CITY OF MEXICO BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

CITY OF MEXICO BEACH, FLORIDA
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JAMESMOORE

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Council, and City Manager,
City of Mexico Beach, Florida:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Mexico Beach, Florida (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Unmodified Opinion on the General Fund and Disaster Recovery Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and Disaster Recovery Fund of the City as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion on the Governmental Activities, Business-Type Activities, and Water, Sewer, and Sanitation Funds

In our opinion, except for the effects of not implementing the provisions of GASB Statement No. 75, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and Water, Sewer, and Sanitation Funds of the City as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on the Governmental Activities, Business-Type Activities, and Water, Sewer, and Sanitation Funds

As discussed in Note (12) to the financial statements, the City has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in governmental activities, business-type activities and water, sewer, and sanitation funds. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, business-type activities and water, sewer, and sanitation funds, has not been determined.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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

Management has omitted the schedule of changes in the City's total OPEB liability and related ratios that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
December 5, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Mexico Beach, Florida (hereinafter referred to as the "City") offers the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2023. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. The City encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section.

Financial Highlights

- The City was catastrophically impacted by Hurricane Michael in October 2018, resulting in substantial negative financial positions and trends as the City waits on financial assistance from the Federal and State government.

- The total assets of the City of Mexico Beach, Florida exceeded its liabilities at the close of the most recent fiscal year by $37,480,398 (net position). Of this amount, $6,250,740 is considered unrestricted net position and is available to be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased (decreased) by $1,894,595 in fiscal year 2023, after restatements to beginning net position. Net position of the City's governmental activities increased (decreased) by $1,565,713, while net position of its business type activities increased (decreased) by $328,882.

- The City's governmental funds reported a combined ending fund balance of $14,912,051 at the end of the current fiscal year, which increased (decreased) by $3,545,458 in comparison to the $10,703,365 (as restated) reported at the end of the prior fiscal year. Of this amount, $6,091,445 is available for spending at the City's discretion (unassigned/assigned fund balance).

- At the end of the 2023 fiscal year, unassigned/assigned fund balance for the General Fund was $6,091,445 or 138% of the total fiscal year 2023 General Fund expenditures of $4,419,678.

- The City's total long-term debt obligations decreased by $261,849 during the fiscal year, due to scheduled current-year principal maturities/reductions on existing obligations. The City's combined long-term commitment for compensated absences totaled $98,646 at year-end.

Overview of the Financial Statements

The City's basic financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, including notes to the financial statements, and 3) required supplementary information, including various pension-related schedules.

Management's discussion and analysis (MD&A) is intended to serve as an introduction to the basic financial statements and required supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, as well as other management tools were used for this analysis.

The basic financial statements include two kinds of statements that present different views of the City. The first two statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the City's overall financial status, including its governmental activities and its business-type activities. These statements report information about the City using full accrual accounting methods, and an economic resources focus, as utilized by similar business activities in the private sector. Information concerning the City's assets and liabilities, both financial and capital, and short-term and long-term debt are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported. However, rate-regulated accounting principles applicable to private sector utilities are not used by governmental utilities. The remaining statements are fund financial statements that focus on individual parts of the City government and report the City's operations in more detail than the government-wide financial statements. The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the City's water utility system. The financial statements also include notes which provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the City's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. This section also contains budgetary comparisons for the City's governmental fund activities.

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 basic financial statements of the City include a statement of net position and a statement of activities, which are described as follows:

- A statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of its fiscal year, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial condition.

- The statement of activities presents the results of business operations over the course of the fiscal year and information as to how the City's net position changed during the 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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent taxes and earned but unused personal leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes 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 services, public safety (police and building inspection), streets, storm water management, solid waste management, the Community Redevelopment Agency, disaster recovery and relief efforts, and recreation and leisure services. The business-type activities of the City include its water utility, sewer utility, stormwater utility, and sanitation activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary 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. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted into cash. Such information may be useful in evaluating a government'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. These reconciliations can be found on pages 14 and 16.

The City maintains two 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 and disaster recovery fund, both of which are considered to be major funds.

Proprietary Funds. Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund financial statements, like the government-wide statements, provide both long- and short-term financial information. The City's enterprise funds (water utility, sewer utility, sanitation, and fire) are the items included in the business-type activities presented in the government-wide statements. Since the accounting for these operations is similar to that provided in the government-wide financial statements, the fund financial statements provide limited supplemental information in more detail, such as cash flows data. The basic proprietary fund financial statements can be found on pages 17 to 19 of this report.

Financial Analysis of the City as a Whole

Net Position. As noted previously, net position may serve over time as a useful indicator of a government's financial position. This year, the City's combined total assets exceeded liabilities (net position) by $37,480,398 at the end of 2023, compared to $36,771,221 at the end of 2022, excluding the impact of prior period adjustments identified during fiscal year 2023. This represents a total increase of $709,177 from the amount reported at the end of the prior fiscal year.

The following is a summary of net position at year end:

Net Position
September 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current and other assets	$ 16,825,125	$ 19,741,131	$ 3,697,746	$ 3,114,642	$ 20,522,871	$ 22,855,773
Capital assets	16,849,185	16,492,779	10,851,076	11,280,691	27,700,261	27,773,470
Total assets	$ 33,674,310	$ 36,233,910	$ 14,548,822	$ 14,395,333	$ 48,223,132	$ 50,629,243
DEFERRED OUTFLOWS	$ 532,700	$ 474,299	$ 135,358	$ 214,047	$ 668,058	$ 688,346
LIABILITIES						
Current liabilities	$ 115,725	$ 3,478,892	$ 4,628,948	$ 4,410,651	$ 4,744,673	$ 7,889,543
Noncurrent liabilities:	2,170,325	1,606,419	4,060,425	4,458,121	6,230,750	6,064,540
Total liabilities	$ 2,286,050	$ 5,085,311	$ 8,689,373	$ 8,868,772	$ 10,975,423	$ 13,954,083
DEFERRED INFLOWS	$ 363,949	$ 440,992	$ 71,420	$ 151,293	$ 435,369	$ 592,285
NET POSITION						
Net investment in capital assets	$ 16,849,185	$ 16,352,716	$ 7,349,495	$ 7,517,261	$ 24,198,680	$ 23,869,977
Restricted	4,032,982	2,392,574	2,997,996	2,773,993	7,030,978	5,166,567
Unrestricted	10,674,844	12,436,616	(4,424,104)	(4,701,939)	6,250,740	7,734,677
Total net position	$ 31,557,011	$ 31,181,906	$ 5,923,387	$ 5,589,315	$ 37,480,398	$ 36,771,221

The most significant component of the City's net position (approximately 65%) is, by far, its investment in capital assets (land, infrastructure, buildings, and equipment), less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

An additional portion of the City's net position (19%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining 17% of unrestricted net position, represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, and totaled $6,250,740 at year-end, compared to the prior year balance of $7,734,677 in 2022. The main reason for the decrease from the prior year was due to an increase in restricted balances in the governmental activities the financial effects from Hurricane Michael, which impacted the City in October 2018.

Changes in Net Position. While the statement of net position shows a snapshot of the City's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and source of those changes. During 2023, total revenues were $10,293,571 compared to $16,099,528 in the prior year. Approximately 33% of the City's revenue came from property taxes, 6% from other taxes and fees, 35% came from fees charged for services, and most of the remaining revenue included state and federal financial assistance and other miscellaneous revenues, including substantial FEMA reimbursements related to Hurricane Michael.

During 2023, expenses were $8,398,976 as opposed to $13,470,205 in the prior year, for a decrease of approximately 7% due to the recovery from Hurricane Michael. City-wide, public safety expenses accounted for approximately 27% of the City's expenses, water, sewer, stormwater, and sanitation expenses collectively were 30%. The other functions, including the general government, transportation, and culture and recreation each individually totaled close to or less than 21% of expenses relative to the City as a whole.

