm Water Utility	257,312	295,426	0	0	0	38,114	38,114
<b>Total Business-type Activities</b>	<b>4,756,226</b>	<b>6,235,253</b>	<b>0</b>	<b>275,550</b>	<b>0</b>	<b>1,754,577</b>	<b>1,754,577</b>
<b>Total Primary Government</b>	<b>\$ 11,588,144</b>	<b>\$ 6,641,311</b>	<b>\$ 1,143,763</b>	<b>\$ 396,179</b>	<b>(5,161,468)</b>	<b>1,754,577</b>	<b>(3,406,891)</b>
<b>General Revenues</b>							
Taxes:							
Property Taxes					2,437,342	0	2,437,342
Sales and Use Taxes					744,767	0	744,767
Franchise and Utility Taxes					606,608	0	606,608
State Revenue Sharing					192,281	0	192,281
Discretionary Sales Surtax					466,305	0	466,305
Interest Revenue					20,513	17,156	37,669
Miscellaneous					191,971	0	191,971
Gain of Sale of Fixed Assets					8,141	0	8,141
<b>Transfers</b>					276,875	(276,875)	0
<b>Total General Revenues and Transfers</b>					<b>4,944,803</b>	<b>(259,719)</b>	<b>4,685,084</b>
<b>Change in Net Position</b>					<b>(216,665)</b>	<b>1,494,858</b>	<b>1,278,193</b>
<b>Net Position, Beginning of Year</b>					<b>6,411,016</b>	<b>9,778,745</b>	<b>16,189,761</b>
<b>Net Position, End of Year</b>					<b>\$ 6,194,351</b>	<b>\$ 11,273,603</b>	<b>\$ 17,467,954</b>

See accompanying notes.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,629,732	\$ 1,169,964	\$ 2,799,696
Equity in Pooled Investments	139,205	0	139,205
Due from Other Governments	627,795	137,747	765,542
Due from Other Funds	17,964	0	17,964
Prepaid Items	44,629	0	44,629
<b>Total Assets</b>	<b>2,459,325</b>	<b>1,307,711</b>	<b>3,767,036</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities	344,333	23,580	367,913
Due to Other Funds	0	17,964	17,964
Due to Other Governments	8,597	0	8,597
Unearned Revenue	84,144	0	84,144
Deposits	18,611	0	18,611
<b>Total Liabilities</b>	<b>455,685</b>	<b>41,544</b>	<b>497,229</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Resources	371,521	0	371,521
<b>Fund Balances</b>			
Nonspendable:			
Prepaid Expenditures	44,629	0	44,629
Restricted for:			
Public Safety	0	26,851	26,851
Capital Outlay	0	1,193,168	1,193,168
Other	0	78,798	78,798
Unassigned	1,587,490	(32,650)	1,554,840
<b>Total Fund Balances</b>	<b>1,632,119</b>	<b>1,266,167</b>	<b>2,898,286</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,459,325</b>	<b>\$ 1,307,711</b>	<b>\$ 3,767,036</b>

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

<b>Fund Balances - Total Governmental Funds</b>	\$	2,898,286
 <b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
 Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet:		
Capital Assets - Net		4,217,164
Some revenues have been deferred on the balance sheet because they were not measurable and available at year-end.		371,521
 Certain pension related amounts are being deferred and amortized over a period of years or are being deferred as contributions to the pension plan made after the measurement date:		
Deferred Outflows Related to Pension		1,077,367
Deferred Inflows Related to Pension		(71,625)
 Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Net Pension Liability		(1,787,520)
Net Postemployment Benefit Obligation		(126,656)
Compensated Absences		(384,186)
		(384,186)
 <b>Net Position of Governmental Activities</b>	 \$	 <u><u>6,194,351</u></u>

See accompanying notes.

**STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Taxes	\$ 3,043,950	\$ 752,128	\$ 3,796,078
Charges for Services	14,983	52,585	67,568
Licenses and Permits	232,049	0	232,049
Intergovernmental	1,390,888	105,156	1,496,044
Fines and Forfeitures	58,661	29,170	87,831
Investment Income	13,701	6,812	20,513
Miscellaneous	154,827	103,804	258,631
<b>Total Revenues</b>	<u>4,909,059</u>	<u>1,049,655</u>	<u>5,958,714</u>
<b>Expenditures</b>			
Current:			
General Government	1,818,720	0	1,818,720
Public Safety	2,989,536	25,175	3,014,711
Public Works	539,508	594,210	1,133,718
Culture and Recreation	261,881	181,647	443,528
Capital Outlay	195,226	270,095	465,321
<b>(Total Expenditures)</b>	<u>(5,804,871)</u>	<u>(1,071,127)</u>	<u>(6,875,998)</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(895,812)</u>	<u>(21,472)</u>	<u>(917,284)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds on Sale of Capital Assets	8,141	0	8,141
Transfers in	86,875	212,000	298,875
Transfers (out)	(12,000)	(10,000)	(22,000)
<b>Total Other Financing Sources (Uses)</b>	<u>83,016</u>	<u>202,000</u>	<u>285,016</u>
<b>Net Changes in Fund Balances</b>	(812,796)	180,528	(632,268)
<b>Fund Balances, Beginning of Year</b>	<u>2,444,915</u>	<u>1,085,639</u>	<u>3,530,554</u>
<b>Fund Balances, End of Year</b>	<u>\$ 1,632,119</u>	<u>\$ 1,266,167</u>	<u>\$ 2,898,286</u>

See accompanying notes.

**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

**Net Change in Fund Balances - Total Governmental Funds** \$ (632,268)

**Amounts Reported for Governmental Activities in the Statement of  
Activities are Different Because:**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives as depreciation expense:

Expenditures for Capital Assets	\$ 465,323	
(Current Year Depreciation)	<u>(325,410)</u>	379,913

The changes in net pension liability and pension related deferred outflows and inflows of resources result in an adjustment to pension expense in the Statement of Activities, but not in the governmental fund statements.		(44,303)
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Some revenues have been deferred in the governmental funds because they were not available at year-end, but have been recognized in the Statement of Activities.		371,521
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Some expenses reported in the Statement of Activities do not require use of current financial resources and, therefore, are not reported as expenditures in the funds:

Change in Compensated Absences Payable	(32,142)	
Change in Other Postemployment Benefits	<u>(19,386)</u>	<u>(51,528)</u>

**Change in Net Position of Governmental Activities** \$ (216,665)

See accompanying notes.

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Stormwater Utility</b>	<b>Total</b>
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash				
Equivalents	\$ 1,415,322	\$ 198,495	\$ 266,791	\$ 1,880,608
Accounts Receivable, Net of Allowance	404,760	108,423	25,268	538,451
Prepaid Expenses	19,136	3,086	1,728	23,950
<b>Total Current Assets</b>	<b>1,839,218</b>	<b>310,004</b>	<b>293,787</b>	<b>2,443,009</b>
Noncurrent Assets:				
Equity in Pooled Restricted Cash				
and Cash Equivalents	1,329,326	0	0	1,329,326
Capital Assets:				
Buildings	3,323,491	0	0	3,323,491
Improvements Other than Buildings	21,120,536	0	44,102	21,164,638
Equipment	3,036,920	301,456	561,599	3,899,975
Construction in Progress	922,614	0	67,826	990,440
(Less Accumulated Depreciation)	(14,624,791)	(301,456)	(476,969)	(15,403,216)
<b>Total Capital Assets</b>	<b>13,778,770</b>	<b>0</b>	<b>196,558</b>	<b>13,975,328</b>
<b>Total Noncurrent Assets</b>	<b>15,108,096</b>	<b>0</b>	<b>196,558</b>	<b>15,304,654</b>
<b>Total Assets</b>	<b>16,947,314</b>	<b>310,004</b>	<b>490,345</b>	<b>17,747,663</b>
<b>Liabilities</b>				
Current Liabilities Payable from Unrestricted				
Assets:				
Accounts Payable and Accrued Liabilities	185,263	101,000	5,040	291,303
Unearned Revenues	1,688	0	0	1,688
Compensated Absences	75,307	0	15,432	90,739
<b>Total Current Liabilities Payable from Unrestricted Assets</b>	<b>262,258</b>	<b>101,000</b>	<b>20,472</b>	<b>383,730</b>
Current Liabilities Payable from Restricted				
Assets:				
Deposits	264,049	0	0	264,049
Current Portion of Bonds Payable	185,000	0	0	185,000
Current Portion of Loans Payable	598,543	0	0	598,543
Accrued Interest Payable	18,782	0	0	18,782
<b>Total Current Liabilities Payable from Restricted Assets</b>	<b>1,066,374</b>	<b>0</b>	<b>0</b>	<b>1,066,374</b>
Noncurrent Liabilities:				
Compensated Absences	25,111	0	5,146	30,257
Bonds Payable	465,000	0	0	465,000
Loans Payable	4,458,756	0	0	4,458,756
Other Postemployment Benefits	59,124	6,434	4,385	69,943
<b>Total Noncurrent Liabilities</b>	<b>5,007,991</b>	<b>6,434</b>	<b>9,531</b>	<b>5,023,956</b>
<b>Total Liabilities</b>	<b>6,336,623</b>	<b>107,434</b>	<b>30,003</b>	<b>6,474,060</b>
<b>Net Position</b>				
Net Investment in Capital Assets	9,080,226	0	196,558	9,276,784
Restricted for:				
Debt Service	54,566	0	0	54,566
Renewal and Replacement	1,956	0	0	1,956
Unrestricted	1,473,943	202,570	263,784	1,940,297
<b>Total Net Position</b>	<b>\$ 10,610,691</b>	<b>\$ 202,570</b>	<b>\$ 460,342</b>	<b>\$ 11,273,603</b>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Stormwater Utility</b>	<b>Total</b>
<b>Operating Revenues</b>				
Charges for Services	\$ 4,540,765	\$ 1,366,510	\$ 295,426	\$ 6,202,701
Connection and Impact Fees	32,552	0	0	32,552
<b>Total Operating Revenues</b>	<b>4,573,317</b>	<b>1,366,510</b>	<b>295,426</b>	<b>6,235,253</b>
<b>Operating Expenses</b>				
Personal Services	1,617,906	173,731	125,682	1,917,319
Utilities	224,172	0	0	224,172
Supplies and Materials	212,576	5,196	8,695	226,467
Contractual Services	188,906	1,149,287	33,706	1,371,899
Depreciation and Amortization	445,266	0	41,845	487,111
Repairs and Maintenance	156,343	9,346	39,690	205,379
Insurance	67,337	10,737	6,398	84,472
Other Operating	30,682	12,477	1,296	44,455
<b>(Total Operating Expenses)</b>	<b>(2,943,188)</b>	<b>(1,360,774)</b>	<b>(257,312)</b>	<b>(4,561,274)</b>
<b>Operating Income</b>	<b>1,630,129</b>	<b>5,736</b>	<b>38,114</b>	<b>1,673,979</b>
<b>Nonoperating Revenues (Expenses)</b>				
Intergovernmental Revenue	275,550	0	0	275,550
Interest Revenue	13,617	2,000	1,539	17,156
Interest/Amortization Expense	(194,952)	0	0	(194,952)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>94,215</b>	<b>2,000</b>	<b>1,539</b>	<b>97,754</b>
<b>Income Before Operating Transfers</b>	<b>1,724,344</b>	<b>7,736</b>	<b>39,653</b>	<b>1,771,733</b>
<b>Transfers (out)</b>	<b>(76,875)</b>	<b>(200,000)</b>	<b>0</b>	<b>(276,875)</b>
<b>Change in Net Position</b>	<b>1,647,469</b>	<b>(192,264)</b>	<b>39,653</b>	<b>1,494,858</b>
<b>Total Net Position, Beginning of Year</b>	<b>8,963,222</b>	<b>394,834</b>	<b>420,689</b>	<b>9,778,745</b>
<b>Total Net Position, End of Year</b>	<b>\$ 10,610,691</b>	<b>\$ 202,570</b>	<b>\$ 460,342</b>	<b>\$ 11,273,603</b>

See accompanying notes.



