

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

CITY OF ATLANTIC BEACH, FLORIDA

SEPTEMBER 30, 2020

**CITY OF ATLANTIC BEACH, FLORIDA
 FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
 SEPTEMBER 30, 2020**

INDEPENDENT AUDITOR'S REPORT 1

MANAGEMENT'S DISCUSSION AND ANALYSIS 4

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

 STATEMENT OF NET POSITION 13

 STATEMENT OF ACTIVITIES 14

FUND FINANCIAL STATEMENTS

 BALANCE SHEET – GOVERNMENTAL FUNDS 15

 RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION 16

 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS 17

 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES 18

 STATEMENT OF NET POSITION – PROPRIETARY FUNDS 19

 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS 21

 STATEMENT OF CASH FLOWS 23

 STATEMENT OF FIDUCIARY NET POSITION 25

 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION 26

NOTES TO FINANCIAL STATEMENTS 27

REQUIRED SUPPLEMENTARY INFORMATION

 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND 61

 NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND 63

 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

 GENERAL EMPLOYEES' PENSION PLAN 64

 POLICE OFFICERS' PENSION PLAN 66

 SCHEDULE OF CONTRIBUTIONS – ALL PENSION PLANS 68

 NOTES TO THE SCHEDULE OF CONTRIBUTIONS – ALL PENSION PLANS 69

 SCHEDULE OF INVESTMENT RETURNS – ALL PENSION PLANS 70

 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS 71

**CITY OF ATLANTIC BEACH, FLORIDA
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2020**

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS.....72

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS74

HISTORICAL REVENUES AND EXPENSES.....76

SCHEDULES OF NET REVENUES IN ACCORDANCE WITH BOND RESOLUTIONS – ENTERPRISE FUNDS (WATER AND SEWER)77

OTHER BOND COVENANT DISCLOSURES78

OTHER STATISTICAL INFORMATION

MAJOR UTILITY CUSTOMERS79

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*80

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES.....82

MANAGEMENT LETTER.....83

MANAGEMENT'S AFFIDAVIT OF COMPLIANCE WITH SECTION 163.31801, FLORIDA STATUTES.....85

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Atlantic Beach, Florida, (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

CERTIFIED PUBLIC ACCOUNTANTS

Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Lakeland

purvisgray.com

Members of American and Florida Institutes of Certified Public Accountants

An Independent Member of the BDO Alliance USA

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

INDEPENDENT AUDITOR'S REPORT

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2020, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information and the other statistical information section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information are 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 supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

INDEPENDENT AUDITOR'S REPORT

The other statistical information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated June 18, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the City's 2019 financial statements, and our report dated November 23, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it was derived.



June 18, 2021
Gainesville, Florida

Page Intentionally Left Blank

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

As management of the City of Atlantic Beach, Florida (the City), we offer readers of our financial statements this narrative overview and analysis for the fiscal year ended September 30, 2020.

Overview of the Financial Statements

This management’s discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The purpose of each of the three components of the basic financial statements is described below.

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. They include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between reported as net position. Net position is reported as one of three categories: invested in capital assets net of related debt; restricted; or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues, referred to as “governmental activities,” from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, referred to as “business-type activities.” The governmental activities of the City include public safety, road maintenance and construction, parks and recreation, conservation and resource management, and general government, which include administration and other support functions. The business-type activities of the City include the utility, comprised of the water and sewer systems, the stormwater system, the sanitation service and the building code enforcement enterprise fund. The government-wide financial statements can be found on pages 13-14 of this report.

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(continued)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be categorized into either governmental funds, proprietary funds, or fiduciary funds.

■ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available financial resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided between the Governmental Funds Balance Sheet and the Statement of Net Position and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The City maintains 12 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is considered to be a major fund. Data from the other 11 governmental funds are combined into a single, aggregated presentation called Nonmajor Governmental Funds. Fund data for these nonmajor governmental funds is provided in the form of combining statements. These combining statements can be found on pages 72-75 of this report.

The City adopts an annual appropriated budget for all funds but is only required to present a budget comparison for its General Fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund budgetary comparison schedule and notes on pages 61-63 of this report has been provided to demonstrate compliance with this budget.

■ **Proprietary Funds**

The City maintains only one type of proprietary fund and that is enterprise funds. The enterprise funds are used to account for the activities of the water and sewer (utility), stormwater, building code enforcement, and sanitation activities.

The proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Separate information of the utility, stormwater, sanitation and building code enforcement activities can be found in the basic proprietary fund financial statements on pages 19-24 of this report.

**CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(Continued)**

Fund Financial Statements (concluded)

■ **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the City (i.e., pension beneficiaries). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 25-26 of this report.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes begin on page 26 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and a budgetary comparison schedule for the General Fund. Required supplementary information can be found beginning on page 61 of this report.

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(Continued)

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a City's financial position. As can be seen in the summarized table below, the City's assets exceeded liabilities by \$85,338,197 at the close of the fiscal year ended September 30, 2020.

By far the largest portion of the City's net position, \$67,302,057 (82%), reflects its investment in capital assets (i.e., land, buildings, equipment, and infrastructure), less any related, outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in 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.

A portion of the City's net position, \$6,117,783 (8%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$11,918,357 (10%), is used to meet the government's ongoing obligations to citizens and creditors.

City of Atlantic Beach's Net Position
September 30, 2020 and 2019
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$11,099	\$9,762	\$15,549	\$14,513	\$26,648	24,275
Capital assets	45,237	45,690	36,652	38,128	81,889	83,818
Total Assets	56,336	55,452	52,201	52,641	108,537	108,093
Deferred Outflow	2,154	2,300	1,250	1,526	3,404	3,826
Long-term liabilities outstanding	7,580	7,828	15,839	17,590	23,419	25,418
Other liabilities	1,030	1,011	1,525	1,740	2,555	2,751
Total Liabilities	8,610	8,838	17,364	19,330	25,974	28,169
Deferred Inflow	541	922	88	436	629	1,358
Net Position:						
Invested in capital assets, net of related debt	43,896	44,270	23,406	23,335	67,302	67,605
Restricted	3,276	2,184	2,842	4,135	6,118	6,319
Unrestricted	2,167	1,538	9,751	6,931	11,918	8,469
Total Net Position	\$49,339	\$47,992	\$35,999	\$34,401	\$85,338	\$82,393

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(Continued)

As illustrated in the schedule on page vi, the City was able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

City of Atlantic Beach's Change in Net Position
For the Years Ended September 30, 2020 and 2019
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$1,056	\$988	\$12,565	\$12,265	\$13,621	\$13,253
Operating Grants and Contributions	278	186	0	732	278	918
Capital Grants and Contributions	73	240	432	808	505	1,048
General Revenues:						
Property Taxes	5,912	5,519	0	0	5,912	5,519
Public Service Tax and Franchise Fees	1,856	1,819	0	0	1,856	1,819
Fuel Taxes	544	607	0	0	544	607
Discretionary Sales Surtax	915	924	0	0	915	924
State Shared Revenue	1,821	1,863	0	0	1,821	1,863
Other	363	312	240	472	603	784
Total Revenues	12,818	12,458	13,237	14,277	26,055	26,735
Expenses:						
General Government	2,536	2,805	0	0	2,536	2,805
Public Safety	6,582	6,302	0	0	6,582	6,303
Road Maintenance and Construction	1,866	2,357	0	0	1,866	2,357
Parks and Recreation	1,549	1,652	0	0	1,549	1,652
Conservation and Resource Management	23	25	0	0	23	25
Interest/Fiscal Charges on Long-term Debt	47	44	0	0	47	44
Utility	0	0	6,926	7,213	6,926	7,213
Stormwater	0	0	1,369	1,609	1,369	1,609
Sanitation	0	0	1,667	1,710	1,667	1,710
Building Code Enforcement	0	0	545	550	545	550
Total Expenses	12,603	13,185	10,507	11,082	23,110	24,268
Transfers	1,132	658	(1,132)	(658)	0	0
Change in Net Position	1,347	(69)	1,598	2,537	2,945	2,468
Net Position-Beginning	47,992	48,061	34,401	31,864	82,393	79,925
	\$49,33					
Net Position-Ending	9	\$47,992	\$35,999	\$34,401	\$85,338	\$82,393

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(Continued)

Fund Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Following is a summary of fund activity financial information for the fiscal year, rounded to the nearest thousand dollars:

■ **Governmental Funds**

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$10,092,315, an increase of \$1,315,899 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was \$2,923,600, which equated to 24% of total General Fund expenditures without transfers. The net result of various revenue and expense items resulted in an increase to the City's General Fund of \$472,356 or 7% during the current fiscal year. Property tax revenues increased by \$392,607 or 7% from the previous year. This was a result of an increase in the taxable values. General Fund transfers in increased by \$248,960, and there was no transfers out. Overall, general fund expenditures decreased by \$356,900 or 3%. This can be attributed to the COVID-19 pandemic.