The following is a summary of changes in net position at year end:

Changes in Net Position
For the Fiscal Years Ended September 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES						
Property taxes	$ 3,388,162	$ 2,783,449	$ -	$ -	$ 3,388,162	$ 2,783,449
Other taxes and fees	661,903	483,580	-	-	661,903	483,580
Charges for services	702,546	924,742	2,864,096	2,490,105	3,566,642	3,414,847
Intergovernmental and grants	2,132,555	8,464,082	43,550	816,431	2,176,105	9,280,513
Other revenues	412,086	80,868	88,673	56,271	500,759	137,139
Total revenues	7,297,252	12,736,721	2,996,319	3,362,807	10,293,571	16,099,528
EXPENSES						
General government	1,153,622	672,627	-	-	1,153,622	672,627
Public safety	2,296,672	2,067,133	-	-	2,296,672	2,067,133
Physical environment	291,642	170,144	-	-	291,642	170,144
Transportation	928,423	776,798	-	-	928,423	776,798
Economic environment	-	-	-	-	-	-
Human services	-	-	-	-	-	-
Culture and recreation	506,460	347,106	-	-	506,460	347,106
Disaster recovery	554,720	6,467,757	-	-	554,720	6,467,757
Water utility	-	-	987,713	1,052,184	987,713	1,052,184
Sewer utility	-	-	975,858	932,659	975,858	932,659
Sanitation	-	-	567,901	841,704	567,901	841,704
Fire	-	-	-	-	-	-
Interest expense	-	-	135,965	142,093	135,965	142,093
Total expenses	5,731,539	10,501,565	2,667,437	2,968,640	8,398,976	13,470,205
Income before transfers	1,565,713	2,235,156	328,882	394,167	1,894,595	2,629,323
Transfers	-	-	-	-	-	-
Change in net position	1,565,713	2,235,156	328,882	394,167	1,894,595	2,629,323
Net position, beginning of year, as restated	29,991,298	28,946,750	5,594,505	5,195,148	35,585,803	34,141,898
Net position, end of year	$ 31,557,011	$ 31,181,906	$ 5,923,387	$ 5,589,315	$ 37,480,398	$ 36,771,221

Governmental Activities

Revenues for the City's governmental activities totaled $7,297,252 in 2023. This represents a decrease of over $5 million from than last year's reported revenues of $12,736,21, and is primarily due to grant reimbursements related to Hurricane Michael during in 2022.

Governmental activities expenses totaled $5,731,539, which decreased almost $5 million from the prior year due to the impacts of Hurricane Michael during 2022.

Business-Type Activities

The major source of operating revenues for the City's business-type activities is charges for services (water, sewer, sanitation), which during the year increased approximately $374,000, more than utility billings of $2,490,105 in 2022 due to the increased consumption in the aftermath of Hurricane Michael.

Total operating expenses of the proprietary funds fund increased in 2023 and totaled $2,667,437, compared to $2,968,640 in 2022, a decrease of approximately $300,000, primarily due to a decrease in pension expense from prior year related to changes in net pension liability and the related deferred inflows and outflows of resources.

Financial Analysis of the City's Funds

As stated previously, 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the City completed the year, its governmental funds reported a combined fund balance of $14,912,051, which was an increase (decrease) of $3,545,458 compared with the amount reported last year. This increase was primarily related to disaster recovery reimbursements exceeding expenditures in the current year due to timing of receipts.

The general fund is the chief operating fund of the City. As of September 30, 2023, the unassigned/assigned fund balance in the general fund totaled $6,091,445. This unassigned/assigned fund balance represents approximately 138% of the City's general fund spending requirements experienced during 2023.

The Disaster Recovery fund, which was established in 2019, had an ending fund balance of $1,883,440, all of which was reported as restricted fund balance related to disaster recovery expenditures. The fund balance in the Disaster Recovery Fund is expected to used over of course of the coming years as the City recovers from damage related to Hurricane Michael.

Proprietary Funds. The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

Permits and fees revenues were $515,200 more than originally budgeted due to substantial building permit activity in the aftermath of Hurricane Michael.

Miscellaneous revenues were $612,296 less than originally budgeted, mostly due to budgeted for prior year refunds not ultimately recorded in the current year.

General Fund Expenditures varied by category from the budget and, in totality, were $482,331 below the approved budget of $4,902,009. Various over- and under-budget variances were noted due to shifting in services provided during the recovery from Hurricane Michael.

All of these factors combined resulted in $1,745,413 increase to General Fund Balance for Fiscal Year 2024.

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Capital Assets and Debt Administration

Capital Assets. At September 30, 2023, the City had nearly $28 million invested in a broad range of capital assets, including land, buildings, park facilities, police equipment, public works equipment and water lines. See Note (5) for further information on the City's capital assets.

Long-Term Debt. The City has various notes and bonds payable totaling $3,501,581 at year-end, compared to $3,813,430 one year earlier, with the decrease being due to ongoing principal payments made in the current year. Under these agreements, the City must repay these loans with semiannual payments.

More detailed information about the City's long-term debt is presented in Note (7) to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Many factors are considered each year by the City Council in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop uniform user fees that are reasonable, and more importantly, capable of cost recovery. Some of the major factors considered in this process are the local economy, civilian labor force, unemployment rates, and inflation rates.

- Due to the COVID-19 pandemic budget forecasts for fiscal 2024 are improving as the pandemic continued to lessen impacts on the local economy.

- Property tax revenue will increase based on a budget of approximately $3.7 million. Fiscal 2024's approved millage rate was decreased to 5.99 mills to assist homeowners in the wake of increased property values based on new construction and to assist homeowners that have completed repairs to their damaged homes and property.

- The fiscal year 2024 budgets adopted for all funds utilized the prior year's final adopted budgets and the City's actual financial results as the baseline from which priority setting and decisions were made to formulate the new budgets. The final budget was further modified to reflect changing revenue projections and anticipated changes in expenditure trends.

- Inflationary trends for Bay County are consistent with those trends experienced at the state and national levels.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the City of Mexico Beach Finance Department, PO Box 13425, Mexico Beach FL, 32410. Information can also be obtained at the City's website at www.mexicobeachgov.com.

CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and cash equivalents	$ 7,866,553	$ 269,914	$ 8,136,467
Investments	2,046,138	-	2,046,138
Receivables, net	66,854	372,158	439,012
Lease receivable	86,349	-	86,349
Internal balances	4,474,819	(4,474,819)	-
Due from other governments	2,271,607	-	2,271,607
Inventories	7,659	-	7,659
Prepaid items	5,146	-	5,146
Right-of-use assets	-	5,420	5,420
Restricted assets:			
Equity in pooled cash and cash equivalents	-	2,026,676	2,026,676
Investments	-	1,023,578	1,023,578
Capital assets:			
Capital assets, not being depreciated	5,978,146	574,380	6,552,526
Other capital assets, net of depreciation	10,871,039	10,276,696	21,147,735
Total assets	$ 33,674,310	$ 10,074,003	$ 43,748,313
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	$ 532,700	$ 135,358	$ 668,058
LIABILITIES			
Accounts payable and accrued liabilities	$ 104,939	$ 73,216	$ 178,155
Unearned revenue	-	28,655	28,655
Accrued interest payable	-	52,258	52,258
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	-	271,481	271,481
Compensated absences	10,786	3,560	14,346
Due in more than one year:			
Bonds and notes payable	-	3,230,100	3,230,100
Compensated absences	64,182	20,118	84,300
Net pension liability	2,106,143	535,166	2,641,309
Total liabilities	$ 2,286,050	$ 4,214,554	$ 6,500,604
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	$ 281,072	$ 71,420	$ 352,492
Deferred inflows related to leases	82,877	-	82,877
Total deferred inflows of resources	$ 363,949	$ 71,420	$ 435,369
NET POSITION			
Net investment in capital assets	$ 16,849,185	$ 7,349,495	$ 24,198,680
Restricted for:			
Debt service	-	282,376	282,376
Capital expansion	551,343	2,715,620	3,266,963
Construction	783,746	-	783,746
Building department	407,930	-	407,930
Law enforcement	1,937	-	1,937
Hurricane recovery	2,288,026	-	2,288,026
Unrestricted	10,674,844	(4,424,104)	6,250,740
Total net position	$ 31,557,011	$ 5,923,387	$ 37,480,398

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

CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
General government	$ 1,153,622	$ 40,905	$ -	$ -	$ (1,112,717)	$ -	$ (1,112,717)
Public safety	2,296,672	479,329	-	10,675	(1,806,668)	-	(1,806,668)
Physical environment	291,642	-	-	16,100	(275,542)	-	(275,542)
Transportation	928,423	182,312	291,405	140,340	(314,366)	-	(314,366)
Culture and recreation	506,460	-	-	496,379	(10,081)	-	(10,081)
Disaster recovery	554,720	-	1,128,011	-	573,291	-	573,291
Total governmental activities	5,731,539	702,546	1,419,416	663,494	(2,946,083)	-	(2,946,083)
Business-type activities:							
Water	1,048,909	1,121,631	-	15,925	-	88,647	88,647
Sewer	1,050,627	1,179,017	-	27,625	-	156,015	156,015
Sanitation	567,901	566,152	-	-	-	(1,749)	(1,749)
Total business-type activities	2,667,437	2,866,800	-	43,550	-	242,913	242,913
Total primary government	$ 8,398,976	$ 3,569,346	$ 1,419,416	$ 707,044	(2,946,083)	242,913	(2,703,170)
General revenues:							
Property taxes					3,388,162	-	3,388,162
Sales taxes					149,120	-	149,120
Infrastructure surtax					144,569	-	144,569
Communications service tax					28,016	-	28,016
Public service taxes					105,561	-	105,561
Other taxes					8,405	-	8,405
Franchise fees					226,232	-	226,232
State revenue sharing					49,645	-	49,645
Investment earnings					295,032	85,969	381,001
Miscellaneous revenues					117,054	-	117,054
Total general revenues					4,511,796	85,969	4,597,765
Change in net position					1,565,713	328,882	1,894,595
Net position - beginning of year, as restated					29,991,298	5,594,505	35,585,803
Net position - ending of year					$ 31,557,011	$ 5,923,387	$ 37,480,398