**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Stormwater Utility</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 4,557,025	\$ 1,361,719	\$ 296,329	\$ 6,215,073
Cash Paid to Suppliers	(792,509)	(1,162,596)	(92,765)	(2,047,870)
Cash Paid to Employees	(1,631,029)	(173,731)	(123,690)	(1,928,450)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>2,133,487</b>	<b>25,392</b>	<b>79,874</b>	<b>2,238,753</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers to Other Funds	(76,875)	(200,000)	0	(276,875)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>(76,875)</b>	<b>(200,000)</b>	<b>0</b>	<b>(276,875)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments on Loans and Bonds	(669,111)	0	0	(669,111)
Interest Paid on Revenue Bonds	(187,651)	0	0	(187,651)
Acquisition and Construction of Capital Assets	(2,191,041)	0	(76,340)	(2,267,381)
Capital Grant	275,550	0	0	275,550
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(2,772,253)</b>	<b>0</b>	<b>(76,340)</b>	<b>(2,848,593)</b>
<b>Cash Flows from Investing Activities</b>				
Interest Received	13,617	2,000	1,539	17,156
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>13,617</b>	<b>2,000</b>	<b>1,539</b>	<b>17,156</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(702,024)</b>	<b>(172,608)</b>	<b>5,073</b>	<b>(869,559)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>3,446,672</b>	<b>371,103</b>	<b>261,718</b>	<b>4,079,493</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 2,744,648</b>	<b>\$ 198,495</b>	<b>\$ 266,791</b>	<b>\$ 3,209,934</b>
<b>Reconciliation of Cash and Cash Equivalents to Statement of Net Position</b>				
Equity in Pooled Cash and Investments	\$ 1,415,322	\$ 198,495	\$ 266,791	\$ 1,880,608
Restricted Equity in Pooled Cash and Investments	1,329,326	0	0	1,329,326
<b>Total Cash and Cash Equivalents</b>	<b>\$ 2,744,648</b>	<b>\$ 198,495</b>	<b>\$ 266,791</b>	<b>\$ 3,209,934</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>				
Operating Income (Loss)	\$ 1,630,129	\$ 5,736	\$ 38,114	\$ 1,673,979
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation and Amortization	445,265	0	41,845	487,110
Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease):				
Accounts Receivable	(29,860)	(4,791)	903	(33,748)
Accounts Payable	89,518	24,771	(2,799)	111,490
Compensated Absences	(13,122)	0	1,992	(11,130)
Unearned Revenues	137	0	0	137
Prepaid Expenses	(2,011)	(324)	(181)	(2,516)
Customer Deposits	13,431	0	0	13,431
Total Adjustments	503,358	19,656	41,760	564,774
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 2,133,487</b>	<b>\$ 25,392</b>	<b>\$ 79,874</b>	<b>\$ 2,238,753</b>

See accompanying notes.

**STATEMENT OF NET POSITION  
FIDUCIARY FUND  
SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Police Officers' Plan</b>
<b>Assets</b>	
Cash and Short-term Investments	\$ 113,692
Contributions Receivable	17,518
Accrued Interest Receivable	30,411
Prepaid Expenses	2,530
Investments:	
U.S. Government Obligations	1,453,174
Corporate Bonds	1,611,764
Electronically Traded Funds (ETFs)	626,535
Foreign Bonds	124,510
Mutual Funds - Equity	905,884
Common Equity Securities	4,512,192
Total Investments	9,234,059
<b>Total Assets</b>	9,398,210
 <b>Liabilities</b>	 0
 <b>Total Liabilities</b>	 0
 <b>Net Position</b>	
Held in Trust for Pension Benefits	\$ 9,398,210

See accompanying notes.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Police Officers' Plan</b>
<b>Additions</b>	
Contributions:	
Employees	\$ 95,187
Employee - Buy Back	31,812
Employer	363,572
State of Florida	58,873
Total Contributions	549,444
Investment Income:	
Net Appreciation in Fair Value of Investments	826,954
Interest and Dividends	239,438
Miscellaneous Income	67
Total Investment Earnings	1,066,459
(Less Investment Expense)	(50,632)
Net Investment Earnings	1,015,827
<b>Total Additions</b>	1,565,271
<b>Deductions</b>	
Benefit Payments	404,378
Lump Sum DROP Distributions	104,802
Administrative Expenses	38,034
	(547,214)
<b>(Total Deductions)</b>	(547,214)
<b>Change in Net Position</b>	1,018,057
<b>Net Position, Beginning of Year</b>	8,380,153
<b>Net Position, End of Year</b>	\$ 9,398,210

See accompanying notes.



# Notes to Financial Statements

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Annual Financial Report

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**

**Note 1 - Summary of Significant Accounting Policies**

The City of Neptune Beach, Florida, (the City), was organized under Section 6 of Chapter 15356 Laws of Florida, 1931, and is currently governed as a municipal corporation under the Home Rule Charter of the City, adopted by Laws of Florida Chapter 88-481, effective October 1, 1988. The City operates under an elected mayor-council form of government under the administration of an appointed City Manager and provides the following services as authorized by its charter: Public Safety (Police, Fire, Animal Control, and Beach Patrol), Highways and Streets, Water and Sewer, Sanitation, Public Improvements, Planning, Development, and Zoning and General Administrative Services.

The financial statements of the City have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to governmental units. The more significant of the City's accounting policies are described below.

**Reporting Entity**

The accompanying financial statements present the financial position, results of operations, and cash flows of the applicable fund types governed by the City Council (City Council) of the City, the reporting entity of government for which the City Council is considered to be financially accountable. The City has also considered all other potential organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. These criteria include appointing a majority of an organization's governing body and: (1) the ability of the City to impose its will on that organization; or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the City. Other considerations are whether the organization is legally separate, whether the City holds the corporate powers of the organization, and whether there is fiscal dependency by the organization on the City. Based upon the application of these criteria, the City has no component units.

**Basic Financial Statements**

The government-wide and fund financial statements along with the notes to the financial statements comprise the basic financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows with difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Basic Financial Statements (Concluded)**

The statement of activities demonstrates the degree to which direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. 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 City considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, other postemployment benefits, pension benefits, and claims and judgments are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, and investment earnings associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The City has presented the following governmental funds:

■ **Major Governmental Fund Types**

The General Fund is the City's primary operation fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA  
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(Continued)

■ **Nonmajor Governmental Fund Types**

- **Special Revenue Funds**—These funds account for specific revenue sources that are restricted by law or administrative action to expenditures for specific purposes. Nonmajor special revenue funds include the Police Education Fund, Community Development Block Grant Fund, Convention Development Tax Fund, Forfeiture Proceeds Fund, Street Improvement Fund, Local Option Gas Tax Fund, Radio Communications Fund, Better Jacksonville Half-cent Tax Fund, and Holiday Décor Fund.

■ **Capital Projects Funds**

These funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds. The City has one Capital Projects Fund.

■ **Proprietary Fund Types**

- **Proprietary Funds**—These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determination of operation income and changes in net position, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position. The City's proprietary funds are all classified as enterprise funds. The City has presented the following proprietary funds:

- ▶ **Major Proprietary Funds**—The Water and Sewer Fund accounts for the activities of the City's water distribution system, sewage treatment plant, sewage pumping stations, and collection systems. The Sanitation Fund accounts for the activities of the City's sanitation and recycling services.

- ▶ **Nonmajor Proprietary Funds**—The City's Stormwater Utility Fund is its only nonmajor proprietary fund and it accounts for the operation and maintenance of the stormwater system.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

■ **Fiduciary Fund Types**

- **Police Officers' Plan Fund**—This fund accounts for the activities of the Police Officers' Retirement System Fund, which accumulates resources for pension and disability benefit payments to retired or disabled police.

■ **Fund Balance Classifications**

Fund Balance is reported in five components - nonspendable, restricted, committed, assigned, and unassigned:

- **Nonspendable Fund Balance**—Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA  
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(Concluded)

■ **Fund Balance Classifications** (Concluded)

- **Restricted Fund Balance**—Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance**—Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance**—Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates authority.
- **Unassigned Fund Balance**—Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any governmental fund, it is the City's practice to use committed resources first, then assigned, and then unassigned as needed.

The City Council establishes (and modifies and rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or other purposes).

**Budgets and Budgetary Accounting**

Annual appropriated budgets are adopted for the General and the following non-major funds: Police Education, Community Development Block Grant, Convention Development Tax, Forfeiture Proceeds, Street Improvement, Local Option Gas Tax, Radio Communications, Better Jacksonville Half-cent Tax, Holiday Décor; and a Capital Projects Fund. The legally adopted budgets are prepared on a basis consistent with GAAP.

The legal level of budgetary control is at the department level. Special revenue funds are treated as departments for budgetary control purposes and are categorized into one function. With the approval of the City Manager, department heads can amend line item expenditures within a department or special revenue fund. Line item transfers must net to zero. All unencumbered appropriations lapse at fiscal year-end. Encumbered budget appropriations are carried forward into the next fiscal year's budget.



**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Budgets and Budgetary Accounting (Concluded)**

The adopted budgets are integrated into the accounting system. The City has elected to present Budgetary Comparison Schedule data for all governmental funds with annual budgets. The Budgetary Comparison Schedule compares expenditures with the final amended budget. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule of the General and Special Revenue Funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended.

The individual accounts that comprise the Water and Sewer Fund, Sanitation Fund, and Stormwater Utility Fund have legally adopted annual budgets. Budget to Actual comparisons for enterprise funds are not required and have not been presented in these financial statements as this is not required as part of the basic financial statements.

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as short-term, highly-liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less. The cash and cash equivalents presented on the Statement of Cash Flows – Proprietary Funds are composed of restricted and unrestricted cash and cash equivalents. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit (CDs).

**Investments**

The City has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415(17), Florida Statutes. The City may invest any surplus public funds in the following:

- a. The State Board of Administration Local Government Surplus Trust Funds (SBA Investment Pool), or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act*;
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c. Interest bearing time deposits or savings accounts in qualified public depositories; and
- d. Direct obligations of the United States Treasury.

Securities listed in paragraphs c. and d. shall be invested to provide sufficient liquidity to pay obligations as they come due.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Investments (Concluded)**

The Local Government Surplus Funds Trust Fund was created by Act of the Florida Legislature effective October 1, 1977 (Chapter 218, Part IV, Florida Statutes), which allowed the State Board of Administration to establish a pooled investment account (SBA Investment Pool). The SBA administers and provides regulatory oversight over Florida PRIME. The City's investment in the Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares. Separate financial reports for the SBA investment can be obtained from the Florida State Board of Administration, 1801 Hermitage Blvd., Tallahassee, Florida 32308.

Investments within the Police Officers' Plan Fund made through financial brokers are held with trustees and are stated at fair value as determined in an active market. All foreign securities held by the pension plan are traded in U.S. Dollars.

For the investment policy governing the police retirement pension plan, the City is authorized to invest in the following:

- a. Equities traded on the national exchange or electric network. Not more than 5% of Plan's assets, at the time of purchase, shall be invested in common stock, capital stock, or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
- b. Fixed income investments that have a minimum rating of "A" or higher as reported by a major credit rating service; except no more than 10% of the total portfolio may be invested in securities that fall below these rating guidelines but must be rated "investment grade" or higher as reported by a major credit rating service. The value of bonds issued by a single corporation shall not exceed 10% of the total fund.
- c. Money market funds or short-term investment fund options provided by the Plan's custodian and have a minimum rating of Standards & Poor's "A1" or Moody's "P1".

**Receivable and Interfund Obligations**

Receivables consist of trade receivables, amounts due from other governments, and interest receivable and are recorded net of allowance for doubtful accounts. The City, as of September 30, 2017, has provided an allowance for doubtful accounts due to aged receivables in the proprietary funds that the City has reason to believe will not be collected.

The unbilled portion of Water and Sewer, Sanitation, and Stormwater Utility earned revenues accrued at year-end is based upon a proration of the October billing cycle.

Outstanding balances between funds at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of interfund loans or "advances to/from other funds" for the non-current portion. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent cash and cash equivalents set aside for debt service payments, reserve requirements, renewal and replacement expenditures, construction, and repayment of deposits to utility customers.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Where cost could not be determined from the available records, estimated historical costs were used to record the estimated value of the assets. Assets acquired by gift or bequests are recorded at their fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred, if any, during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

General infrastructure assets acquired prior to October 1, 2002, are not reported in the basic financial statements.

General infrastructure assets acquired subsequent to October 1, 2002, are included in the basic financial statements.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Improvements Other than Buildings	10-40
Infrastructure	10-40
Equipment	5-20

**Unearned Revenue**

Governmental funds and business-type funds defer revenue recognition in connection with resources that have been received, but not yet earned.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes 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 future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. In addition to liabilities, the statement of net 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 that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Long-term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the bond premium or discount. Bond issuance costs are expensed when incurred, with the exception of bond insurance, which is amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**Compensated Absences**

City employees are entitled to certain compensated absences (personal leave) based on their length of employment. All leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported.

**Pension Plans**

The City defined benefit plan investments are recorded at market value, and it is the City's policy to record pension costs in the period salaries are earned.