Nonmajor governmental funds consisting of special revenue funds, the capital projects fund and the debt service fund have a combined fund balance of \$3,084,897. The net increase in fund balance after transfers in nonmajor governmental funds was \$843,543. The increase in the fund was related to the decrease in Capital Outlay Expenditures as many projects were put on hold due to the COVID-19 pandemic.

■ **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. During the fiscal year the proprietary funds recorded revenues of \$12,534,122, expenses of \$10,025,601, net non-operating revenue of \$(209,877) and net capital contributions, grants and transfers of \$431,653. The net position in the proprietary funds increased \$1,598,444 as a result of the fiscal year's activities. The unrestricted net position of the enterprise funds amounted to \$9,751,310 at the end of fiscal year 2020.

Stormwater rates stayed constant in fiscal year 2020 as there were no rate changes. The \$8.39 per ERU is approximately 67%, compared to 61% for the prior year, of the total operating expenses of \$1,326,171 needed to fully fund the operation with charges for service.

During fiscal year 2020, the Sanitation Fund netted an increase in net position of \$38,803.

General Fund Budgetary Highlights

Net Budget

The overall net difference from the final budgeted resources (revenues and other financing sources) and adjusted final budgeted uses (expenditures and other financing uses) was a deficit of \$ 400,366. The actual increase in fund balance was \$472,356. This resulted in a \$872,722 positive budgetary variance.

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(Continued)

Capital Assets and Debt Administration

Capital Assets—The City's investment in capital assets, net of related depreciation, for its governmental and business-type activities as of September 30, 2020, amounted to \$81,889,145. This investment in capital assets includes land, land improvements, land easements, buildings and infrastructure improvements, equipment, and construction in progress.

The total change in the City's capital assets, net of related depreciation, for the current fiscal year was a decrease of \$453,240 or 1.0% for governmental activities and a decrease of \$1,475,559 or 3.9% for business-type activities.

Capital asset events during the current fiscal year included the following:

■ **Governmental Activities**

Buildings reflected a net decrease of \$170,395 as a result of depreciation.

Intangible Assets reflected a net increase of \$52,165. This asset category includes land easements and computer software.

Improvements Other Than Buildings reflected a net decrease of \$422,264. This represents capital asset increase of \$286,943 offset by depreciation of \$709,207.

Equipment reflected a net decrease of \$82,160. This represents capital asset increase of \$522,602, offset by depreciation of \$604,762.

Construction in progress increased by \$169,414.

■ **Business-type Activities**

Buildings reflected a net decrease in asset value of \$8,442 from depreciation.

Improvements Other Than Buildings reflected a net decrease of \$2,138,595. This represents capital asset increases of 157,244, offset by depreciation of \$2,295,839.

Equipment reflected a net decrease of \$79,025. This represents capital asset increase of \$190,794, offset by depreciation of \$269,819.

Construction in Progress had a net increase of \$748,386.

**CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(Continued)**

**City of Atlantic Beach's Capital Assets
(Net of Depreciation)
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$11,914	\$11,914	\$1,656	\$1,656	\$13,570	\$13,570
Intangibles	104	52	213	213	317	265
Buildings	6,805	6,975	27	36	6,832	7,011
Improvements-Other	24,129	24,551	31,291	33,429	55,420	57,980
Equipment	1,218	1,300	1,027	1,103	2,245	2,403
Construction in Progress	1,067	897	2,439	1,690	3,506	2,587
Total	<u>\$45,237</u>	<u>\$45,689</u>	<u>\$36,653</u>	<u>\$38,127</u>	<u>\$81,890</u>	<u>\$83,816</u>

Additional information on the City's capital assets can be found in Note 5 on pages 40-41 of this report.

Long-term Debt

At the end of the 2020 fiscal year, the City had total bonded debt outstanding of \$15,078,028. The amount of \$13,748,028 represents the City's debt related to its business type activities. This amount was comprised of debt secured solely by specified revenue sources. A detailed listing of the City's debt can be found in the table below.