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

CITY OF MEXICO BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General Fund	Disaster Recovery Fund	Total Governmental Funds
ASSETS			
Equity in pooled cash and cash equivalents	$ 6,176,500	$ 1,690,053	$ 7,866,553
Investments	2,046,138	-	2,046,138
Receivables, net	66,854	-	66,854
Leases receivable	86,349	-	86,349
Due from other governments	330,365	1,941,242	2,271,607
Inventories	7,659	-	7,659
Prepaid items	5,146	-	5,146
Advances to other funds	4,474,819	-	4,474,819
Total assets	$ 13,193,830	$ 3,631,295	$ 16,825,125
LIABILITIES			
Accounts payable and accrued liabilities	$ 82,342	$ 22,597	$ 104,939
Total liabilities	82,342	22,597	104,939
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to unavailable revenue - FEMA	-	1,725,258	1,725,258
Deferred inflows related to leases	82,877	-	82,877
Total deferred inflows	82,877	1,725,258	1,808,135
FUND BALANCES			
Nonspendable:			
Inventories	7,659	-	7,659
Prepaid items	5,146	-	5,146
Advances to other funds	4,474,819	-	4,474,819
Restricted for:			
Capital expansion	551,343	-	551,343
Infrastructure	783,746	-	783,746
Law enforcement	1,937	-	1,937
Building department	407,930	-	407,930
Hurricane recovery	404,586	1,883,440	2,288,026
Committed to:			
Canal maintenance	300,000	-	300,000
Assigned to:			
Subsequent year's budget	12,750	-	12,750
Boat ramp maintenance	199,981	-	199,981
Public works	238,221	-	238,221
Unassigned	5,640,493	-	5,640,493
Total fund balances	13,028,611	1,883,440	14,912,051
Total liabilities and fund balances	$ 13,110,953	$ 3,631,295	$ 16,742,248

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

CITY OF MEXICO BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Fund balances - total governmental funds		$ 14,912,051
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total governmental capital assets	19,865,246	
Less: accumulated depreciation	(3,016,061)	16,849,185
On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.		
Net pension liability	(2,106,143)	
Deferred outflows related to pensions	532,700	
Deferred inflows related to pensions	(281,072)	(1,854,515)
Because Hurricane Michael reimbursement revenues will not be collected for several months after the close of the City's fiscal year end, they are not considered as "available" revenues in the governmental funds, and therefore, reported as deferred inflows of unavailable revenues. In the statement of net position, which is presented on an accrual basis, no deferral is reported since the revenue is fully recognized in the statement of activities.		1,725,258
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, deferred outflows, and other debt-related deferred charges consist of the following:		
Compensated absences	(74,968)	(74,968)
Net position of governmental activities		$ 31,557,011

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

CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Disaster Recovery Fund	Total Governmental Funds
Revenues			
Taxes	$ 3,791,432	$ -	$ 3,791,432
Permits and fees	773,350	-	773,350
Intergovernmental	1,041,804	4,851,548	5,893,352
Charges for services	200	-	200
Fines and forfeitures	23,074	-	23,074
Investment income	276,000	19,032	295,032
Miscellaneous	255,120	-	255,120
Total revenues	6,160,980	4,870,580	11,031,560
Expenditures			
Current:			
General government	855,475	819	856,294
Public safety	2,021,073	-	2,021,073
Physical environment	245,116	-	245,116
Transportation	642,934	-	642,934
Culture and recreation	389,032	-	389,032
Disaster recovery	-	554,892	554,892
Capital outlay	266,048	2,514,824	2,780,872
Total expenditures	4,419,678	3,070,535	7,490,213
Excess (deficiency) of revenues over expenditures	1,741,302	1,800,045	3,541,347
Other financing sources (uses)			
Proceeds from sale of capital assets	4,111	-	4,111
Total other financing sources (uses)	4,111	-	4,111
Net change in fund balances	1,745,413	1,800,045	3,545,458
Fund balances, beginning of year, as restated	11,283,198	83,395	11,366,593
Fund balances, end of year	$ 13,028,611	$ 1,883,440	$ 14,912,051

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

CITY OF MEXICO BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balances - total governmental funds	$ 3,545,458
Differences in amounts reported for governmental activities in the statement of activities are:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Capital outlay expenditures	2,780,872
Depreciation expense	(520,630)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds (Hurricane Matthew FEMA reimbursements).	(3,738,419)
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized.	
Change in net pension liability and deferred inflows/outflows related to pensions	(496,309)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:	
Change in compensated absences liability	(5,259)
Change in net position of governmental activities	$ 1,565,713

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

CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total
ASSETS				
Equity in pooled cash and cash equivalents	$ 97,868	$ 172,046	$ -	$ 269,914
Accounts receivable, net	142,907	152,268	76,983	372,158
Restricted current assets				
Restricted cash	46,245	6,013	-	52,258
Investments	255,512	768,066	-	1,023,578
Total current assets	542,532	1,098,393	76,983	1,717,908
Noncurrent assets:				
Intangible right-of-use asset	-	5,420	-	5,420
Restricted cash	742,014	1,232,404	-	1,974,418
Capital assets:				
Land	17,765	270,426	-	288,191
Construction in progress	-	286,189	-	286,189
Improvements	11,473,136	7,244,356	-	18,717,492
Machinery and equipment	472,095	234,485	508,897	1,215,477
Accumulated depreciation	(4,745,556)	(4,641,221)	(269,496)	(9,656,273)
Total capital assets, net	7,217,440	3,394,235	239,401	10,851,076
Total noncurrent assets	7,959,454	4,632,059	239,401	12,830,914
Total assets	$ 8,501,986	$ 5,730,452	$ 316,384	$ 14,548,822
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	$ 33,870	$ 46,953	$ 54,535	$ 135,358
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	$ 29,743	$ 31,357	$ 12,116	$ 73,216
Unearned revenue	28,655	-	-	28,655
Due to other funds	-	-	-	-
Compensated absences	2,882	488	190	3,560
Payable from restricted assets:				
Current maturities on long-term debt	209,481	62,000	-	271,481
Accrued interest payable	46,245	6,013	-	52,258
Total current liabilities	317,006	99,858	12,306	429,170
Noncurrent liabilities:				
Bonds and notes payable, net	1,812,000	1,418,100	-	3,230,100
Advances from other funds	2,502,604	1,413,854	558,361	4,474,819
Compensated absences	16,711	1,950	1,457	20,118
Net pension liability	133,911	185,640	215,615	535,166
Total noncurrent liabilities	4,465,226	3,019,544	775,433	8,260,203
Total liabilities	$ 4,782,232	$ 3,119,402	$ 787,739	$ 8,689,373
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	$ 17,871	$ 24,774	$ 28,775	$ 71,420
NET POSITION				
Net investment in capital assets	$ 5,195,959	$ 1,914,135	$ 239,401	$ 7,349,495
Restricted for debt service	230,129	52,247	-	282,376
Restricted for utility plant expansion	767,397	1,948,223	-	2,715,620
Unrestricted	(2,457,732)	(1,281,376)	(684,996)	(4,424,104)
Total net position	$ 3,735,753	$ 2,633,229	$ (445,595)	$ 5,923,387

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

CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Funds			
	Water	**Sewer**	**Sanitation**	**Total**
Operating revenues				
Charges for services	$ 1,118,927	$ 1,179,017	$ 566,152	$ 2,864,096
Other revenues	2,704	-	-	2,704
Total operating revenues	1,121,631	1,179,017	566,152	2,866,800
Operating expenses				
Personal services	147,329	322,680	230,770	700,779
Operating expenses	535,651	459,430	275,390	1,270,471
Depreciation	304,733	193,748	68,391	566,872
Total operating expenses	987,713	975,858	574,551	2,538,122
Operating income (loss)	133,918	203,159	(8,399)	328,678
Nonoperating revenues (expenses)				
Interest earnings	28,932	57,037	-	85,969
Gain (loss) on disposition of capital assets	-	-	6,650	6,650
Interest and amortization expense	(61,196)	(74,769)	-	(135,965)
Total nonoperating revenues (expenses)	(32,264)	(17,732)	6,650	(43,346)
Income (loss) before contributions and transfers	101,654	185,427	(1,749)	285,332
Capital contributions and grants	15,925	27,625	-	43,550
Change in net position	117,579	213,052	(1,749)	328,882
Net position, beginning of year, as restated	3,618,174	2,420,177	(443,846)	5,594,505
Net position, end of year	$ 3,735,753	$ 2,633,229	$ (445,595)	$ 5,923,387