General employees are enrolled in a defined contribution 401(a) pension plan. The assets, liabilities, fund equity, and operations of this plan are not presented on the City's financial statements as the plan is independently administered.

**Net Position**

Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Property Taxes**

The assessment of all properties and the collection of all property taxes are made through the Property Appraiser and Tax Collector of the City of Jacksonville, Florida. General property taxes are recorded when received in cash, which approximates taxes levied, less discounts, for the current fiscal year.

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA  
(Continued)**

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

**Property Taxes (Concluded)**

Details of the tax calendar are presented below:

Lien Date	January 1
Levy Date	October 1
Installment Payments:	
1 <sup>st</sup> Installment	No Later than June 30 <sup>th</sup>
2 <sup>nd</sup> Installment	No Later than September 30 <sup>th</sup>
3 <sup>rd</sup> Installment	No Later than December 31 <sup>st</sup>
4 <sup>th</sup> Installment	No Later than March 31 <sup>st</sup>
Regular Payments:	
Discount Periods	November – February
No Discount Period	March
Delinquent Date	April 1 <sup>st</sup>

**Use of Estimates**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Future Accounting Pronouncements**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement establishes new accounting and financial reporting requirements for governments whose employees are provided with Other Postemployment Benefits (OPEB), including the recognition and measurement of liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For each qualifying plan providing postemployment benefits other than pensions, employers are required to report the difference between the actuarial OPEB liability and the related plan’s fiduciary net position as the net OPEB liability on the statement of net position. Previously, a liability was recognized only to the extent that contributions made to each plan were exceeded by the actuarially calculated contributions for those plans. Additionally, Statement No. 75 sets forth note disclosures and required supplementary disclosure requirements for defined contribution OPEB. This standard will be adopted in the fiscal year ending September 30, 2018. The City is currently evaluating the impact the adoption of this Statement will have on its financial statements.

**Note 2 - Cash Deposits and Investments**

The City maintains a cash and investment pool for all funds. Each fund’s portion of this pool is included in the balance sheet account “Equity in pooled cash and cash equivalents.” Interest earnings are allocated in accordance with the participating fund’s relative percentage of investments.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 2 - Cash Deposits and Investments (Continued)**

At September 30, 2017, the cash deposits and investments included the following:

Investments Controlled by City:	
SBA Investment Pool	\$ 19,019
Certificate of Deposit	<u>120,186</u>
<b>Total Investments Controlled by City</b>	<u>139,205</u>
Cash:	
Cash Deposits	4,678,204
Restricted Cash	1,329,326
Cash on Hand	<u>2,100</u>
<b>Total Cash</b>	<u>6,009,630</u>
<b>Total Cash and Investments</b>	<u>\$ 6,148,835</u>

All of the City's deposits are insured by the Federal Deposit Insurance Corporation or collateralized in accordance with *Florida Security for Public Deposits Act*, (the Act). Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral having a market value equal to 50% of the average daily balance for each month that all public deposits are in excess of any applicable deposit insurance. If the public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits.

**Restricted Cash**

Restricted cash in the proprietary funds at September 30, 2017, represent monies required to be restricted for debt service and construction under terms of outstanding bond agreements, and impact fees restricted to water and sewer system uses. Restricted cash for the proprietary funds at September 30, 2017, were restricted for the following purposes:

**Proprietary Funds**

Construction Loans	\$ 1,008,755
Debt Service	54,566
Customer Deposits	264,049
Impact Fees	<u>1,956</u>
<b>Total Restricted Cash</b>	<u>\$ 1,329,326</u>

**Risk**

In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them. Credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk are discussed in the following paragraphs.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City, including the Police Officers' Plan Fund, has an investment policy that states that all fixed income investments shall have a minimum rating of "A" or higher as reported by the major credit rating services at the time of purchase, except that no more than 10% of the total portfolio may be invested in securities that fall below these rating guidelines but must be rated "investment grade" or higher as reported by the major credit rating services. The Plan's rated debt instruments are presented in the table below using Standard & Poor's rating scale.

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA  
(Continued)**

**Note 2 - Cash Deposits and Investments (Continued)**

**Credit Risk (Concluded)**

	QUALITY RATINGS										
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-/BB+	Unrated
Investments Controlled by the City:											
Certificates of Deposit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 120,186
SBA Investment Pool	0	0	0	0	0	0	0	0	0	0	19,019
<b>Total Investments Controlled by the City</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 139,205</b>
Pension Plan Investments:											
U.S. Government and Federal Agency Securities	\$ 0	\$ 1,356,778	\$ 0	\$ 96,396	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Corporate Bonds	0	0	77,518	136,349	160,838	298,047	296,134	401,165	241,713	0	0
ETFs - Fixed Income	0	626,535	0	0	0	0	0	0	0	0	0
Foreign Bonds	124,510	0	0	0	0	0	0	0	0	0	0
Mutual Funds - Equity	0	0	0	0	0	0	0	0	0	0	905,884
Common Equity Securities	0	0	0	0	0	0	0	0	0	0	4,512,192
<b>Total Pension Plan Investments</b>	<b>\$ 124,510</b>	<b>\$ 1,983,313</b>	<b>\$ 77,518</b>	<b>\$ 232,745</b>	<b>\$ 160,838</b>	<b>\$ 298,047</b>	<b>\$ 296,134</b>	<b>\$ 401,165</b>	<b>\$ 241,713</b>	<b>\$ 0</b>	<b>\$ 5,418,076</b>

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of a failure of a counterparty, the City will not be able to recover the value of the investment or collateral securities that are in possession of an outside party.

At September 30, 2017, Police Officers' Plan Fund investments were uninsured and collateral was held by the pledging bank's trust department and was not in the City's name.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Investments issued or explicitly guaranteed by the United States government and investments in external investment pools are excluded from the disclosure requirement.

The City's Police Officers' Plan Fund had no single investments of more than 5% of the total net assets of the Plan at September 30, 2017.

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. All foreign securities held by the pension plan are traded in U.S. dollars.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 2 - Cash Deposits and Investments (Continued)**

**Interest Rate Risk (Concluded)**

Information about the sensitivity of the fair values of the City's investments (including investments held by the pension trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Investment Type:					
Investments Controlled by the City:					
Certificates of Deposit	\$ 120,186	\$ 120,186	\$ 0	\$ 0	\$ 0
SBA Investment Pool	<u>19,019</u>	<u>19,019</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Investments Controlled by the City</b>	<u>139,205</u>	<u>139,205</u>	<u>0</u>	<u>0</u>	<u>0</u>
Pension Plan Investments:					
U.S. Government and Agency Securities	1,453,174	74,872	293,134	487,325	597,843
Corporate Bonds	1,611,764	60,419	1,093,714	457,631	0
ETFs - Fixed Income	626,535	626,535	0	0	0
Foreign Bonds	124,510	0	124,510	0	0
Mutual Funds - Equity	905,884	905,884	0	0	0
Common Equity Securities	<u>4,512,192</u>	<u>4,512,192</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Pension Plan Investments</b>	<u>9,234,059</u>	<u>6,179,902</u>	<u>1,511,358</u>	<u>944,956</u>	<u>597,843</u>
<b>Total Investments</b>	<u>\$ 9,373,264</u>	<u>\$ 6,319,107</u>	<u>\$ 1,511,358</u>	<u>\$ 944,956</u>	<u>\$ 597,843</u>

**Fair Value Measurements**

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

- **Level 1 Inputs**—are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- **Level 2 Inputs**—are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- **Level 3 Inputs**—are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

The Plan's investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value in the hierarchy described above. The fair value measurements for the Plan's operating investments are as follows at September 30, 2017:



**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 2 - Cash Deposits and Investments (Concluded)**

**Fair Value Measurements (Concluded)**

<u>Investments at Fair Value Level</u>	<u>Amount</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fiduciary Funds:				
U.S. Government Obligations and Federal Agency Securities	\$ 1,453,174	\$ 856,828	\$ 596,346	\$ 0
Corporate Bonds	1,611,764	0	1,611,764	0
Foreign Bonds	124,510	0	124,510	0
Common Stock	4,512,192	4,512,192	0	0
ETF - Fixed Income	626,535	626,535	0	0
Mutual Funds - Equity	905,884	905,884	0	0
<b>Total Investments Measured at Fair Value</b>	<b>\$ 9,234,059</b>	<b>\$ 6,901,439</b>	<b>\$ 2,332,620</b>	<b>\$ 0</b>

<u>Investments Measured at the Net Asset Value (NAV)</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>	<u>Credit Risk</u>
Governmental Funds:			
State Board of Administration (SBA):			
Florida PRIME	<u>\$ 19,019</u>	51 days	AAAm

Equities and U.S. Government Securities are valued based on prices quoted in active markets and are categorized as Level 1 in the fair value hierarchy. Federal Agency Securities are valued using matrix pricing techniques that value securities based on their relationship to benchmark quoted prices. Corporate bonds are valued using quoted prices for similar securities in active markets and are categorized as Level 2 in the fair value hierarchy. The Florida PRIME SBA is valued at Net Asset Value (NAV), which is included in the information released by Florida PRIME annually in its own financial statements.

**Note 3 - Receivables**

Receivables at September 30, 2017, consist of the following:

	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Sani- tation Fund</u>	<u>Storm- water Utility Fund</u>	<u>Police Officers' Plan Fund</u>	<u>Non- Major/ Other Funds</u>	<u>Total Funds</u>
<b>Receivables</b>							
Interest	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,411	\$ 0	\$ 30,411
Contributions Receivable	0	0	0	0	17,518	0	17,518
Accounts Receivable	0	415,743	127,556	28,075	0	0	571,374
Intergovernmental	<u>627,795</u>	<u>51,474</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>137,747</u>	<u>817,016</u>
Gross Receivables	627,795	467,217	127,556	28,075	47,929	137,747	1,436,319
Allowance	<u>0</u>	<u>(62,457)</u>	<u>(19,133)</u>	<u>(2,807)</u>	<u>0</u>	<u>0</u>	<u>(84,397)</u>
<b>Net Receivables</b>	<b><u>\$ 627,795</u></b>	<b><u>\$ 404,760</u></b>	<b><u>\$ 108,423</u></b>	<b><u>\$ 25,268</u></b>	<b><u>\$ 47,929</u></b>	<b><u>\$ 137,747</u></b>	<b><u>\$ 1,351,922</u></b>

Included in accounts receivable are \$229,810 earned but not billed as of September 30, 2017.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 4 - Interfund Transactions**

Interfund receivables/payables represent temporary loans to cover other funds' deficits in pooled cash and investments. At September 30, 2017, the City had the following due to/from other funds:

	<b>Due from Other Funds</b>	<b>Due to Other Funds</b>
Governmental Funds:		
General	\$ 17,964	\$ 0
Nonmajor Governmental	0	17,964
<b>Total Governmental Funds</b>	<b>\$ 17,964</b>	<b>\$ 17,964</b>

Transfers from a fund of resources to the fund through which resources are to be expended are recorded as transfers and are reported as other financing sources (uses) in the governmental funds and as transfers in (out) in the proprietary funds.