**City of Atlantic Beach's Outstanding Debt
September 30,
(In Thousands)**

	<u>2020</u>	<u>2019</u>
Governmental Activities:		
Capital Improvement Revenue Bonds, Series 2018	\$1,330	\$1,400
Business-type Activities:		
Utilities System Revenue Bond, Series 2014	8,070	9,310
F.D.E.P. State Revolving Funds Loan, 2010	453	490
F.D.E.P. State Revolving Funds Loan, 2009	5,086	5,430
Capital Lease Payable - 2018	139	205
Total	<u>\$15,078</u>	<u>\$16,835</u>

Debt service coverage calculations can be found on page 77. Additional information on the City's long-term debt can be found in Note 6 on pages 42-45 of this report.

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(Concluded)

Revenue Highlights:

- Total General Fund Revenues for 2020 were \$409,255 higher than 2019 revenue (page 16). Increase in property tax revenue of \$392,607 is the largest contributor to this increase.
- The 2020 taxable property values were about 7.4% higher than the 2019 values. The City Commission voted to use the same millage rate of 3.2285 mills. The purpose for adopting the millage rate of 3.2285 was to maintain a level of ad valorem tax revenue sufficient to maintain adequate funding for the existing level of services at the estimated cost and to continue to maintain the city's infrastructure and adequate reserves. The final gross taxable property value was \$19,071,720. Ad valorem taxes of \$5,912,053 represent 53% of the General Fund revenues for 2020.
- The 2020 Intergovernmental revenues of \$1,997,831 make up 17.8% of general fund revenues. This is a decrease of \$226,900 over 2019.
- The City's investment portfolio is valued at approximately \$17,432,327 as of September 30, 2020. The investments showed a gain of \$553,014 for the year.

Expenditure Highlights:

- Total Governmental Fund Expenditures decreased in current year by \$845,729 when compared to prior year. Capital expenditures decreased from \$1,206,655 in 2019 to \$1,029,051 in 2020. This decrease is due to projects not being able to be completed due to the COVID-19 pandemic.

Requests for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Atlantic Beach, Finance Director, 800 Seminole Road, Atlantic Beach, Florida 32233.



Melissa Burns
Director of Finance

BASIC FINANCIAL STATEMENTS

These basic financial statements contain Government-wide, Fund Financial Statements
and Notes to Financial Statements

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2019

	Primary Government			2019 Totals
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Equity in pooled cash and investments	\$ 6,093,404	\$ 12,017,397	\$ 18,110,801	\$ 14,619,837
Cash with fiscal agent	-	-	-	1,443,312
Receivables, current:				
Customer accounts, net	54,055	806,968	861,023	919,865
Intergovernmental and other	1,198,857	131,817	1,330,674	1,046,782
Notes receivable, net	760	15,759	16,519	16,519
Inventory	32,256	60,763	93,019	102,905
Prepaid expenses	352,394	-	352,394	4,852
Restricted assets:				
Equity in pooled cash and investments	3,365,134	2,396,286	5,761,420	6,000,046
Capital assets:				
Non-depreciable	12,980,937	4,094,817	17,075,754	16,157,954
Depreciable, net	32,255,794	32,557,597	64,813,391	67,659,990
Notes receivable, noncurrent	1,520	119,320	120,840	121,286
TOTAL ASSETS	56,335,111	52,200,724	108,535,835	108,093,348
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	2,097,174	687,502	2,784,676	3,157,133
Deferred outflows - loss on refunding	-	539,716	539,716	647,660
Deferred outflows related to OPEB	57,065	23,219	80,284	21,385
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,154,239	1,250,437	3,404,676	3,826,178
LIABILITIES				
Accounts payable and accrued expenses	716,839	423,279	1,140,118	1,398,881
Construction costs payable	10,616	38,160	48,776	26,191
Due to other governments	80,064	53,809	133,873	41,063
Unearned revenue	185,438	181,993	367,431	347,581
Accrued interest payable	23,608	158,056	181,664	201,677
Customer deposits	13,108	669,629	682,737	734,906
Long-term obligations:				
Due within one year	279,663	1,783,557	2,063,220	1,971,799
Due in more than one year	7,300,193	14,055,876	21,356,069	23,446,085
TOTAL LIABILITIES	8,609,529	17,364,359	25,973,888	28,168,183
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	394,463	28,200	422,663	1,326,445
Deferred inflows related to OPEB	146,256	59,507	205,763	31,903
Total deferred inflows of resources	540,719	87,707	628,426	1,358,348
NET POSITION				
Net investment in capital assets	43,896,115	23,405,942	67,302,057	67,604,870
Restricted for:				
General government facilities	257,689	-	257,689	257,689
Public safety	119,127	-	119,127	299,845
Road maintenance and construction	2,687,062	-	2,687,062	1,318,572
Other purposes	212,062	-	212,062	308,383
Debt service	-	280,916	280,916	280,916
Renewal and replacement	-	250,000	250,000	250,000
Utility rate stabilization	-	400,000	400,000	400,000
Utility system improvements	-	1,715,370	1,715,370	2,756,853
Building code enforcement	-	195,557	195,557	447,232
Unrestricted	2,167,047	9,751,310	11,918,357	8,468,635
TOTAL NET POSITION	\$ 49,339,102	\$ 35,999,095	\$ 85,338,197	\$ 82,392,995