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

CITY OF MEXICO BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Funds			
	Water	**Sewer**	**Sanitation**	**Total**
Cash flows from operating activities				
Cash received from customers	$ 1,110,243	$ 1,060,589	$ 548,480	$ 2,719,312
Cash paid to employees	(223,726)	(293,594)	(320,490)	(837,810)
Cash paid to suppliers	(540,710)	(494,022)	(293,291)	(1,328,023)
Net cash provided by (used in) operating activities	345,807	272,973	(65,301)	553,479
Cash flows from capital and related financing activities				
Impact fees	15,925	27,625	-	43,550
Acquisition and construction of capital assets	(56,957)	-	(316)	(57,273)
Proceeds from sale of capital assets	-	-	6,650	6,650
Principal payments of long-term debt	(203,349)	(58,500)	-	(261,849)
Interest paid	(61,027)	(75,007)	-	(136,034)
Net cash provided by (used in) capital and related financing activities	(305,408)	(105,882)	6,334	(404,956)
Cash flows from investing activities				
Interest received	28,932	57,037	-	85,969
Purchases of investments	(255,512)	(768,066)	-	(1,023,578)
Net cash provided by (used in) investing activities	(226,580)	(711,029)	-	(937,609)
Net change in cash and cash equivalents	(19,990)	(514,930)	-	(534,920)
Cash and cash equivalents, beginning of year	906,117	1,925,393	-	2,831,510
Cash and cash equivalents, end of year	$ 886,127	$ 1,410,463	$ -	$ 2,296,590
Cash and cash equivalents classified as:				
Unrestricted	$ 97,868	$ 172,046	$ -	$ 269,914
Restricted	788,259	1,238,417	-	2,026,676
Total cash and cash equivalents	$ 886,127	$ 1,410,463	$ -	$ 2,296,590
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 133,918	$ 203,159	$ (8,399)	$ 328,678
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	304,733	193,748	68,391	566,872
Changes in assets and liabilities:				
Accounts receivable	(34,946)	(118,428)	(17,672)	(171,046)
Prepaid items	-	1,806	-	1,806
Accounts payable and accrued liabilities	(5,059)	(36,398)	(17,901)	(59,358)
Unearned revenue	23,558	-	-	23,558
Compensated absences	5,829	65	(1,209)	4,685
Net pension liability	(82,226)	29,021	(88,511)	(141,716)
Net cash provided by (used in) operating activities	$ 345,807	$ 272,973	$ (65,301)	$ 553,479

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

(1) Summary of Significant Accounting Policies:

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

(a) **Reporting entity**—The City of Mexico Beach, Florida, is incorporated under the provisions of the State of Florida in 1967 and is located in eastern Bay County in northwest Florida along the Gulf of Mexico. The City operates under a City Council comprised of an elected Mayor and four City Council members, all elected at-large, and serves approximately 1,500 residents by providing human services, community enrichment and development, law enforcement and fire safety, and general administrative services. In addition, the City operates water, sewer, and sanitation utilities.

(b) **Government-wide and fund financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report aggregated information for the overall government for all of the activities of the primary government. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. Those activities are reported only in fund financial statements. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues, are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are included in the program expense reported for individual functions and activities. 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 segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

(c) **Measurement focus, basis of accounting, and financial statement presentation**—The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to, and accounted for in, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accounting and financial reporting treatment is determined by the applicable measurement focus and the basis of accounting. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities).

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

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 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 property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants, other intergovernmental revenues, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

The City reports the following major governmental funds:

General Fund—The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the General Fund.

Disaster Recovery Fund—This Disaster Recovery fund accounts for the activity related to the City's recovery efforts following Hurricane Michael. The financial sources and uses are legally restricted for specific purposes.

The City reports the following major proprietary funds:

Water Fund—The Water Fund accounts for the costs and recovery of costs in the form of user charges related to the production, treatment and distribution of potable water. The maintenance and improvement of utility plant required to provide these goods and services are financed primarily from user charges. Physical plant expansion is financed primarily from revenue bond obligations and other long-term debt borrowings.

Sewer Fund—The Sewer Fund accounts for the costs and recovery of costs in the form of user charges related to the collection, treatment and disposal of sewage waste with the City. The maintenance and improvement of utility plant required to provide these goods and services are financed primarily from user charges. Physical plant expansion is financed primarily from revenue bond obligations and other long-term debt borrowings.

Sanitation Fund—The Sanitation Fund provides the community with refuse and recycling services, the costs of which are primarily recovered by user charges.

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

As a general rule, the effect of the City's interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments (when applicable). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City recognizes as operating revenue the portion of impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(d) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary funds, except for the Disaster Recovery Fund which did not adopt a legal budget in the current year, are adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental fund budgets are prepared on the modified accrual basis of accounting. The proprietary fund budgets are prepared on a full accrual basis of accounting. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

i. On or before July 1st, the City Manager submits a preliminary budget to the City Council for the ensuing fiscal year.

ii. Budget workshop sessions are scheduled by the City Council, as needed.

iii. A general summary of the budget and notice of public hearing is made available to the public.

iv. Prior to October 1st, the budget is legally enacted through passage of an ordinance.

v. The City Council, by resolution, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Council.

vi. Budgetary control is exercised at the fund level.

vii. Every appropriation lapses at the close of the fiscal year.

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

The budgets for proprietary funds that were either adopted or amended during the year by the City Council were prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. The water, sewer, and sanitation funds also have legally adopted annual budgets.

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

(e) **Deposits and investments**—The City's cash and cash equivalents include cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

(f) **Receivables and payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends.

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(h) **Capital assets**—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage improvements, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $750 and an estimated useful life of greater than one year. Infrastructure such as roads, bridges, and sidewalks are capitalized when their initial costs exceed $25,000 and possess estimated useful lives in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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, but charged to operating expense as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20 – 50 years
Improvements	20 – 50 years
Infrastructure	10 – 20 years
Machinery and equipment	3 – 15 years

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

(i) **Leases—**The City recognizes leases as a lessor in various agreements.

Lessor: The City is the lessor of a building and a land parcel and determines if an arrangement is a lease at inception. The City recognizes lease receivables and corresponding deferred inflows for all leases that are not considered short-term. Lease receivables represent the City's right to receive lease payments arising from the lease. Deferred inflows represent resources recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods. Subsequently, the lease receivable is reduced by the principal portion of lease payments received, and deferred inflow of resources are recognized as revenue over the life of the lease term.

Basis of lease classification – Leases that meet the following requirements will not be considered short term: (1) the maximum possible lease term(s) is non-cancelable by both lessee and lessor, and is more than 12 months, and (2) the present value of lease payments for the lease is less than $5,000.

Discount Rate – Unless explicitly stated in the lease agreement, known by the City, or the City is able to determine the rate implicit within the lease, the discount rate used to calculate lease receivable will be the City's incremental borrowing rate (IBR), which will be the rate utilized for the subsequent fiscal year. The City's IBR was calculated at 3.0% at September 30, 2022, and was the discount rate utilized for applicable leases beginning October 1, 2022 and applicable lease conversions.

The City's lessor agreements do not contain any material residual value guarantees or material restrictive covenants.

(j) **Compensated absences**—The City reports compensated absences in the applicable governmental or business-type activity columns in the governmental-wide financial statements. The portion of employee payroll costs paid subsequent to year-end attributable to services performed prior to year-end and accumulated unpaid vacation, sick-leave, and personal leave is recorded and recognized as a current liability. The remainder of the liability for compensated absences payable beyond the current period is recorded as a long-term liability.

(k) **Long-term obligations**—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Original issue bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

Nonspendable – amounts not available to be spent or not in spendable form, such as inventory and prepaid items.

Restricted – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions or by enabling legislation.

Committed – amounts constrained to specific purposes based on actions taken by the City Council through ordinance.

Assigned – amounts the City intends to use for a specific purpose. Intent can be expressed by City Council or by an official or body which the Council delegates authority.

Unassigned – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available; the City considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and finally, unassigned funds, as needed.

(m) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows related to pensions which qualify for reporting in this category. Deferred outflows related to pensions are discussed further in Note (11).

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City deferred inflows related to pensions which qualify for reporting in this category. Deferred inflows related to pensions are discussed further in Note (11).