Following is a summary of interfund transfers for the year ended September 30, 2017:

	<b>Transfers In</b>		
	<b>General Fund</b>	<b>Nonmajor Funds</b>	<b>Total Funds</b>
<b>Transfers Out</b>			
General Fund	\$ 0	\$ 12,000	\$ 12,000
Water and Sewer Fund	76,875	0	76,875
Sanitation Fund	0	200,000	200,000
Nonmajor Governmental Funds	10,000	0	10,000
<b>Total Transfers Out</b>	<b>\$ 86,875</b>	<b>\$ 212,000</b>	<b>\$ 298,875</b>

Transfers in (out) during the fiscal year 2017, are as follows:

- \$10,000 was transferred from the Convention Development Tax Fund to the General Fund to cover expenses paid for by the General Fund.
- \$12,000 was transferred from the General Fund to the Community Development Block Grant Fund to provide additional funding for expenses in excess of revenues.
- \$76,875 was transferred from the Water and Sewer Fund to the General Fund to support the governmental activities.
- \$200,000 was transferred from the Sanitation Fund to the Capital Projects Fund to fund capital additions.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 5 - Capital Assets**

Capital asset activity for the fiscal year ended September 30, 2017, is as follows:

	<b>Balance October 1, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30, 2017</b>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 37,861	\$ 0	\$ 0	\$ 37,861
Construction in Process	6,800	115,925	0	122,725
Total Capital Assets, Not Being Depreciated	44,661	115,925	0	160,586
Capital Assets Being Depreciated:				
Buildings and Improvements	4,279,516	51,373	0	4,330,889
Improvements Other than Buildings	2,684,848	131,139	0	2,815,987
Equipment	3,071,857	166,884	(92,140)	3,146,601
Total Capital Assets Being Depreciated	10,036,221	349,396	(92,140)	10,293,477
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,571,906)	(60,547)	0	(1,632,453)
Improvements Other than Buildings	(1,702,448)	(126,503)	0	(1,828,951)
Equipment	(2,729,276)	(138,359)	92,140	(2,775,495)
Total Accumulated Depreciation	(6,003,630)	(325,409)	92,140	(6,236,899)
Total Capital Assets Being Depreciated	4,032,591	23,987	0	4,056,578
<b>Total Governmental Activities, Capital Assets, Net</b>	<b>\$ 4,077,252</b>	<b>\$ 139,912</b>	<b>\$ 0</b>	<b>\$ 4,217,164</b>
<b>Business-type Activities</b>				
Capital Assets, Not Being Depreciated:				
Construction in Process	\$ 1,100,997	\$ 1,880,721	\$ (1,991,277)	\$ 990,441
Total Capital Assets, Not Being Depreciated	1,100,997	1,880,721	(1,991,277)	990,441
Capital Assets Being Depreciated:				
Buildings and Improvements	3,318,250	5,241	0	3,323,491
Improvements Other than Buildings	19,100,988	2,063,648	0	21,164,636
Equipment	3,590,925	309,049	0	3,899,974
Total Capital Assets Being Depreciated	26,010,163	2,377,938	0	28,388,101
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,285,756)	0	0	(3,285,756)
Improvements Other than Buildings	(8,245,511)	(349,978)	0	(8,595,489)
Equipment	(3,384,836)	(137,133)	0	(3,521,969)
Total Accumulated Depreciation	(14,916,103)	(487,111)	0	(15,403,214)
Total Capital Assets Being Depreciated	11,094,060	1,890,827	0	12,984,887
<b>Business-type Activities, Capital Assets, Net</b>	<b>\$ 12,195,057</b>	<b>\$ 3,771,548</b>	<b>\$ (1,991,277)</b>	<b>\$ 13,975,328</b>

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 5 - Capital Assets (Concluded)**

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities</b>	
General Government	\$ 38,318
Public Safety	135,289
Transportation	125,642
Culture and Recreation	<u>26,160</u>
<b>Total Depreciation Expense – Governmental Activities</b>	<b><u>\$ 325,409</u></b>
<b>Business-type Activities</b>	
Water and Sewer	\$ 445,266
Stormwater Utility	<u>41,845</u>
<b>Total Depreciation Expense – Business-type Activities</b>	<b><u>\$ 487,111</u></b>

**Note 6 - Long-term Liabilities**

At September 30, 2017, bonds and loans payable consisted of the following:

	<u>Governmental</u>	<u>Business-type</u>
<b>Bonds</b>		
Infrastructure Surtax Revenue Bonds, Series 2010A Dated January 12, 2010, for \$1,700,000, Due in Semi-annual Installments of Principal Ranging from \$65,000 to \$95,000, Bearing an Interest Rate of 2.6%, Final Payment Due October 1, 2020	\$ 0	\$ 650,000
<b>Loans</b>		
Drinking Water State Revolving Fund Construction Loan #1, Due in Semi-annual Installments of Principal and Interest of \$6,350 through August 15, 2021, Bearing an Interest Rate of 3.52%	0	47,003
Drinking Water State Revolving Fund Construction Loan #2, Due in Semi-annual Installments of Principal and Interest of \$59,050 through February 15, 2023, Bearing an Interest Rate of 3.05%	0	593,777
Clean Water State Revolving Fund Construction Loan, Due in Semi-annual Installments of Principal and Interest of \$142,402 through August 15, 2022, Bearing an Interest Rate of 3.05%	0	1,311,519
Water and Sewer Revenue Note, Series 2013A Dated September 10, 2013, for \$3,280,000, Due in Semi-annual Installments of Principal Ranging from \$5,000 to \$325,000, Bearing an Interest Rate of 3.35%, Final Payment Due October 1, 2028	<u>0</u>	<u>3,105,000</u>
<b>Total</b>	<b><u>\$ 0</u></b>	<b><u>\$ 5,707,299</u></b>

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 6 - Long-term Liabilities (Continued)**

Transactions for the year ended September 30, 2017, are summarized as follows:

	<b>Balance</b>			<b>Balance</b>		
	<b>October 1,</b>			<b>September 30,</b>		<b>Due Within</b>
	<b>2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>2017</b>		<b>One Year</b>
<b>Governmental Activities</b>						
Net Pension Liability	\$ 1,680,968	\$ 106,552	\$ 0	\$ 1,787,520		\$ 0
Other Postemployment Benefit Obligations	107,270	19,387	0	126,657		0
Compensated Absences	352,045	274,774	(242,633)	384,186		234,336
<b>Total Governmental Activities - Long-term Liabilities</b>	<b>\$ 2,140,283</b>	<b>\$ 400,713</b>	<b>\$ (242,633)</b>	<b>\$ 2,298,363</b>		<b>\$ 234,336</b>
<b>Business-type Activities</b>						
Bonds Payable:						
Infrastructure Surtax Revenue						
Bonds, 2010A	\$ 740,000	\$ 0	\$ (90,000)	\$ 650,000		\$ 185,000
Loans Payable:						
Drinking Water Loan #1	57,764	0	(10,761)	47,003		11,144
Drinking Water Loan #2	691,500	0	(97,724)	593,776		100,730
Clean Water Loan	1,550,834	0	(239,315)	1,311,519		246,669
Water and Sewer Revenue Note Series 2013A	3,260,000	0	(155,000)	3,105,000		240,000
Water and Sewer Revenue Note Series 2013B	76,312	0	(76,312)	0		0
Total Bonds and Loans Payable	6,376,410	0	(669,112)	5,707,298		783,543
Other Postemployment Benefit Obligation	58,230	10,819	0	69,049		0
Compensated Absences	132,632	95,174	(106,810)	120,996		90,739
<b>Business-type Activities - Long-term Liabilities</b>	<b>\$ 6,567,272</b>	<b>\$ 105,993</b>	<b>\$ (775,922)</b>	<b>\$ 5,897,343</b>		<b>\$ 874,282</b>

The annual requirements to amortize the bonds and loans payable outstanding as of September 30, 2017, are summarized as follows:

**Business-type Activities**

<b>Fiscal Year Ending</b>	<b>Infrastructure</b>		<b>Drinking Water State</b>	
	<b>Surtax Revenue</b>		<b>Revolving Fund</b>	
	<b>Bonds, 2010A</b>		<b>Construction Loan #1</b>	
<b>September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 185,000	\$ 16,093	\$ 11,143	\$ 1,557
2019	180,000	11,172	11,539	1,162
2020	190,000	6,318	11,949	752
2021	95,000	1,264	12,372	328
<b>Total</b>	<b>\$ 650,000</b>	<b>\$ 34,847</b>	<b>\$ 47,003</b>	<b>\$ 3,799</b>

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA  
(Continued)**

**Note 6 - Long-term Liabilities (Continued)  
Business-type Activities (Continued)**

Fiscal Year Ending September 30,	Drinking Water State Revolving Fund Construction Loan #2		Clean Water State Revolving Fund Construction Loan	
	Principal	Interest	Principal	Interest
2018	\$ 100,730	\$ 17,369	\$ 246,669	\$ 38,135
2019	103,830	14,269	254,250	30,554
2020	107,025	11,074	262,064	22,740
2021	110,318	7,781	270,118	14,686
2022	113,712	4,387	278,418	6,385
2023-2027	58,162	888	0	0
<b>Total</b>	<b>\$ 593,777</b>	<b>\$ 55,768</b>	<b>\$ 1,311,519</b>	<b>\$ 112,500</b>

Fiscal Year Ending September 30,	Water and Sewer Revenue Note, 2013A		Business-type Activities Totals	
	Principal	Interest	Principal	Interest
2018	\$ 240,000	\$ 99,998	\$ 783,542	\$ 173,152
2019	250,000	91,790	799,619	148,947
2020	255,000	83,331	826,038	124,215
2021	265,000	74,621	752,808	98,680
2022	275,000	65,576	667,130	76,348
2023-2027	1,495,000	182,661	1,553,162	183,549
2028-2032	325,000	5,444	325,000	5,444
<b>Total</b>	<b>\$ 3,105,000</b>	<b>\$ 603,421</b>	<b>\$ 5,707,299</b>	<b>\$ 810,335</b>

The final draw on the water construction project #1, which was funded by Drinking Water State Revolving Fund Construction Loan #1, was received on December 3, 2001. The full amount of the loan was \$174,183 and was used for water system project construction. Revenues of the Water and Sewer Fund will repay this obligation. Annual principal and interest on the loan is expected to require 1% of such revenues and is payable through 2021. At year-end, pledged future revenues totaled \$50,802, which was the amount of remaining principal and interest on the loan.

On May 7, 2001, the City was approved for a Drinking Water State Revolving Fund Construction Loan #2 for water construction project #2. The full amount of the loan was \$1,740,925 and was used for water system project construction. Revenues of the Water and Sewer Fund will repay this obligation. Annual principle and interest on the loan is expected to require 6% of such revenues and is payable through 2023. At year-end, pledged future revenues totaled \$649,545, which was the amount of remaining principal and interest on the loan.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 6 - Long-term Liabilities (Concluded)**

***Business-type Activities (Concluded)***

On January 4, 1999, the City was approved for a Clean Water State Revolving Fund Construction Loan for sewer project construction. The full amount of the loan was \$4,428,579 and was used for sewer project construction. Revenues of the Water and Sewer Fund will repay this obligation. Annual principle and interest on the loan is expected to require 16% of such revenues and is payable through 2022. At year-end, pledged future revenues totaled \$1,424,019, which was the amount of remaining principal and interest on the loan.

On November 12, 2010, the City issued Infrastructure Surtax Revenue Bonds Series A for \$1,700,000. The proceeds of the bond issue are to improve the sewage treatment plant and to replace in-ground infrastructure of the City's water and sewer utility system. The bonds are secured from the infrastructure surtax. Annual principle and interest on the bonds are expected to require 22% of such revenues and are payable through 2020. However, revenues of the Water and Sewer Fund will repay these bonds. At year-end, pledged future revenues totaled \$684,847, which was the amount of remaining principal and interest on the bonds.

On September 10, 2013, the City approved the Water and Sewer Revenue Note 2013A for \$3,280,000. The proceeds of the loans will be used for improvements to the water and sewer system and refunding the 2001 Water and Sewer Bond and paying related costs. Annual principle and interest on the notes are expected to require 13% of such revenues and are payable through 2028. At year-end, pledged future revenues totaled \$3,708,421, which was the amount of remaining principal and interest on the notes.

**Note 7 - Employee Benefits**

***Police Officers' Retirement System***

**Plan Description**

The City Police Officers' Retirement System (Police Officers' Plan Fund), a single-employer contributory defined benefit pension plan, was established pursuant to City Ordinance 1997-10, adopted September 2, 1997, by the City Council. Members of the Police Officers' Plan Fund include full-time state certified police officers. The funding method and determination of benefits payable are provided in various acts of the Florida Legislature (Act), which created funds, including subsequent amendments, thereto. The statutes provide, in general, that funds are to be accumulated from employee contributions, City contributions, state appropriations, and income from investment of accumulated funds. The Act also provides, should the accumulated funds at any time be insufficient to meet and pay the benefits due, the City shall supplement the Police Officers' Plan Fund by an appropriation from current funds or from any revenue which may lawfully be used for said purposes in an amount sufficient to make up the deficiency. The Plan is administered by a Board of Trustees comprised of two council appointees, two members of the department elected by the membership, and a fifth member elected by the other four and appointed by the council. Investments are reported at fair value. The Police Officers' Plan Fund does not issue a stand-alone financial report. Plan membership in the Police Officers' Plan Fund is as follows:

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 7 - Employee Benefits (Continued)**

***Police Officers' Retirement System (Continued)***  
**Plan Description (Concluded)**

	<b>October 1, 2017</b>	<b>October 1, 2016</b>
<b>Retirees and Beneficiaries</b>		
Inactive Plan Members or Beneficiaries		
Currently Receiving Benefits	14	16
Inactive Plan Members Entitled to but not yet Receiving Benefits	10	8
Active Plan Members	13	13
<b>Total Retirees and Beneficiaries</b>	<b>37</b>	<b>37</b>

**Plan Benefits**

The Police Officers' Plan Fund provides pension, death, and disability benefits to its members. As stipulated by City ordinance, authority to establish and amend benefit provisions of the Police Officers' Plan Fund, along with the authority to provide for cost of living adjustments, rests with the City Council.