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			2019 Totals
		Charges for Services	Operating Grant and Contributions	Capital Grant and Contributions	Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government	\$ 2,536,219	\$ 225,216	\$ 1,175	\$ 72,921	\$ (2,236,907)	\$ -	\$ (2,236,907)	\$ (2,386,622)
Public safety	6,581,867	664,562	150,341	-	(5,766,964)	-	(5,766,964)	(5,609,943)
Transportation	1,865,563	120,170	103,534	-	(1,641,859)	-	(1,641,859)	(2,176,387)
Parks and recreation	1,549,470	46,320	-	-	(1,503,150)	-	(1,503,150)	(1,544,697)
Conservation and resource management	22,714	-	22,505	-	(209)	-	(209)	(8,698)
Interest on long-term debt	47,215	-	-	-	(47,215)	-	(47,215)	(44,700)
Total governmental activities	12,603,048	1,056,268	277,555	72,921	(11,196,304)	-	(11,196,304)	(11,771,047)
Business-type activities								
Utility	6,925,617	9,325,440	-	431,653	-	2,831,476	2,831,476	2,501,362
Stormwater	1,368,718	894,776	-	-	-	(473,942)	(473,942)	(715,576)
Sanitation	1,667,152	1,973,819	-	-	-	306,667	306,667	970,386
Building code enforcement	544,757	370,961	-	-	-	(173,796)	(173,796)	(34,107)
Total business-type activities	10,506,244	12,564,996	-	431,653	-	2,490,405	2,490,405	2,722,065
TOTAL PRIMARY GOVERNMENT	\$ 23,109,292	\$ 13,621,264	\$ 277,555	\$ 504,574	\$ (11,196,304)	\$ 2,490,405	\$ (8,705,899)	\$ (9,048,982)
GENERAL REVENUES								
Taxes:								
Property taxes, levied for general purposes					5,912,053	-	5,912,053	5,519,446
Public service taxes and franchise fees					1,856,292	-	1,856,292	1,819,333
Fuel taxes levied for transportation purposes					543,623	-	543,623	607,300
Discretionary Sales Surtax					914,697	-	914,697	924,384
State shared revenue					1,821,375	-	1,821,375	1,862,114
Investment earnings (loss)					341,496	193,740	535,236	647,147
Miscellaneous					21,673	46,152	67,825	137,132
Gain (loss) on disposal of capital assets					-	-	-	623
TRANSFERS					1,131,853	(1,131,853)	-	-
Total general revenues and transfers					12,543,062	(891,961)	11,651,101	11,517,479
CHANGE IN NET POSITION					1,346,758	1,598,444	2,945,202	2,468,497
NET POSITION, beginning of year					47,992,344	34,400,651	82,392,995	79,924,498
NET POSITION, end of year					\$ 49,339,102	\$ 35,999,095	\$ 85,338,197	\$ 82,392,995