(n) **Property taxes**—Property tax revenues are recognized when levied, to the extent that they result in current receivables. Details of the property tax calendar are presented below:

Lien date	January 1
Levy date	October 1
Discount periods	November – February
No discount period	March
Delinquent date	April 1

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

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

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

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

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

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

(3) **Deposits and Investments:**

Deposits include cash on hand and amounts held in the City's demand accounts. At September 30, 2023, the carrying amount of the City's deposits was $8,136,467. Each demand account is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Any balance in excess of FDIC insurance is covered by collateral held by the City's custodial bank, which is pledged to a state trust fund that provides security in accordance with Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

The City had four certificates of deposit as of September 30, 2023. Two deposits in the general fund with a balance of $2,046,138 with rates from 2% to 4.75% mature in March 2024. One deposit in the Water Fund of $255,512 has a rate of 2% and matures in March 2024. One deposit in the Sewer Fund of $768,066 has a rate of 4.75% and matures in March 2024.

(4) **Accounts Receivable:**

The City's receivables consisted of the following at September 30, 2023:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Governmental Activities:			
General Fund	$ 66,854	$ -	$ 66,854
Total – Governmental Activities	66,854	-	66,854
Business-Type Activities:			
Water Fund	142,907	-	142,907
Sewer Fund	152,268	-	152,268
Sanitation Fund	76,983	-	76,983
Totals – Business-Type Activities	372,158	-	372,158
Totals	$ 439,012	$ -	$ 439,012

(4) **Accounts Receivable:** (Continued)

In addition to accounts receivable, the City also recorded $2,271,607 in due from other governments at September 30, 2023, of which $1,941,242 consists of Federal and State reimbursements related to Hurricane Michael which impacted the City in early fiscal year 2019. These amounts reflect management's best estimate of recoveries based on costs incurred and approved project worksheets, and are subject to change pending adjustments made by the respective Federal and/or State agencies.

(5) **Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2023, is as follows:

Governmental activities:	**Beginning, As Restated**	**Increases**	**Decreases**	**Ending**
Capital assets not being depreciated:				
Land	$ 669,770	$ -	$ -	$ 669,770
Construction in progress	3,193,591	2,114,785	-	5,308,376
Total assets not being depreciated	3,863,361	2,114,785	-	5,978,146
Capital assets being depreciated:				
Buildings	1,607,782	14,600	-	1,622,382
Improvements	9,974,986	9,900	-	9,984,886
Machinery and equipment	1,638,245	641,587	-	2,279,832
Total assets being depreciated	13,221,013	666,087	-	13,887,100
Less accumulated depreciation	(2,495,431)	(520,630)	-	(3,016,061)
Total capital assets being depreciated, net	10,725,582	145,457	-	10,871,039
Governmental activities capital assets, net	$ 14,588,943	$ 2,260,242	$ -	$ 16,849,185

Business-type activities:	**Beginning**	**Increases**	**Decreases**	**Ending**
Capital assets not being depreciated:				
Land	$ 288,191	$ -	$ -	$ 288,191
Construction in progress	279,225	6,964	-	286,189
Total assets not being depreciated	567,416	6,964	-	574,380
Capital assets being depreciated:				
Improvements	18,717,492	-	-	18,717,492
Machinery and equipment	1,189,434	130,293	(104,250)	1,215,477
Total assets being depreciated	19,906,926	130,293	(104,250)	19,932,969
Less accumulated depreciation	(9,193,651)	(566,872)	104,250	(9,656,273)
Total accumulated depreciation	(9,193,651)	(566,872)	104,250	(9,656,273)
Total capital assets being depreciated, net	10,713,275	(436,579)	-	10,276,696
Business-type activities capital assets, net	$ 11,280,691	$ (429,615)	$ -	$ 10,851,076

(5) **Capital Assets:** (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	$ 156,636
Public safety	45,773
Transportation	213,300
Physical environment	9,128
Culture and recreation	95,793
Total depreciation expense - governmental activities	$ 520,630
Business-type activities:	
Water	$ 304,733
Sewer	193,748
Sanitation	68,391
Total depreciation expense - business-type activities	$ 566,872

(6) **Leases:**

City as Lessor—The City is the lessor in one agreement for a parcel of land and a second agreement for an office building. A lease receivable and deferred inflow of resources was recorded for each of these leases.

In 1995, the City entered into a lease agreement with Verizon Wireless for the leasing of a land parcel owned by the City. Based on the terms of the agreement, the initial 25 year lease began on July6, 1995 and expired on July 5, 2020. The lessee exercised the first option of a five-year renewal set to expire on July 5, 2025. Annual rentals under the lease agreement include minimum monthly payments of $1,739, increasing 3% annually up to $1,957 for the final year ended 7/5/2026. For the year ended September 30, 2023, the City recognized $20,346 in lease revenue and $2,079 in interest revenue related to this lease. As of September 30, 2023, the City's receivable for lease payments was $60,243 and for interest payments was $151. Also, the City has a deferred inflow of resources associated with this lease that will be recognized over the lease term. As of September 30, 2023, the balance of the deferred inflow of resources was $57,656.

In 2018, the City entered into a lease agreement with the Mexico Beach Community Development Council (the CDC) for the leasing of an office building and property owned by the City for the promotion of tourism in Mexico Beach. Based on the terms of the agreement, the initial 15 year lease began on October 1, 2018, and is scheduled to expire on September 30, 2033. Annual rentals under the lease agreement include minimum monthly payments of $250. For the year ended September 30, 2023, the City recognized $2,523 in lease revenue and $807 in interest revenue related to this lease. As of September 30, 2023, the City's receivable for lease payments was $25,890 and for interest payments was $65. Also, the City has a deferred inflow of resources associated with this lease that will be recognized over the lease term. As of September 30, 2023, the balance of the deferred inflow of resources was $25,231.

(7) Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	$ 69,709	$ 92,707	$ (87,448)	$ 74,968	$ 10,786
Total long-term liabilities	$ 69,709	$ 92,707	$ (87,448)	$ 74,968	$ 10,786

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable	$ 3,427,600	$ -	$ (96,500)	$ 3,331,100	$ 101,000
Notes payable	335,830	-	(165,349)	170,481	170,481
Compensated absences	18,993	45,872	(41,187)	23,678	3,560
Total long-term liabilities	$ 3,782,423	$ 45,872	$ (303,036)	$ 3,525,259	$ 275,041

There were no bonds and notes payable in the City's governmental activities at September 30, 2023.

Bonds payable in the City's business-type activities at September 30, 2023, were comprised of the following obligations:

Water and Sewer Revenue Bonds, Series 2000, were issued to fund a portion of the costs of constructing improvements to the utility system. The series 2000 bonds are secured by a junior and subordinate pledge of gross revenues of the system. The stated interest rate is 4.875% and the bonds mature September 2039. Bonds are due in payments of interest annually on September 1st. The outstanding balance at September 30, 2023, was $1,480,100.

USDA Bonds, Series 2013 were issued to construct a wastewater system. The series 2013 bonds are secured by a pledge of the net revenues of the City's water system and sewer system. The stated interest rate is 3.25% and the bonds mature September 2052. Bonds are due in payments of interest annually on September1st. The outstanding balance at September 30, 2023, was $1,851,000.

Notes payable in the City's business-type activities at September 30, 2023, were comprised of the following obligations:

In April 2001, the City entered into an agreement with the State of Florida, Department of Environmental Protection for a $2,583,284 loan for the cost of replacing water system lines at an interest rate of 3.08% per year for 20 years. Semiannual installments are due each January 15 and July 15 of $87,214. The loan is collateralized by the pledged revenues of the water charges by the utility fund. The outstanding balance at September 30, 2023, was $170,481.

(7) **Long-Term Liabilities:** (Continued)

Annual debt service requirements to maturity for the City's business-type activities bonds and notes payable, are as follows:

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2024	$ 271,481	$ 136,296	$ 407,777
2025	105,500	128,022	233,522
2026	110,500	123,546	234,046
2027	114,000	118,842	232,842
2028	120,000	113,982	233,982
2029-2033	677,500	488,745	1,166,245
2034-2038	838,500	330,001	1,168,501
2039-2043	499,100	165,871	664,971
2044-2048	399,000	99,192	498,192
2049-2053	366,000	30,128	396,128
Total	$ 3,501,581	$ 1,734,625	$ 5,236,206

(8) **Interfund Activity:**

Amounts due are a result of short-term borrowings needed to meet various obligations of other funds. The Sanitation fund had an advance from the General fund of $558,361, the Sewer fund had an advance from the General Fund of $1,413,854, and the Water fund had an advance from the General fund of $2,502,604.