Police employees attaining the earlier of the age of 55 and 10 years of credited service or 25 years of credited service, are entitled to a retirement benefit equal to 2.75% times years of credited service times average final compensation (as defined by the Police Officers' Plan Fund). Employees who have attained age 50 and have completed 10 years of credited service are eligible for early retirement and may elect actuarially reduced benefits. Active employees who become disabled receive accrued benefits, but not less than 42% of average monthly earnings (service incurred disability). Employees who become disabled from a non-service incurrence must have 10 years of credited service to receive benefits. The benefits are payable for life or until full recovery is determined by the Board of Trustees. If an employee is terminated before completion of 10 years of continuous service, employee contributions, without interest, are refunded. If an employee terminates his employment either voluntarily or by lawful discharge after the completion of at least 10 years of continuous service, but before becoming eligible for retirement under the Police Officers' Plan Fund, the employee is entitled to a deferred vested benefit. The deferred vested benefit is based on monthly earnings and continuous service as of the termination date. There are no automatic or ad hoc post-retirement benefit increases.

The Police Officers' Plan Fund includes a Deferred Retirement Option Program (DROP) under which members eligible for normal retirement may have their monthly pension benefit credited to an account while continuing to be actively employed for up to five years. As of September 30, 2017, Police Officers' Plan Fund net pension included \$566,904 of DROP account balances.

**Contributions**

The City's contribution is actuarially determined. The City's required contribution as a percentage of covered payroll was 35.41%. Plan members are required to contribute 8% of their annual covered salary.



**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 7 - Employee Benefits (Continued)**

***Police Officers' Retirement System (Continued)***

**Measurement Date**

The City has elected to use a measurement date to value the net pension liability and related deferred inflows and outflows as of September 30, 2016, one year prior to the reporting date. The City's Pension Plans do not issue separate financial statements. Therefore, the disclosures required by GASB 67 as of September 30, 2017, are also included below.

**Net Pension Liability**

The components of the net pension liability for the plan as of September 30, 2017, (reporting date) and for the year then ended, were as follows:

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
<b>Balances at September 30, 2015</b>	\$ 9,674,659	\$ 7,993,691	\$ 1,680,968
Changes for the Year:			
Service Cost	206,787	0	206,787
Interest	747,888	0	747,888
Change in Excess State Money	(11,031)	0	(11,031)
Benefit Payments paid due from Excess State Money Reserve	43,251	0	43,251
Differences Between Expected and Actual Experience	(95,501)	0	(95,501)
Changes of Assumptions	104,045	0	104,045
Contributions - Employer	0	349,485	(349,485)
Contributions - State	0	59,112	(59,112)
Contributions - Employee	0	84,801	(84,801)
Contributions - Buy Back	9,448	9,448	0
Net Investment Income	0	427,781	(427,781)
Benefit Payments, including Refunds of Contributions	(517,103)	(517,103)	0
Administrative Expenses	0	(32,292)	32,292
Net Changes	487,784	381,232	106,552
<b>Balances at September 30, 2016</b>	<b>\$ 10,162,443</b>	<b>\$ 8,374,923</b>	<b>\$ 1,787,520</b>

**September 30, 2017**

Total Pension Liability	\$ 10,456,642
Plan Net Position	<u>(9,389,387)</u>
Net Pension Liability	<u>\$ 1,067,255</u>

**Plan Net Position as a Percentage of  
Total Pension Liability**

89.79%

Differences between Plan Fiduciary Net Position presented above and the amounts presented in the financial statements are due to certain accruals, which are the result of timing differences. These differences are not considered to be significant.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 7 - Employee Benefits (Continued)**

***Police Officers' Retirement System (Continued)***

**Net Pension Liability (Concluded)**

For the year ended September 30, 2017, the City recognized total pension expense of \$466,748. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Deferred Outflows of Resources**

Difference between Expected and Actual Experience	\$ 95,344
Changes of Assumptions	78,033
Net Difference Between Projected and Actual Earnings	
On Pension Plan Investments	481,545
Contributions Made after the Measurement Date	<u>422,445</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 1,077,367</u></b>

**Deferred Inflows of Resources**

Difference between Expected and Actual Experience	<u>\$ 71,625</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 71,625</u></b>

Contributions made after the measurement date (shown above) will be recognized as a reduction of net pension liability in the fiscal year ending September 30, 2018. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Amount</u>
2018	\$ 169,995
2019	169,993
2020	201,339
2021	41,970
2022	0
Thereafter	0

**Plan Investments**

The Board of Trustees is responsible for establishing and amending the Plan's investment policies. The Plan's current investment policy gives the Board discretion to allocate assets with assistance of the Plan's investment consultant. The Board has established the following asset allocation targets for the total fund as of September 30, 2017: (1) domestic equities target is 45% with a suggested range of 35% - 55% using the S&P 500 benchmark index; (2) international equities target is 10% with a suggested range of 5% - 25% using the MSCI-EAFE benchmark index; and (3) broad market fixed income has a target of 45% with suggested ranges of 35% - 55% using the Barclays intermediate aggregate bond index as a benchmark index. The Plan did not hold investments in any one organization that represents 5% or more of the Plan's net position. The money-weighted rate of return on Plan investments, net of investment related expenses, was 12.09% and 5.39% for the years ended September 30, 2017 and 2016, respectively.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 7 - Employee Benefits (Continued)**

***Police Officers' Retirement System (Continued)***

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of October 1, 2016, updated to September 30, 2017, using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Service Based
Discount Rate	7.75%
Investment Rate of Return, Including Inflation	7.75%
Mortality Rate Healthy Lives:	
Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB	
Male: RP2000 Generational, 10% Annuitant White Collar/ 90% Annuitant Blue Collar, Scale BB	
Mortality Rate Disabled Lives:	
Female: 60% RP2000 Disabled Female set forward 2 years/ 40% Annuitant White Collar with no set back, no projected scale.	
Male: 60% RP2000 Disabled Male set back 4 years/ 40% Annuitant White Collar with no set back, no projected scale	

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plans investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, and are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	45%	7.5%
International Equity	10%	8.5%
Broad Market Fixed Income	45%	2.5%

***Discount Rate***

The discount rate used to measure the total pension liability was 7.75% for the reporting date of September 30, 2017 (measurement date of 2016).

The projected cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods projected benefit payments to determine the total pension liability.

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA  
(Continued)**

**Note 7 - Employee Benefits (Continued)**

***Police Officers' Retirement System (Concluded)***

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.75%, or 1-percentage-point higher 8.75% than the current rate:

<b>As of September 30, 2017:</b>	<b>1%</b>	<b>Current Discount Rate (7.75%)</b>	<b>1%</b>
	<b><u>Decrease (6.75%)</u></b>		<b><u>Increase (8.75%)</u></b>
Net Pension Liability	\$ 2,203,823	\$ 1,067,255	\$ 120,097

<b>As of September 30, 2016:</b>	<b>1%</b>	<b>Current Discount Rate (7.75%)</b>	<b>1%</b>
	<b><u>Decrease (6.75%)</u></b>		<b><u>Increase (8.75%)</u></b>
Net Pension Liability	\$ 2,919,133	\$ 1,787,520	\$ 843,233

**Changes of Assumptions**

For the measurement date of September 30, 2016 (reporting date September 30, 2017), the following assumption changes have been made:

- The investment return assumption was lowered from 8.00% to 7.75% per year, net of investment related expenses.
- The salary increase assumption was changed from a flat 6.50% to a service-based table.
- Assumed rates of termination were changed from age-based to a service-based table.
- Assumed rates of normal retirement were changed from 100% at first eligibility to a table based on the number of years following first eligibility.
- Assumed rates of early retirement were removed.
- Assumed rates of mortality were changed from RP-2000 Combined Healthy Tables to the mortality tables for special risk employees used by the Florida Retirement System actuary in the July 1, 2015 actuarial valuation.
- Inflation assumption rate was lowered from 3.00% to 2.50%.

***401(a) Money Purchase Plan***

The City offers its general employees a single employer defined contribution plan (Defined Plan) created in accordance with Internal Revenue Code Section 401(a). The Defined Plan was established as of March 7, 1994, by adoption of the City Council through Ordinance No. 1994-4. The Defined Plan, available to all full-time employees other than police, provides for an individual investment account. The Defined Plan is administered by the ICMA Retirement Corporation. The Defined Plan does not require a mandatory contribution from participants. The City is obligated to contribute 7% of gross pay for employees with less than ten years of service. Participants with at least ten years of service may elect to contribute up to 9% of gross pay, which the City is required to match. Employees are 100% vested in their personal contributions and receive 100% of investment earnings earned thereon. At September 30, 2017, 40 employees were participating in the Defined Plan.

**NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2017  
 CITY OF NEPTUNE BEACH, FLORIDA  
 (Continued)**

**Note 7 - Employee Benefits (Continued)**

***401(a) Money Purchase Plan (Concluded)***

Employees vest in the City’s contribution and the related investment earnings, based on years of service as follows:

<u>Years of Service</u>	<u>Vesting Percentage</u>
Less than One	0%
One	20%
Two	40%
Three	60%
Four	80%
Five and More	100%

Employees are eligible to participate in the Defined Plan after they have been employed for six months. The minimum age for retirement withdrawals is 55. In addition, withdrawals are permitted upon termination, disability, or death of the participant.

Payroll for Covered Employees	\$ 2,462,666
Total City Payroll	4,208,042
Employer Contributions Required and Actually Made – 7% of Covered Payroll	189,153

The City has no fiduciary responsibility over the Defined Plan and does not serve in an administrative capacity or give investment advice to the participants.

***Other Postemployment Benefits (OPEB)***

Pursuant to Section 112.0801 of the Florida Statutes, the City is required to permit participation in the single-employer health insurance program (the Plan) by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active participants. The Plan is not an entity unto itself and, therefore, has no separately issued financial statements.

**Plan Description**

The City provides postemployment benefits to all eligible individuals including lifetime medical, dental, and life insurance coverage. Eligible individuals include all employees of the City who retire from the City and are participating in the City’s medical program at the time of retirement. Under the medical coverage, eligible individuals also include spouses. Police members are eligible for normal retirement after attaining age 55 with 10 years of service or at any age with 25 years of service. Early retirement may be taken at any time after attaining age 50 with 10 years of service. Non-police members are eligible for normal retirement after attaining age 55 with 5 years of service.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 7 - Employee Benefits (Continued)**

***Other Postemployment Benefits (OPEB) (Continued)***

**Funding Policy**

The City Council is authorized to establish benefit levels and approve actuarial assumptions used in the determination of contribution levels. The City Council establishes the contributions requirements of plan members and the City. These contributions are neither mandated nor guaranteed. The retiree contributes the premium cost each month. Spouses are also eligible for medical coverage although the retiree pays the premium cost. Retirees must pay a monthly premium as determined by the insurance carrier. The premium varies depending on whether the retiree elects single or single plus spouse. Currently, the City's subsidy to OPEB benefits is unfunded. There are no separate Trust Funds or equivalent arrangements into which the City makes contributions to advance-fund the OPEB obligations, as it does for its pension plans. The City's cost of the OPEB benefits, funded on a pay-as-you-go basis, was \$54,300 for the year ended September 30, 2017. The ultimate implicit and explicit subsidies which are provided over time are financed directly by the general assets of the City, which are invested in short-term fixed income instruments according to its current investment policy. The City selected an interest discount rate of 4.0% per annum, which is the long-range expected return on such short-term fixed income instruments, to calculate present values and costs of the OPEB. This is consistent with GASB Statement No. 45 guidance. Significant actuarial assumptions and the methods used to estimate the OPEB liability are as follows.

Valuation Date	September 30, 2016
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Dollar Payment
Amortization Period	Up to 30 Years
Assumed Rate of Return on Investments	4.0%

Assumed Cost Trend Rates:

	<b>Percent Increase</b>
Medical Trend	7.5% per year (Decreases 0.5% per year until an ultimate rate of 5.00%)
General Inflation	2.60%

**Actuarial Methods**

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projection of benefits for financial reporting purposes are based on the substantive Plan, (the Plan as understood by the employer and Plan members), and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Plan members to that point. Actuarial calculations reflect a long-term perspective and the methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 7 - Employee Benefits (Concluded)**

***Other Postemployment Benefits (OPEB) (Concluded)***

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City's annual OPEB cost for the fiscal year ended September 30, 2017, was \$54,300.