(9) **Commitments and Contingencies:**

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2023. The outcomes of established claims are included in these financial statements. In the opinion of the City's legal counsel, no legal proceedings are pending or threatened against the City which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

Amounts received or receivable from grantor agencies in current and prior years are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute, a liability of the applicable fund(s). The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

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

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

(10) Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by limited risk, high deductible commercial general liability insurance. Commercial insurance policies are also obtained for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

(11) Employee Retirement Plans:

A. Florida Retirement System

Plan Description and Administration

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

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

(11) **Employee Retirement Plans:** (Continued)

Benefits Provided and Employees Covered

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

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

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

(11) **Employee Retirement Plans:** (Continued)

Financial Statements

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

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

Contributions

The entity participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2023, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2023	After June 30, 2023
Regular Class	11.91%	13.57%

Current-year employer HIS contributions were made at a rate of 1.73% of covered payroll.

For the plan year ended June 30, 2023, actual contributions made for employees participating in FRS and HIS were as follows:

Entity Contributions – FRS	$ 233,347
Entity Contributions – HIS	29,346
Employee Contributions – FRS	53,035

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

At September 30, 2023, the entity reported a liability related to FRS and HIS as follows:

Plan	Net Pension Liability
FRS	$ (1,932,829)
HIS	(708,480)
Total	$ (2,641,309)

(11) **Employee Retirement Plans:** (Continued)

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The entity's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2023 and June 30, 2022, the entity's proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2023	2022
FRS	0.004850647%	0.004592542%
HIS	0.004461087%	0.004382358%

For the year ended June 30, 2023, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	$	361,908
HIS		265,962
Total	$	627,870

Deferred outflows/inflows related to pensions:

At September 30, 2023, the entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 181,476	$ -	$ 10,372	$ (1,663)
Changes of assumptions	125,998	-	18,626	(61,392)
Net different between projected and actual investment earnings	80,720	-	366	-
Change in Entity's proportionate share	133,303	(226,933)	53,498	(62,504)
Contributions subsequent to measurement date	55,946	-	7,753	-
	$ 577,443	$ (226,933)	$ 90,615	$ (125,559)

The above amounts for deferred outflows of resources for contributions related to pensions resulting from entity contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

Year Ending	Amount
2024	$ 2,754
2025	(86,145)
2026	289,831
2027	35,926
2028	9,555
Thereafter	(54)
Total	$ 251,867

(11) **Employee Retirement Plans:** (Continued)

Actuarial assumptions:

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.70%. This rate did not change from the prior year rate. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.65% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.54%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2022, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Long-Term Arithmetic Expected Rate of Return
Cash	1.0%	2.9%
Fixed income	19.8%	4.5%
Global equities	54.0%	8.7%
Real estate	10.3%	7.6%
Private equity	11.1%	11.9%
Strategic investments	3.8%	6.3%
Total	100.0%	

(11) **Employee Retirement Plans:** (Continued)

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

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

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
FRS	6.70%	$ 3,301,666	$ 1,932,829	$ 787,634
HIS	3.65%	808,265	708,480	625,765

(12) **Other Post-Employment Benefits (OPEB):**

The City has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and required supplementary information.

(13) **Interlocal Agreement**

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

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

(14) Prior Period Restatements:

The City recorded restatements to beginning fund balance/net position in various funds related to misstatements recorded in prior years regarding the balances for the City's notes payable and accounts receivable.

The impact of the above restatements on the respective fund balance/net position amounts as of September 30, 2022, are as follows:

	General Fund	Disaster Recovery Fund	Sewer Fund	Governmental Activities
Net position/Fund balance (deficit) - 9/30/2022 originally reported	$ 11,211,346	$ (507,981)	$ 2,414,987	$ 31,181,906
Checks voided in prior years double posted	71,852	-	5,190	71,852
Debt principal satisfied in prior year	-	-	-	50,000
Improperly capitalized expenditures	-	-	-	(1,903,836)
Revenue recorded in prior year for current year	-	1,151,844	-	1,151,844
Expenditures not accrued in prior years	-	(560,468)	-	(560,468)
Net position/Fund balance - 9/30/2022, as restated	$ 11,283,198	$ 83,395	$ 2,420,177	$ 29,991,298

(15) Recent Accounting Pronouncements:

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

(a) GASB issued Statement No. 101, *Compensated Absences*, in June 2022. GASB Statement No. 101 amends the existing guidance related to the calculation and disclosures surrounding the liability for compensated absences. The provisions for GASB 101 are effective for fiscal years beginning after December 15, 2023.

(b) GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. GASB Statement No. 102 amends GASB Statement No. 62 regarding the disclosure of a government's vulnerability to risks related to certain concentrations and constraints that limit its ability to acquire resources or control spending. The provisions for GASB 102 are effective for fiscal years beginning after June 15, 2024.

(c) GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. The objective of GASB 103 improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The effective date for implementation is fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MEXICO BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget -
Revenues				
Taxes	$ 3,509,395	$ 3,509,393	$ 3,791,432	$ 282,039
Permits and fees	258,250	258,250	773,350	515,100
Intergovernmental	242,450	242,450	1,041,804	799,354
Charges for services	1,000	1,000	200	(800)
Fines and forfeitures	5,250	5,250	23,074	17,824
Investment income	750	750	276,000	275,250
Miscellaneous	124,250	867,416	255,120	(612,296)
Total revenues	4,141,345	4,884,509	6,160,980	1,276,471
Expenditures				
Current:				
General government	936,559	1,679,725	855,475	824,250
Public safety	1,753,043	1,753,043	2,021,073	(268,030)
Physical environment	239,420	239,420	245,116	(5,696)
Transportation	755,440	755,438	642,934	112,504
Culture and recreation	236,883	236,883	389,032	(152,149)
Capital outlay	237,500	237,500	266,048	(28,548)
Total expenditures	4,158,845	4,902,009	4,419,678	482,331
Excess (deficiency) of revenues over expenditures	(17,500)	(17,500)	1,741,302	1,758,802
Other financing sources (uses)				
Transfers in	7,500	7,500	-	(7,500)
Proceeds from sale of capital assets	10,000	10,000	4,111	(5,889)
Total other financing sources (uses)	17,500	17,500	4,111	(13,389)
Net change in fund balances	-	-	1,745,413	1,745,413
Fund balances, beginning of year	11,283,198	11,283,198	11,283,198	-
Fund balances, end of year	$ 11,283,198	$ 11,283,198	$ 13,028,611	$ 1,745,413

CITY OF MEXICO BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DISASTER RECOVERY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget -
Revenues				
Intergovernmental	$ -	$ -	$ 4,851,548	$ 4,851,548
Investment income	-	-	19,032	19,032
Total revenues	-	-	4,870,580	4,870,580
Expenditures				
Current:				
General government	-	-	819	(819)
Disaster recovery	-	-	554,892	(554,892)
Capital outlay	-	-	2,514,824	(2,514,824)
Total expenditures	-	-	3,070,535	(3,070,535)
Excess (deficiency) of revenues over expenditures	-	-	1,800,045	1,800,045
Net change in fund balances	-	-	1,800,045	1,800,045
Fund balances, beginning of year	83,395	83,395	83,395	-
Fund balances, end of year	$ 83,395	$ 83,395	$ 1,883,440	$ 1,800,045

NOTE: This schedule is presented for illustrative purposes only. No budget was legally adopted for the Disaster Recovery Fund.

CITY OF MEXICO BEACH, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS
(UNAUDITED)

	As of the Plan Year Ended June 30,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)									
Proportion of the net pension liability	0.004850647%	0.004592542%	0.004505838%	0.005272454%	0.006655052%	0.005331589%	0.005299310%	0.005029665%	0.004740202%
Proportionate share of the net pension liability	$ 1,932,829	$ 1,708,795	$ 340,365	$ 2,285,159	$ 2,291,907	$ 1,605,902	$ 1,567,500	$ 1,191,760	$ 612,261
Covered payroll	1,767,820	1,597,407	1,475,761	1,462,885	1,803,377	1,577,433	1,397,900	1,427,727	1,194,506
Proportionate share of the net pension liability as a percentage of covered payroll	109.33%	106.97%	23.06%	156.21%	127.09%	101.80%	112.13%	83.47%	51.26%
Plan fiduciary net position as a percentage of the total pension liability	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)									
Proportion of the net pension liability	0.004461087%	0.004382358%	0.004167676%	0.004214101%	0.005391065%	0.004488508%	0.004719828%	0.004512518%	0.004341030%
Proportionate share of the net pension liability	$ 708,480	$ 464,162	$ 511,228	$ 514,535	$ 603,206	$ 475,069	$ 504,666	$ 525,915	$ 442,717
Covered payroll	1,767,820	1,597,407	1,475,761	1,462,885	1,803,377	1,577,433	1,397,900	1,427,727	1,194,506
Proportionate share of the net pension liability as a percentage of covered payroll	40.08%	29.06%	34.64%	35.17%	33.45%	30.12%	36.10%	36.84%	37.06%
Plan fiduciary net position as a percentage of the total pension liability	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

CITY OF MEXICO BEACH, FLORIDA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS
(UNAUDITED)

	For the Fiscal Year Ended September 30,								
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Florida Retirement System (FRS)									
Contractually required contribution	$ 242,444	$ 200,120	$ 172,822	$ 175,180	$ 206,355	$ 193,911	$ 174,888	$ 158,839	$ 146,644
Contributions in relation to the contractually required contribution	(242,444)	(200,120)	(172,822)	(175,180)	(206,355)	(193,911)	(174,888)	(158,839)	(146,644)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,777,788	$ 1,635,373	$ 1,456,407	$ 1,803,377	$ 1,803,377	$ 1,577,433	$ 1,397,900	$ 1,427,727	$ 1,194,506
Contributions as a percentage of covered payroll	13.64%	12.24%	11.87%	9.71%	11.44%	12.29%	12.51%	11.13%	12.28%
Health Insurance Subsidy Program (HIS)									
Contractually required contribution	$ 30,756	$ 27,147	$ 24,176	$ 29,936	$ 29,936	$ 26,185	$ 23,205	$ 23,700	$ 15,051
Contributions in relation to the contractually required contribution	(30,756)	(27,147)	(24,176)	(29,936)	(29,936)	(26,185)	(23,205)	(23,700)	(15,051)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,777,788	$ 1,635,373	$ 1,456,407	$ 1,803,377	$ 1,803,377	$ 1,577,433	$ 1,397,900	$ 1,427,727	$ 1,194,506
Contributions as a percentage of covered payroll	1.73%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.26%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

(1) **Budgetary Information:**

Annual budgets for all governmental and proprietary funds, except for the Disaster Recovery Fund which did not adopt a legal budget in the current year, are adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental fund budgets are prepared on the modified accrual basis of accounting. The proprietary fund budgets are prepared on a full accrual basis of accounting. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

viii. On or before July 1st, the City Manager submits a preliminary budget to the City Council for the ensuing fiscal year.

ix. Budget workshop sessions are scheduled by the City Council, as needed.

x. A general summary of the budget and notice of public hearing is made available to the public.

xi. Prior to October 1st, the budget is legally enacted through passage of an ordinance.

xii. The City Council, by resolution, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Council.

xiii. Budgetary control is exercised at the fund level.

xiv. Every appropriation lapses at the close of the fiscal year.

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

The budgets for proprietary funds that were either adopted or amended during the year by the City Council were prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. The water, sewer, and sanitation funds also have legally adopted annual budgets.

SUPPLEMENTARY INFORMATION

CITY OF MEXICO BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal/ Pass-Through Entity / Federal Program	Assistance Listing Number	Contract / Grant Number	Expenditures
FEDERAL AWARDS			
U.S. Department of Commerce			
Indirect Programs:			
Passed-through National Fish and Wildlife Foundation			
Sport Fish Restoration	15.605	F20AF11284-A2	$ 32,000
U.S. Department of Agriculture and Consumer Sciences			
Direct Programs:			
Cooperative Forestry Assistance	10.664	N/A	5,898
U.S. Department of Homeland Security			
Indirect Programs:			
Passed-through Florida Division of Emergency Management			
Disaster Grants - Public Assistance (Hurricane Michael)	97.036	DEM-17-PA-U5-06-74-01-131	4,416,941
Total Expenditures of Federal Awards			$ 4,454,839

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF MEXICO BEACH, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

(1) **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Mexico Beach, Florida (the City), and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

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

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

(3) **De Minimis Indirect Cost Rate Election:**

The City did not elect to use the 10% de minimis indirect cost rate as covered in §200.414, *Indirect (F&A) costs*, of the Uniform Guidance.

(4) **Subrecipients:**

The City did not pass any monies recognized on the schedule of expenditures of federal awards to subrecipients.

(5) **Deferred FEMA Expenditures:**

During the fiscal year ended September 30, 2023, the City incurred substantial costs related to Hurricane Michael. Per the OMB Compliance Supplement, any reimbursements from the Federal Emergency Management Agency (FEMA) under Assistance Listing (AL) Number 97.036 are not to be recognized as expenditures for purposes of the Schedule of Expenditures of Federal Awards and State Financial Assistance until the respective Project Worksheets (PW) have been approved. At September 30, 2023, any expenditures incurred for PWs were for PWs that were approved and obligated. Therefore, at September 30, 2023, there were no deferred FEMA expenditures as the expenditures and the related revenues which have been recorded for financial statement purposes were equal to the amounts recorded on the Schedule of Expenditures of Federal Awards (including amounts recognized in prior years).

(6) **Contingency:**

Program expenditures are subject to audit and adjustment. If any expenditures were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, all Project expenditures included on the accompanying schedule are in compliance with the terms of the program agreements and applicable federal and state laws and regulations.

CITY OF MEXICO BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

Financial Statements:

Type of audit report issued on the financial statements:	*Qualified*	
Internal control over financial reporting:		
Material weakness(es) identified?	X yes	____ no
Significant deficiency(ies) identified?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards:

Internal control over major Federal programs:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Type of auditors' report issued on compliance for major Federal programs:	*Unmodified*	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ yes	X none reported
Auditee qualified as a low-risk auditee?	____ yes	X no
Dollar threshold used to distinguish between type A and type B programs:		$750,000

Identification of major Federal programs:

AL Number	Program Name
97.036	Disaster Grants – Public Assistance (Hurricane Michael)

B. **Financial Statement Findings:**

2023-001 Management Override and Segregation of Duties (Fourth-Year Repeat Comment)

Criteria: Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Although internal controls are critical in the prevention and detection of fraud, management may still be able to override controls to perpetrate fraud.

Condition: The size of the City's accounting staff and turnover during the year precluded certain internal controls that would be preferred. Certain practices could be implemented to improve existing internal control without impairing efficiency. Practices that have been designed and implemented should also be followed to be effective.

Cause: The size of the City's accounting and administrative staff and turnover during the year precluded certain internal controls that would be preferred including: 1) review of journal entries posted to the accounting system by an individual not involved in the creating of the journal entry and 2) restricting access for updating pay rates within the payroll system to management or human resources.

Effect: Errors or material misstatements in the financial statements may exist and not be detected.

Recommendation: We recommend management develop and implement controls that sufficiently segregate duties within the accounting function.

2023-002 Reconciliation of Account Balances and Audit Adjustments (Fourth-Year Repeat Comment)

Criteria: Internal controls over financial reporting should include timely year-end reconciliations of all significant account balances, with such reconciliations to also include procedures related to the proper cutoff of significant revenue and expense activities. These reconciliations should be performed on a timely and regular basis to help prevent misappropriation and ensure timely identification of errors or other issues.

Condition: Many significant account balances were not reconciled until a significant period of time after year-end. Substantial journal entries and adjustments, including a prior period adjustment as discussed in Note 13 to the financial statements, were required as a result of audit procedures, including various restatements to correct beginning fund balance and net position balances.

Cause: For the year ended September 30, 2023, many accounts were not reconciled on a timely basis and certain adjustments were required to be made to the accounting records subsequent to the start of the audit process related to year-end accrual entries. We noted this to be largely due to significant personnel turnover during and subsequent to year-end and a substantially increased accounting burden in the wake of Hurricane Michael.

Effect: Financial statements would be materially misstated if significant adjustments were not made. Errors or improper activity may not be detected on a timely basis if reconciliations are not performed timely.

Recommendation: We recommend management select and apply the appropriate accounting principles to prepare the financial statements in accordance with generally accepted accounting principles.

2023-003 Timeliness of Bank Reconciliations (Fourth-Year Repeat Comment)

Criteria: Bank accounts should be reconciled on a timely and regular basis to help prevent misappropriation and ensure the proper recording of all cash transactions.

Condition: Bank reconciliations were not performed timely during the course of the year.

Cause: We noted the City's bank accounts were not reconciled on a timely basis during the year during the year. Additionally, audit adjustments were required to remove old outstanding items that were voided in prior years. We noted this to be largely due to significant personnel turnover during and subsequent to year-end and a substantially increased accounting burden in the wake of Hurricane Michael.

Effect: Assets could potentially be misappropriated or accounting records could be misstated, with such issues not being identified on a timely basis, if at all.

Recommendation: We recommend the City's finance department perform bank reconciliations within 30 days after the end of the month and ensure all reconciled balances per the bank reconciliations agree to the general ledger.