The City's annual OPEB cost and the net OPEB obligation for the fiscal year ended September 30, 2017, is as follows:

Annual Required City Contribution (ARC)	\$ 54,400
Interest on Plan Obligation	6,600
Adjustment to ARC	<u>(6,700)</u>
Annual Plan Retiree Costs	54,300
Contributions Made	<u>(23,200)</u>
Increase in Plan Obligations	31,100
<b>Plan Obligations, Beginning of Year</b>	<u>165,500</u>
<b>Plan Obligations, End of Year</b>	<u>\$ 196,600</u>

The City's percentage of annual OPEB costs contributed to the Plan, and the net OPEB obligation for the fiscal year ended September 30, 2017, is as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Annual</u> <u>OPEB</u> <u>Costs</u>	<u>City</u> <u>Contribution</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Costs</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2017	\$ 54,400	\$ 23,200	43%	\$ 196,600
2016	52,300	19,400	37%	165,500
2015	31,400	14,400	46%	132,600

The 2017 contribution represented 43% of the annual required contribution. The actuarial valuation for the Plan was done as of September 30, 2016. As of September 30, 2016, the most recent actuarial valuation, the Plan was unfunded. The actuarial accrued liability for benefits was \$762,300 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$762,300. The covered payroll was \$3,173,800, and the ratio of the UAAL to the covered payroll was 24.02%.

The Schedule of Funding Progress, presented as Required Supplementary Information immediately following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Continued)*

**Note 8 - Deferred Compensation Plan**

The City maintains for its employees a deferred compensation plan (Deferred Comp Plan) under provisions of the Internal Revenue Code Section 457. The Deferred Comp Plan, available to all full-time employees, allows participants to defer a portion of their salary until future years. Deferred Comp Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. The City has very little administrative involvement, performs no investing function, and has no fiduciary responsibility for the Deferred Comp Plan. All amounts of compensation deferred under the Deferred Comp Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participants and are not subject to claims of the City's creditors. Accordingly, these Deferred Comp Plan assets are not reported as a part of these financial statements.

**Note 9 - Interlocal Agreement**

In 1985, pursuant to an interlocal agreement authorized by Florida Statutes, Section 163.01, the City joined with the City of Jacksonville Beach and the City of Atlantic Beach (Joint Venture) to construct and operate outfall lines and disposal facilities, together with all the lands, right-of-ways, easements, and other entitlements necessary for the construction and use thereof.

The construction of the outfall lines and disposal facilities was funded by the municipalities in the following proportions:

	<b>Percentage</b>
Atlantic Beach	33.06%
Jacksonville Beach	55.78%
Neptune Beach	11.16%
<b>Total</b>	<b>100.00%</b>

The City of Atlantic Beach provides all accounting and purchasing services for the Joint Venture. Repair and maintenance of the outfall lines and disposal of the facilities is shared by the participating municipalities in the percentages noted above. For the year ended September 30, 2017, the Joint Venture did incur expenses for repairs or maintenance. During fiscal year 2017, the City paid approximately \$72,000 to the Joint Venture. The Joint Venture has no debt outstanding on applicable financial statements as of September 30, 2017.

**Note 10 - Risk Management**

The City is exposed to various risks of loss related to general/professional liability, automobile liability, property damage, and workers' compensation. The City purchases commercial insurance with various deductibles for different types of losses. There were no claims paid that exceeded coverage during the last three fiscal years.

The City is insured by Governmental Risk Insurance Trust (GRIT), to cover the risks of loss related to workers' compensation. The City pays GRIT premiums based on appropriate classifications and rates. The total coverage provided is \$1,000,000 bodily injury by accident, per occurrence; \$1,000,000 bodily injury by disease, per occurrence; and \$1,000,000 bodily injury by accident, injury by disease, aggregate limit. There were no claims paid that exceeded coverage in the past three fiscal years.



**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**  
**CITY OF NEPTUNE BEACH, FLORIDA**  
*(Concluded)*

**Note 11 - Other Disclosures**

**Deficit Fund Balance**

The following nonmajor governmental funds had a deficit fund balance as of September 30, 2017:

Community Development Block Grant Fund	\$	(17,575)
Capital Projects Fund		(15,075)

**Budget**

During the year, the Radio Communications Fund, Holiday Decor Fund, and Capital Projects Fund, had excesses of expenditures over the related budgets of \$9,994, \$571, and \$15,301, respectively.

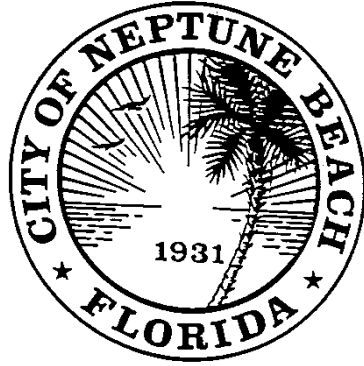
**Hurricane Related Expenditures**

***Hurricane Matthew***

During October of 2016, Hurricane Matthew hit Neptune Beach, causing extensive damage to the City's beaches requiring substantial debris clean up. The City has submitted two project worksheets for Hurricane Matthew with a total eligible amount of approximately \$425,000. Subsequent to year-end Federal Emergency Management Agency (FEMA) had obligated both of the project worksheets, resulting in the City accruing a total receivable of approximately \$392,000.

***Hurricane Irma***

During September of 2017, Hurricane Irma hit Florida, causing extensive damage to the City's beaches requiring substantial debris clean up. The majority of the debris clean up occurred prior to the end of the fiscal year. As of September 30, 2017, the City incurred in excess of \$400,000 of Hurricane Irma expenditures. As of the date of the report, the City has submitted project worksheets totaling approximately \$476,000. A portion of the costs to remove debris and repair damages are expected to be reimbursed by FEMA, however, these amounts are not yet known.



# **Required Supplementary Information**

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(Unaudited)

Annual Financial Report

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 2,954,183	\$ 3,009,183	\$ 3,043,950	\$ 34,767
Charges for Services	9,000	9,000	14,983	5,983
Licenses and Permits	201,500	201,500	232,049	30,549
Intergovernmental	1,282,472	1,364,472	1,390,888	26,416
Fines and Forfeitures	55,950	60,950	58,661	(2,289)
Investment Income	10,045	10,045	13,701	3,656
Miscellaneous	110,285	150,285	154,827	4,542
<b>Total Revenues</b>	<b>4,623,435</b>	<b>4,805,435</b>	<b>4,909,059</b>	<b>103,624</b>
<b>Expenditures</b>				
Current:				
Mayor and Council	31,985	31,985	31,212	773
City Manager	123,204	124,704	116,720	7,984
Finance Department	126,615	138,115	130,498	7,617
City Attorney	132,400	165,815	154,728	11,087
Building Department	282,308	282,308	277,787	4,521
City Clerk	108,764	76,649	41,633	35,016
Non-departmental	260,907	1,260,907	1,209,628	51,279
Police Department	2,855,509	3,025,509	2,978,148	47,361
Animal Control Division	63,539	67,039	63,128	3,911
Public Works Department	553,645	553,645	539,508	14,137
Lifeguards/Beach Cleanup	247,560	267,560	261,881	5,679
<b>(Total Expenditures)</b>	<b>(4,786,436)</b>	<b>(5,994,236)</b>	<b>(5,804,871)</b>	<b>189,365</b>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<b>(163,001)</b>	<b>(1,188,801)</b>	<b>(895,812)</b>	<b>292,989</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Sale of Capital Assets	0	0	8,141	8,141
Transfers in	86,875	86,875	86,875	0
Transfers (out)	(12,000)	(12,000)	(12,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>74,875</b>	<b>74,875</b>	<b>83,016</b>	<b>8,141</b>
<b>Net Change in Fund Balance</b>	<b>(88,126)</b>	<b>(1,113,926)</b>	<b>(812,796)</b>	<b>301,130</b>
<b>Fund Balances, Beginning of Year</b>	<b>88,150</b>	<b>1,113,950</b>	<b>2,444,915</b>	<b>1,330,965</b>
<b>Fund Balances, End of Year</b>	<b>\$ 24</b>	<b>\$ 24</b>	<b>\$ 1,632,119</b>	<b>\$ 1,632,095</b>

**NOTE TO THE BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Note 1 - Budgetary Information**

The budget is prepared on a basis consistent with GAAP. The City maintains the legal level of budgetary control at the department level in the General Fund and at the fund level for all other funds. Total expenditures for each fund may not exceed appropriations without Council approval.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014
<b>Total Pension Liability</b>				
Service Cost	\$ 186,399	\$ 206,787	\$ 176,459	\$ 200,463
Interest	758,549	747,888	705,481	680,670
Changes in Excess State Money	31,981	(11,031)	28,631	26,003
Benefit Payments Paid due from Excess State Money Reserve	0	43,251	0	0
Differences Between Expected and Actual Experience	(212,331)	(95,501)	158,907	0
Changes of Assumptions	0	104,045	13,848	0
Contributions - Buy Back	38,780	9,448	0	0
Benefit Payments, Including Refunds of Member Contributions	(509,179)	(517,103)	(592,783)	(501,198)
Net Change in Total Pension Liability	294,199	487,784	490,543	405,938
Total Pension Liability - Beginning	10,162,443	9,674,659	9,184,116	8,778,178
Total Pension Liability - Ending (a)	<u>10,456,642</u>	<u>10,162,443</u>	<u>9,674,659</u>	<u>9,184,116</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	363,572	349,485	359,489	295,253
Contributions - State	58,873	59,112	55,523	52,895
Contributions - Employee	88,219	84,801	78,060	101,569
Contributions - Buy Back	38,780	9,448	13,848	0
Net Investment Income	1,006,730	427,781	15,377	746,595
Benefit Payments, Including Refunds of Employee Contributions	(509,179)	(517,103)	(592,783)	(501,198)
Administrative Expense	(32,531)	(32,292)	(23,445)	(13,046)
Net Change in Plan Fiduciary Net Position	1,014,464	381,232	(93,931)	682,068
Plan Fiduciary Net Position - Beginning	8,374,923	7,993,691	8,087,622	7,405,554
Plan Fiduciary Net Position - Ending (b)	<u>9,389,387</u>	<u>8,374,923</u>	<u>7,993,691</u>	<u>8,087,622</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 1,067,255</u>	<u>\$ 1,787,520</u>	<u>\$ 1,680,968</u>	<u>\$ 1,096,494</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.79%	82.41%	82.63%	88.06%
Covered Employee Payroll	<u>\$ 1,102,738</u>	<u>\$ 1,060,008</u>	<u>\$ 1,330,898</u>	<u>\$ 966,824</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	96.78%	168.63%	126.30%	113.41%

Additional years will be added to this schedule annually until 10 years of data is presented.

Differences between Plan Fiduciary Net Position presented above and the amounts presented in the financial statements are due to certain accruals which are the result of timing differences. These differences are not considered to be significant.

**Notes to Schedule**

*Changes of Benefit Terms:*

Ordinance 2015-06 passed on January 19, 2016, approving issuance of a one-time thirteenth check for retirees. The total amount of the thirteenth checks paid was taken from Excess State Monies reserve balance.

*Changes of Assumptions:*

For measurement date September 30, 2016, as approved by the Board of Trustees at the November 10, 2016 meeting, the following assumption changes have been made:

- The investment return assumption was lowered from 8.00% to 7.75% per year, net of investment related expenses.
- The salary increase assumption was changed from a flat 6.50% to a service-based table.
- The assumed rates of termination were changed from an age-based table to a service-based table.
- The assumed rates of normal retirement were changed from 100% at first eligibility to a table based on the number of years following first eligibility.
- The assumed rates of early retirement were removed.
- As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed from RP-2000 Combined Healthy.
- Tables to the mortality tables for special risk employees used by the Florida Retirement System actuary in the July 1, 2015 actuarial valuation.
- The payroll increase assumption utilized for purposes of amortizing the Unfunded Actuarial Accrued Liability was removed.
- Additionally, the inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

**SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014
Actuarially Determined Contribution	\$ 351,994	\$ 380,225	\$ 322,780	\$ 322,145
Contributions in Relation to the Actuarially Determined Contributions	390,464	376,377	386,381	322,145
Contribution (Excess) Deficiency	<u>\$ (38,470)</u>	<u>\$ 3,848</u>	<u>\$ (63,601)</u>	<u>\$ 0</u>
Covered Employee Payroll	<u>\$ 1,102,738</u>	<u>\$ 1,060,008</u>	<u>\$ 1,330,898</u>	<u>\$ 966,824</u>
Contributions as a Percentage of Covered Employee Payroll	35.41%	35.51%	29.03%	33.32%

**Notes to Schedule:**

Valuation Date: 10/1/2015

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method
Amortization Method:	Level Percentage of Pay, Closed
Remaining Amortization Period:	26 Years (as of 10/1/2015)
Asset Valuation Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.
Inflation:	2.5% Per Year
Salary Increases:	6.5% per year until the assumed retirement age. Projected salary at retirement is increased individually based on accumulated sick and annual leave payouts to account for non-regular compensation.
Interest Rate:	8.0% per year compounded annually, net of investment related expenses.
Payroll Increase:	0.4% per year for amortization of the UAAL.
Normal Retirement:	Earlier of: (1) Age 55 and 10 years of Credited Service, or (2) 25 years of Credited Service, regardless of age. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	Commencing with the earliest Early Retirement age (50), Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
Termination Rate:	See Table Below.
Disability Rate:	See Table Below. 75% of disablements are assumed to be service related.
Mortality Rate:	RP-2000 Table with no projection - Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years.)
Other Information:	Termination and Disability Rate Table:

<u>Age</u>	<b>Percent Becoming Disabled During the Year</b>	<b>Percent Terminating During the Year</b>
20	0.03%	6.00%
30	0.04%	5.00%
40	0.07%	2.60%
50	0.18%	0.80%

**SCHEDULE OF INVESTMENT RETURNS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Annual Money - Weighted Rate of Return Net of Investment Expense	12.09%	5.39%	0.19%	9.98%

Additional years will be added to this schedule annually until 10 years of data is presented.

**SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

**Other Postemployment Benefits**

Actuarial Valuation Date October 1,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b-a) Unfunded (Overfunded) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b-a)/(c) UAAL as a Percentage of Covered Payroll
2016	\$ 0	\$ 762,300	\$ 762,300	0.00%	\$ 3,173,800	24.02%
2013	0	397,300	397,300	0.00%	3,028,600	13.12%
2010	0	486,300	486,300	0.00%	3,064,700	15.87%

**Changes from Prior Valuation**

The assumed mortality rates have been updated to rates under the RP-2014 Mortality Tables adjusted to base year 2006, with improvements, fully generational using Improvement Scale MP-2016.

The general inflation assumption was updated from 2.50% to 2.60% to be consistent with the most recent Florida Retirement System (FRS) actuarial valuation.

The payroll growth assumption was updated from 3.70% to 3.25% to be consistent with the most recent Florida Retirement System (FRS) actuarial valuation.

Life insurance premium rates have been updated from \$0.31 per month per \$1,000 of coverage to \$0.39 per month.

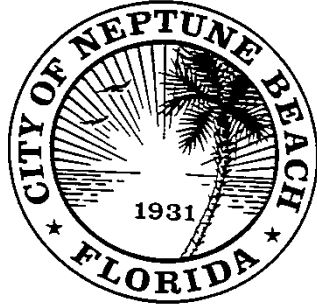
The assumed claim costs have been updated to reflect the most recent premium rates.



**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER  
AND OTHER CONTRIBUTING ENTITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

**Other Postemployment Benefits**

<b>Year Ended September 30,</b>	<b>Annual Required Contribution</b>	<b>City Contributions</b>	<b>Percentage Contributed</b>
2017	\$ 54,300	\$ 23,200	42.73%
2016	52,300	19,400	37.09%
2015	31,400	14,400	45.86%



# **Combining and Individual Fund Statements and Schedules**

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Annual Financial Report

**DESCRIPTION OF NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

**Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

- **Police Education Fund**—This fund accounts for revenues derived from county court costs. Expenditures are used to provide criminal justice education degree programs and training courses for Police Department personnel.
- **Community Development Block Grant Fund**—This fund accounts for federal grants through the Jacksonville Entitlement program, which provides funding for community development and improvements for qualified populations within the City.
- **Convention Development Tax Fund**—This fund is used to account for funds received from the levy of the local tourist development tax, which are used to promote convention and tourist development. By special act of the legislature, it can also be used for capital outlay in support of lifeguards and parks.
- **Forfeiture Proceeds Fund**—This fund accounts for revenue derived from confiscated property and cash. Proceeds are used to augment police activities.
- **Street Improvement Fund**—This fund accounts for the Eighth-cent Gasoline Tax. The revenue is restricted per Florida Statutes and may only be used for street construction and paving.
- **Local Option Gas Tax Fund**—This fund accounts for the City's share of county gas tax revenues. Funds may be used to support capital outlay and maintenance for local roads and drainage systems.
- **Radio Communications Fund**—This fund accounts for a portion of the revenues obtained from traffic violations. Expenditures are used to enhance public safety communications and automation.
- **Better Jacksonville Half-cent Tax Fund**—This fund accounts for the City's share of revenue obtained from the Better Jacksonville Half-cent Sales Surtax. Expenditures are used for projects to benefit all residents with respect to growth management, road improvements and construction, environmental protection and preservation, and public facilities.
- **Holiday Décor Fund**—This fund accounts for donations received from residents to be used for holiday decorations.

**Capital Projects Funds**

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds.

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Special Revenue Funds</b>				
	<b>Police Education Fund</b>	<b>Community Development Block Grant Fund</b>	<b>Convention Development Tax Fund</b>	<b>Forfeiture Proceeds Fund</b>	<b>Street Improvement Fund</b>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 9,114	\$ 0	\$ 76,018	\$ 4,675	\$ 91,042
Due from Other Governments	518	2,987	2,838	50	61,739
<b>Total Assets</b>	<b>9,632</b>	<b>2,987</b>	<b>78,856</b>	<b>4,725</b>	<b>152,781</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	0	2,598	622	0	1,524
Due to Other Funds	0	17,964	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>20,562</b>	<b>622</b>	<b>0</b>	<b>1,524</b>
<b>Fund Balances</b>					
Restricted for:					
Public Safety	9,632	0	0	4,725	0
Capital Outlay	0	0	0	0	151,257
Other Purposes	0	0	78,234	0	0
Unassigned	0	(17,575)	0	0	0
<b>Total Fund Balances</b>	<b>9,632</b>	<b>(17,575)</b>	<b>78,234</b>	<b>4,725</b>	<b>151,257</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,632</b>	<b>\$ 2,987</b>	<b>\$ 78,856</b>	<b>\$ 4,725</b>	<b>\$ 152,781</b>

Special Revenue Funds								
Local Option Gas Tax Fund	Radio Communi- cations Fund	Better Jacksonville Half-cent Tax Fund	Holiday Décor Fund	Total Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds		
\$ 54,331	\$ 11,370	\$ 922,118	\$ 564	\$ 1,169,232	\$ 732	\$ 1,169,964		
23,050	1,124	45,441	0	137,747	0	137,747		
<u>77,381</u>	<u>12,494</u>	<u>967,559</u>	<u>564</u>	<u>1,306,979</u>	<u>732</u>	<u>1,307,711</u>		
3,029	0	0	0	7,773	15,807	23,580		
0	0	0	0	17,964	0	17,964		
<u>3,029</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,737</u>	<u>15,807</u>	<u>41,544</u>		
0	12,494	0	0	26,851	0	26,851		
74,352	0	967,559	0	1,193,168	0	1,193,168		
0	0	0	564	78,798	0	78,798		
0	0	0	0	(17,575)	(15,075)	(32,650)		
<u>74,352</u>	<u>12,494</u>	<u>967,559</u>	<u>564</u>	<u>1,281,242</u>	<u>(15,075)</u>	<u>1,266,167</u>		
<u>\$ 77,381</u>	<u>\$ 12,494</u>	<u>\$ 967,559</u>	<u>\$ 564</u>	<u>\$ 1,306,979</u>	<u>\$ 732</u>	<u>\$ 1,307,711</u>		

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

	Special Revenue Funds				
	Police Education Fund	Community Development Block Grant Fund	Convention Development Tax Fund	Forfeiture Proceeds Fund	Street Improvement Fund
<b>Revenues</b>					
Taxes	\$ 0	\$ 0	\$ 32,562	\$ 0	\$ 0
Fines and Forfeitures	8,003	0	0	3,485	0
Intergovernmental Revenues	0	44,895	0	0	60,261
Charges for Services	0	52,585	0	0	0
Investment Income	37	0	376	33	504
Miscellaneous	0	39,211	0	0	56,593
<b>Total Revenues</b>	<u>8,040</u>	<u>136,691</u>	<u>32,938</u>	<u>3,518</u>	<u>117,358</u>
<b>Expenditures</b>					
Current:					
Public Safety	1,456	0	0	2,617	0
Public Works	0	0	0	0	64,162
Culture and Recreation	0	164,981	4,089	0	0
Capital Outlay	0	0	0	0	8,784
<b>(Total Expenditures)</b>	<u>(1,456)</u>	<u>(164,981)</u>	<u>(4,089)</u>	<u>(2,617)</u>	<u>(72,946)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>6,584</u>	<u>(28,290)</u>	<u>28,849</u>	<u>901</u>	<u>44,412</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	0	12,000	0	0	0
Transfers (out)	0	0	(10,000)	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>12,000</u>	<u>(10,000)</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balance</b>	6,584	(16,290)	18,849	901	44,412
<b>Fund Balances, Beginning of Year</b>	<u>3,048</u>	<u>(1,285)</u>	<u>59,385</u>	<u>3,824</u>	<u>106,845</u>
<b>Fund Balances, End of Year</b>	<u>\$ 9,632</u>	<u>\$ (17,575)</u>	<u>\$ 78,234</u>	<u>\$ 4,725</u>	<u>\$ 151,257</u>

Special Revenue Funds

Local Option Gas Tax Fund	Radio Communi- cations Fund	Better Jacksonville Half-cent Tax Fund	Holiday Décor Fund	Total Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
\$ 253,261	\$ 0	\$ 466,305	\$ 0	\$ 752,128	\$ 0	\$ 752,128
0	17,682	0	0	29,170	0	29,170
0	0	0	0	105,156	0	105,156
0	0	0	0	52,585	0	52,585
0	95	5,761	6	6,812	0	6,812
0	0	0	8,000	103,804	0	103,804
<u>253,261</u>	<u>17,777</u>	<u>472,066</u>	<u>8,006</u>	<u>1,049,655</u>	<u>0</u>	<u>1,049,655</u>
0	21,000	0	0	25,073	102	25,175
174,648	0	355,400	0	594,210	0	594,210
0	0	0	12,577	181,647	0	181,647
0	0	46,087	0	54,871	215,224	270,095
<u>(174,648)</u>	<u>(21,000)</u>	<u>(401,487)</u>	<u>(12,577)</u>	<u>(855,801)</u>	<u>(215,326)</u>	<u>(1,071,127)</u>
<u>78,613</u>	<u>(3,223)</u>	<u>70,579</u>	<u>(4,571)</u>	<u>193,854</u>	<u>(215,326)</u>	<u>(21,472)</u>
0	0	0	0	12,000	200,000	212,000
0	0	0	0	(10,000)	0	(10,000)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,000</u>	<u>200,000</u>	<u>202,000</u>
78,613	(3,223)	70,579	(4,571)	195,854	(15,326)	180,528
<u>(4,261)</u>	<u>15,717</u>	<u>896,980</u>	<u>5,135</u>	<u>1,085,388</u>	<u>251</u>	<u>1,085,639</u>
<u>\$ 74,352</u>	<u>\$ 12,494</u>	<u>\$ 967,559</u>	<u>\$ 564</u>	<u>\$ 1,281,242</u>	<u>\$ (15,075)</u>	<u>\$ 1,266,167</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017  
 CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Police Education Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Fines and Forfeitures	\$ 3,400	\$ 3,400	\$ 8,003	\$ 4,603
Investment Income	0	0	37	37
<b>Total Revenues</b>	<u>3,400</u>	<u>3,400</u>	<u>8,040</u>	<u>4,640</u>
<b>Expenditures</b>				
Current:				
Public Safety	4,000	4,000	1,456	2,544
<b>(Total Expenditures)</b>	<u>(4,000)</u>	<u>(4,000)</u>	<u>(1,456)</u>	<u>2,544</u>
<b>Excess of Revenues Over Expenditures</b>	(600)	(600)	6,584	7,184
<b>Fund Balances, Beginning of Year</b>	<u>600</u>	<u>600</u>	<u>3,048</u>	<u>2,448</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 9,632</u></u>	<u><u>\$ 9,632</u></u>



**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA  
(Continued)**

	<b>Community Development Block Grant Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental Revenue	\$ 44,895	\$ 44,895	\$ 44,895	\$ 0
Charges for Services	82,337	82,337	52,585	(29,752)
Miscellaneous	52,555	52,555	39,211	(13,344)
<b>Total Revenues</b>	<u>179,787</u>	<u>179,787</u>	<u>136,691</u>	<u>(43,096)</u>
<b>Expenditures</b>				
Current:				
Culture and Recreation	191,787	191,787	164,981	26,806
<b>(Total Expenditures)</b>	<u>(191,787)</u>	<u>(191,787)</u>	<u>(164,981)</u>	<u>26,806</u>
<b>(Deficiency) of Revenues (Under)</b>				
<b>Expenditures</b>	(12,000)	(12,000)	(28,290)	(16,290)
<b>Other Financing Sources (Uses)</b>				
Transfers in	12,000	12,000	12,000	0
<b>Total Other Financing Sources (Uses)</b>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>0</u>
<b>Net Change in Fund Balance</b>	0	0	(16,290)	(16,290)
<b>Fund Balances, Beginning of Year</b>	<u>0</u>	<u>0</u>	<u>(1,285)</u>	<u>(1,285)</u>
<b>Fund Balances, End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (17,575)</u>	<u>\$ (17,575)</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA  
(Continued)**

	<u>Convention Development Tax Fund</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 22,500	\$ 22,500	\$ 32,562	\$ 10,062
Investment Income	20	20	376	356
<b>Total Revenues</b>	<u>22,520</u>	<u>22,520</u>	<u>32,938</u>	<u>10,418</u>
<b>Expenditures</b>				
Current:				
Culture and Recreation	<u>52,520</u>	<u>52,520</u>	<u>4,089</u>	<u>48,431</u>
<b>(Total Expenditures)</b>	<u>(52,520)</u>	<u>(52,520)</u>	<u>(4,089)</u>	<u>48,431</u>
<b>Excess of Revenues Over Expenditures</b>	(30,000)	(30,000)	28,849	58,849
<b>Other Financing (Uses)</b>				
Transfers (out)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>0</u>
<b>Total Other Financing (Uses)</b>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>0</u>
<b>Net Change in Fund Balance</b>	(40,000)	(40,000)	18,849	58,849
<b>Fund Balances, Beginning of Year</b>	<u>40,000</u>	<u>40,000</u>	<u>59,385</u>	<u>19,385</u>
<b>Fund Balances, End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 78,234</u>	<u>\$ 78,234</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017  
 CITY OF NEPTUNE BEACH, FLORIDA  
 (Continued)**

	<b>Forfeiture Proceeds Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Fines and Forfeitures	\$ 0	\$ 0	\$ 3,485	\$ 3,485
Investment Income	15	15	33	18
<b>Total Revenues</b>	<u>15</u>	<u>15</u>	<u>3,518</u>	<u>3,503</u>
<b>Expenditures</b>				
Current:				
Public Safety	13,025	13,025	2,617	10,408
<b>(Total Expenditures)</b>	<u>(13,025)</u>	<u>(13,025)</u>	<u>(2,617)</u>	<u>10,408</u>
<b>Excess of Revenues Over Expenditures</b>	(13,010)	(13,010)	901	13,911
<b>Fund Balances, Beginning of Year</b>	<u>13,010</u>	<u>13,010</u>	<u>3,824</u>	<u>(9,186)</u>
<b>Fund Balances, End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,725</u>	<u>\$ 4,725</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA  
(Continued)**

	<b>Street Improvement Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental Revenue	\$ 65,829	\$ 65,829	\$ 60,261	\$ (5,568)
Investment Income	65	65	504	439
Miscellaneous	0	0	56,593	56,593
<b>Total Revenues</b>	<u>65,894</u>	<u>65,894</u>	<u>117,358</u>	<u>51,464</u>
<b>Expenditures</b>				
Current:				
Public Works	165,894	165,894	72,946	92,948
<b>(Total Expenditures)</b>	<u>(165,894)</u>	<u>(165,894)</u>	<u>(72,946)</u>	<u>92,948</u>
<b>Excess of Revenues Over Expenditures</b>	(100,000)	(100,000)	44,412	144,412
<b>Fund Balances, Beginning of Year</b>	<u>100,000</u>	<u>100,000</u>	<u>106,845</u>	<u>6,845</u>
<b>Fund Balances, End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 151,257</u>	<u>\$ 151,257</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA  
(Continued)**

	<b>Local Option Gas Tax Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 254,251	\$ 254,251	\$ 253,261	\$ (990)
<b>Total Revenues</b>	<u>254,251</u>	<u>254,251</u>	<u>253,261</u>	<u>(990)</u>
<b>Expenditures</b>				
Current:				
Public Works	245,274	245,274	174,648	70,626
<b>(Total Expenditures)</b>	<u>(245,274)</u>	<u>(245,274)</u>	<u>(174,648)</u>	<u>70,626</u>
<b>Excess of Revenues Over Expenditures</b>	8,977	8,977	78,613	69,636
<b>Fund Balances, Beginning of Year</b>	<u>2,710</u>	<u>2,710</u>	<u>(4,261)</u>	<u>(6,971)</u>
<b>Fund Balances, End of Year</b>	<u>\$ 11,687</u>	<u>\$ 11,687</u>	<u>\$ 74,352</u>	<u>\$ 62,665</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017  
 CITY OF NEPTUNE BEACH, FLORIDA  
 (Continued)**

	<b>Radio Communications Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Fines and Forfeitures	\$ 10,000	\$ 10,000	\$ 17,682	\$ 7,682
Investment Income	6	6	95	89
<b>Total Revenues</b>	<u>10,006</u>	<u>10,006</u>	<u>17,777</u>	<u>7,771</u>
<b>Expenditures</b>				
Current:				
Public Safety	11,006	11,006	21,000	(9,994)
<b>(Total Expenditures)</b>	<u>(11,006)</u>	<u>(11,006)</u>	<u>(21,000)</u>	<u>(9,994)</u>
<b>(Deficiencies) of Revenues (Under) Expenditures</b>	(1,000)	(1,000)	(3,223)	(2,223)
<b>Fund Balances, Beginning of Year</b>	<u>1,000</u>	<u>1,000</u>	<u>15,717</u>	<u>14,717</u>
<b>Fund Balances, End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,494</u>	<u>\$ 12,494</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017  
 CITY OF NEPTUNE BEACH, FLORIDA  
 (Continued)**

	<b>Better Jacksonville Half-cent Tax Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 400,668	\$ 400,668	\$ 466,305	\$ 65,637
Investment Income	300	300	5,761	5,461
<b>Total Revenues</b>	<u>400,968</u>	<u>400,968</u>	<u>472,066</u>	<u>71,098</u>
<b>Expenditures</b>				
Capital Outlay	850,968	850,968	401,487	449,481
<b>(Total Expenditures)</b>	<u>(850,968)</u>	<u>(850,968)</u>	<u>(401,487)</u>	<u>449,481</u>
<b>Excess of Revenues Over Expenditures</b>	(450,000)	(450,000)	70,579	520,579
<b>Fund Balances, Beginning of Year</b>	<u>450,000</u>	<u>450,000</u>	<u>896,980</u>	<u>446,980</u>
<b>Fund Balances, End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 967,559</u>	<u>\$ 967,559</u>

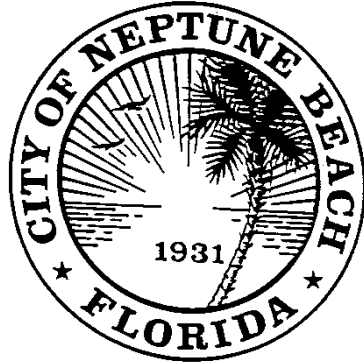
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017  
 CITY OF NEPTUNE BEACH, FLORIDA  
 (Continued)**

	<b>Holiday Décor Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Investment Income	\$ 6	\$ 6	\$ 6	\$ 0
Miscellaneous	8,000	8,000	8,000	0
<b>Total Revenues</b>	<u>8,006</u>	<u>8,006</u>	<u>8,006</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Culture and Recreation	12,006	12,006	12,577	(571)
<b>(Total Expenditures)</b>	<u>(12,006)</u>	<u>(12,006)</u>	<u>(12,577)</u>	<u>(571)</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	(4,000)	(4,000)	(4,571)	(571)
<b>Fund Balances, Beginning of Year</b>	<u>4,000</u>	<u>4,000</u>	<u>5,135</u>	<u>1,135</u>
<b>Fund Balances, End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 564</u>	<u>\$ 564</u>



**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017  
 CITY OF NEPTUNE BEACH, FLORIDA  
 (Concluded)**

	<b>Capital Projects Funds</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Interest	\$ 25	\$ 25	\$ 0	\$ (25)
<b>Total Revenues</b>	<u>25</u>	<u>25</u>	<u>0</u>	<u>(25)</u>
<b>Expenditures</b>				
Capital Outlay	200,025	200,025	215,326	(15,301)
<b>(Total Expenditures)</b>	<u>(200,025)</u>	<u>(200,025)</u>	<u>(215,326)</u>	<u>(15,301)</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	(200,000)	(200,000)	(215,326)	(15,326)
<b>Other Financing Sources (Uses)</b>				
Transfers in	200,000	200,000	200,000	0
<b>Total Other Financing Sources (Uses)</b>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>0</u>
<b>Net Change in Fund Balance</b>	0	0	(15,326)	(15,326)
<b>Fund Balances, Beginning of Year</b>	<u>0</u>	<u>251</u>	<u>251</u>	<u>0</u>
<b>Fund Balances, End of Year</b>	<u>\$ 0</u>	<u>\$ 251</u>	<u>\$ (15,075)</u>	<u>\$ (15,326)</u>



# **Schedule of Expenditures of the City of Jacksonville Grant Funds**

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Annual Financial Report

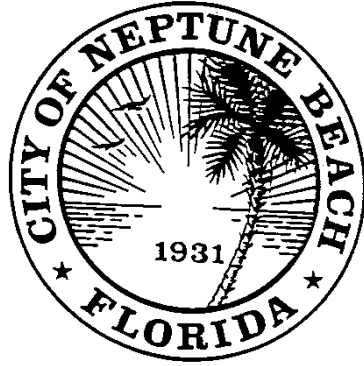
**SCHEDULE OF EXPENDITURES OF THE CITY OF JACKSONVILLE GRANT FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
CITY OF NEPTUNE BEACH, FLORIDA**

**Community Development Block Grant Funds  
Passed Through City of Jacksonville, Florida**

**Contract Number 6494-52  
Project Number 004604**

	<b>Approved Budget</b>	<b>Actual</b>
<b>Receipts</b>	\$ 44,895	\$ 44,895 (1)
<b>Total Receipts</b>	44,895	44,895
<b>Expenditures</b>		
Salaries/Wages	37,176	37,176
Employee Benefits	7,719	7,719
<b>(Total Expenditures)</b>	(44,895)	(44,895)
<b>Excess (Deficiencies) of Source Over (Under) Expenditures</b>	\$ 0	\$ 0

(1) - Includes receivable balance at September 30, 2017 of \$2,987.



# Other Reports

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Annual Financial Report

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,  
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED  
STATES; AND THE *RULES OF THE AUDITOR GENERAL OF  
THE STATE OF FLORIDA***

**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**

Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Neptune Beach, Florida, (the City), as of and for the year ended September 30, 2017, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 27, 2018. 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.

**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 purposes 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Certified Public Accountants**

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune Beach, Florida

**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  
(Concluded)**

**Compliance and Other Matters**

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

**Purpose of this Report**

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

  
April 27, 2018  
Gainesville, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE  
WITH SECTION 218.415, FLORIDA STATUTES**

Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune Beach, Florida

We have examined the City of Neptune Beach, Florida's (the City) compliance with Section 218.415, Florida Statutes, as of and for the year ended September 30, 2017, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies and pass-through entities, the Mayor, and City Council members, and applicable management, and is not intended and should not be used by anyone other than these specified parties.

*Purvis, Gray and Company, LLP*

April 27, 2018  
Gainesville, Florida

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS



## MANAGEMENT LETTER

Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune Beach, Florida

### Report on the Financial Statements

We have audited the financial statements of the City of Neptune Beach, Florida, (the City), as of and for the year ended September 30, 2017, and have issued our report thereon dated April 27, 2018.

### Auditors' Responsibility

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 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 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 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated April 27, 2018, 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 report. There were no recommendations made in the preceding 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. This information is included in Note 1 to the financial statements.

### Financial Condition and Management

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

### Certified Public Accountants

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Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune Beach, Florida

**MANAGEMENT LETTER**  
*(Concluded)*

**Financial Condition and Management (Concluded)**

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. 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 address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

**Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

**Special District Component Units**

Section 10.554(1)(i)5.d., *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that there were no special district component units that were required to be reported in accordance with Section 218.39(3)(b), Florida Statutes.

**Additional Matters**

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

**Purpose of this Letter**

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

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

  
April 27, 2018

Gainesville, Florida