C. **Federal Program Findings and Questioned Costs:** None.

D. **Summary Schedule of Prior Audit Findings:** See page 59.

E. **Corrective Action Plan:** See Management's Response to findings on page 60.

JAMESMOORE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Honorable Mayor, City Council, and City Manager,
City of Mexico Beach, Florida:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Mexico Beach, Florida's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We identified certain deficiencies in internal control, as described in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

James Moore & Co., P.L.

Tallahassee, Florida
December 5, 2024

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

To the Honorable Mayor, City Council, and City Manager,
City of Mexico Beach, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Mexico Beach, Florida (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 5, 2024.

As discussed in Note (12) to the financial statements, the City has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in governmental activities, business-type activities and water, sewer, and sanitation funds. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, business-type activities and water, sewer, and sanitation funds, has not been determined.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, and 20232-003 that we consider to be material weaknesses.

Report on 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 grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Findings

The City's responses to the findings identified in our audit are outlined as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

James Moore & Co., P.L.

Tallahassee, Florida
December 5, 2024

JAMESMOORE

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

To the Honorable Mayor, City Council, and City Manager,
City of Mexico Beach, Florida:

Report on the Financial Statements

We have audited the basic financial statements of City of Mexico Beach, Florida (the City), as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated December 5, 2024.

As discussed in Note (12) to the financial statements, the City has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in governmental activities, business-type activities and water, sewer, and sanitation funds. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, business-type activities and water, sewer, and sanitation funds, has not been determined.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Florida 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*; Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance; Schedule of Findings and Questioned Costs; and Independent Accountants' Examination 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 and schedule, which are dated December 5, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The following findings and recommendations remain uncorrected from the fourth preceding annual financial report: 2023-001, 2023-002, 2023-003, 2022-004, 2023-005, 2023-006. The following findings and recommendations remain uncorrected from the first preceding annual financial report: 2022-007, 2022-008. See summary schedule of prior audit findings for the follow up of individual comments.

Official Title and Legal Authority

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

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions 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.

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

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

2023-004 Budgetary Control (Fourth-Year Repeat Comment) – Florida Statutes, Chapter 166.241(2) provides that the budget must regulate expenditures of the municipality, and it is unlawful for any officer of municipal government to expend or contract for expenditures in any fiscal year except in pursuant of budgeted expenditures. During our audit, we noted there was no legally adopted budget for the disaster recovery fund. In addition, we noted that the City did not maintain a record of budget amendment details for the general fund. We recommend going forward, the City legally adopt a budget for all funds and that the City maintains a level of expenditures that is within the adopted budget.

2023-005 Utility Deposits (Fourth-Year Repeat Comment) – The City currently has no policy to collect and hold customer deposits on utility accounts. In the event of nonpayment on customer accounts, particularly for any accounts not in the name of the property owner, the City's risk of write-offs and potential cost of future collections is substantially higher than it would be if deposits were collected. We recommend the City contemplate the benefits of implementing a utility deposit policy for new accounts.

2023-006 Building Permit Expenditures (Fourth-Year Repeat Comment) – Section 553.80(7)(a) of Florida Statutes limits the amount of unexpended building permit funds carried forward to future fiscal years to no more than the City's average operating budget for enforcing the Florida Building Code for the previous four fiscal years. A local government must use any funds in excess of this limitation to rebate or reduce fees. During our audit, we noted the City does not specifically budget and track expenditures related to building department activities in a standalone department of the general fund budget. We recommend the City specifically budget and track expenditures related to the building department, whether as a department of the general fund or an entirely separate fund.

2023-007 Debt Compliance (Second-Year Repeat Comment) – The City has various notes payable outstanding at year end with varying debt covenants. During our audit we became aware that the debt sinking fund was underfunded at year-end. We recommend management act to fund the sinking fund at the level required by the debt covenants.

2023-008 Impact Fee Accounting (Second-Year Repeat Comment) – At year-end, the City's impact fees were not being recorded in a separate fund. In late fiscal year 2021, the State of Florida adopted a bill modifying Section 163.31801 (4b). Florida Statutes, which requires impact fees be recorded in a separate accounting fund. We recommend the City transition its impact fees to a separate fund in fiscal year 2023 and in the fiscal year 2024 budget process.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide 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 did not note any special district component units; therefore, we did not note any such component units that failed to provide the necessary information, nor is any specific special district information required to be reported.

Additional Matters

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

Management's Response to Findings

The City's responses to the findings identified in our audit are outlined as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

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

James Moore & Co., P.L.

Tallahassee, Florida
December 5, 2024

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, City Council, and City Manager,
City of Mexico Beach, Florida:

We have examined the City of Mexico Beach, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies* (the Statute), for the year ended September 30, 2023. Management is responsible for the City's compliance with the Statute. Our responsibility is to obtain reasonable assurance by evaluate the City's compliance with the Statute and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we obtain reasonable assurance for evaluating the City's compliance for the year ended September 30, 2023 with the Statute, and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation of the City's compliance with the Statute during the year ended September 30, 2023. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks that the City was not in compliance with the Statutes in all material respects, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.

James Moore & Co., P.L.

Tallahassee, Florida
December 5, 2024

P.O. Box 13425 · Mexico Beach, Florida · 32410
Phone: 850-648-5700 · Fax: 850-648-8768

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2022-001 Management Override and Segregation of Duties

Status: in progress; significant lag time occurred from initial development of finding through present due to Hurricane Michael recovery.

2022-002 Reconciliation of Account Balances and Audit Adjustments

Status: in progress; significant lag time occurred from initial development of finding through present due to Hurricane Michael recovery.

2022-003 Timeliness of Bank Reconciliation

Status: in progress; significant lag time occurred from initial development of finding through present due to Hurricane Michael recovery.

2022-004 Financial Condition and Emergency

Status: corrected

2022-005 Budgetary Control

Status: in progress; significant lag time occurred from initial development of finding through present due to Hurricane Michael recovery.

2022-006 Utility Deposits

Status: in progress; significant lag time occurred from initial development of finding through present due to Hurricane Michael recovery.

2022-007 Building Permit Expenditures

Status: in progress; significant lag time occurred from initial development of finding through present due to Hurricane Michael recovery.

2022-008 Debt Compliance

Status: in progress; significant lag time occurred from initial development of finding through present due to Hurricane Michael recovery.

2022-009 Impact Fee Accounting

Status: in progress; significant lag time occurred from initial development of finding through present due to Hurricane Michael recovery.

P.O. Box 13425 · Mexico Beach, Florida · 32410
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MANAGEMENT'S RESPONSE TO CURRENT YEAR FINDINGS

2023-001 Management Override and Segregation of Duties

Contact Person: Chris Truitt

Management Response: Mexico Beach has hired a Finance Director and is creating new policies and procedures to appropriately manage overrides and segregation of duties. The number of staff members during the time period audited did not allow for appropriate segregation.

Anticipated completion date: 12/31/24

2023-002 Reconciliation of Account Balances and Audit Adjustments

Contact Person: Chris Truitt

Management Response: The new Finance Director position is tasked with monitoring reconciliations and adjustments. Policies and procedures will be put in place to appropriately track.

Anticipated completion date: 1/31/25

2023-003 Timeliness of Bank Reconciliation

Contact Person: Chris Truitt

Management Response: Management agrees with the recommendation to have all bank reconciliations prepared within 30 days after the end of the month to ensure all reconciled balances per the bank reconciliations agree to the general ledger. The City's bank reconciliations were prepared in a timely manner during fiscal year 2024. The new Finance Director position will be tasked with ensuring reconciliations are done within the acceptable timeframe.

Anticipated completion date: Implemented

2023-004 Budgetary Control

Contact Person: Chris Truitt

Management Response: The Finance Director will prepare and adopt budgets for all funds under the jurisdiction and control of the City. The Administrator will review and approve all budgets.

Anticipated completion date: Next budget begins 7/1/25

2023-005 Utility Deposits

Contact Person: Chris Truitt

Management Response: The City has already begun researching the feasibility of collecting deposits. Recommendations will be made after research is complete.

Anticipated completion date: 3/31/25

2023-006 Building Permit Expenditures

Contact Person: Chris Truitt

Management Response: The Finance Director will track expenditures for all Building Department expenses in order to adhere to Section 553.80(7)(a) of Florida Statutes.

Anticipated completion date: Immediate

2023-007 Debt Compliance

Contact Person: Chris Truitt

Management Response: The City has adjusted amounts being transferred to the debt sinking fund in order to properly fund the respective bond sinking funds in accordance with the bond covenants.

Anticipated completion date: Immediate

2023-008 Impact Fee Accounting

Contact Person: Chris Truitt

Management Response: The City will begin recording impact fees and respective expenses in a separate fund and budgeting for them separately going forward.

Anticipated completion date: Immediate