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2019

	2020			2019 Totals
	General Fund	Non-Major Governmental Funds	Total	
ASSETS				
Equity in pooled cash and investments	\$ 6,093,404	\$ 3,365,134	\$ 9,458,538	\$ 8,586,993
Cash with fiscal agent	-	-	-	94,850
Receivables, net				
Customer accounts, net	54,055	-	54,055	116,007
Intergovernmental and other	939,864	258,993	1,198,857	914,965
Notes receivable, current	760	-	760	760
Inventory	32,256	-	32,256	42,142
Prepaid expenditures	350,846	1,548	352,394	4,852
Due from other funds	394,451	-	394,451	283,396
Notes receivable, non-current	1,520	-	1,520	1,520
TOTAL ASSETS	\$ 7,867,156	\$ 3,625,675	\$ 11,492,831	\$ 10,045,485
LIABILITIES				
Accounts payable and accrued liabilities	582,319	134,520	716,839	790,606
Construction costs payable	3,270	7,346	10,616	19,936
Due to other governments	80,064	-	80,064	-
Due to other funds	-	394,451	394,451	283,396
Deposits	8,647	4,461	13,108	9,543
Unearned revenue	185,438	-	185,438	165,588
TOTAL LIABILITIES	859,738	540,778	1,400,516	1,269,069
FUND BALANCE				
Nonspendable:				
Inventory	32,256	-	32,256	42,142
Prepays	350,846	1,548	352,394	4,852
Restricted for:				
Public safety	-	119,127	119,127	299,845
Road maintenance and construction	-	2,687,062	2,687,062	1,318,572
Other capital projects	-	257,689	257,689	257,689
Other purposes	-	212,062	212,062	308,383
Committed to:				
Conservation and resource management	-	77,732	77,732	77,940
Assigned to:				
Community redevelopment	50,000	-	50,000	50,000
Operating reserves	3,650,716	-	3,650,716	3,427,234
Unassigned	2,923,600	(270,323)	2,653,277	2,989,759
TOTAL FUND BALANCES	7,007,418	3,084,897	10,092,315	8,776,416
TOTAL LIABILITIES, DEFERRED INFLOWS				
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,867,156	\$ 3,625,675	\$ 11,492,831	\$ 10,045,485

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2019

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

	<u>2020</u>	<u>2019</u>
FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 10,092,315	\$ 8,776,416
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	45,236,731	45,689,971
Deferred outflows of resources represent an consumption of net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.	2,154,239	2,300,441
Deferred inflows of resources represent an increase in net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.	(540,719)	(922,021)
Interest payable on long-term debt does not require current financial resources and therefore, is not reported as a liability in governmental funds.	(23,608)	(24,850)
Long-term liabilities (including bonds and notes payable, compensated absences liability, OPEB obligation, and net pension liabilities) are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
This is the amount of the long-term obligations	(7,579,856)	(7,827,613)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 49,339,102</u>	<u>\$ 47,992,344</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2020			2019
	General	Non-major	Total	
	Fund	Governmental		
		Funds		
REVENUES:				
Property taxes	\$ 5,912,053	\$ -	\$ 5,912,053	\$ 5,519,446
Non-property taxes	1,271,015	1,458,320	2,729,335	2,713,883
Licenses and permits	905,755	-	905,755	795,447
Intergovernmental revenue	1,997,831	-	1,997,831	2,224,731
Charges for services	759,599	52,823	812,422	785,278
Fines and forfeitures	52,945	20,766	73,711	63,367
Investment earnings (loss)	292,108	49,390	341,498	247,851
Miscellaneous revenues	22,848	22,506	45,354	79,947
Total revenues	<u>11,214,154</u>	<u>1,603,805</u>	<u>12,817,959</u>	<u>12,429,950</u>
EXPENDITURES:				
General government	2,407,069	22,714	2,429,783	2,820,090
Public safety	6,420,395	41,986	6,462,381	6,357,114
Transportation	1,384,495	-	1,384,495	1,707,217
Culture/recreation	1,209,480	265	1,209,745	1,368,716
Capital outlay	661,967	367,084	1,029,051	1,206,655
Debt service	-	118,458	118,458	19,850
Total expenditures	<u>12,083,406</u>	<u>550,507</u>	<u>12,633,913</u>	<u>13,479,642</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	<u>(869,252)</u>	<u>1,053,298</u>	<u>184,046</u>	<u>(1,049,692)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,341,608	1,288,458	2,630,066	1,092,648
Transfers (out)	-	(1,498,213)	(1,498,213)	(435,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,341,608</u>	<u>(209,755)</u>	<u>1,131,853</u>	<u>657,648</u>
NET CHANGE IN FUND BALANCE	472,356	843,543	1,315,899	(392,044)
FUND BALANCE, beginning of year	<u>6,535,062</u>	<u>2,241,354</u>	<u>8,776,416</u>	<u>9,168,460</u>
FUND BALANCE, end of year	<u>\$ 7,007,418</u>	<u>\$ 3,084,897</u>	<u>\$ 10,092,315</u>	<u>\$ 8,776,416</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

	<u>2020</u>	<u>2019</u>
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,315,899	\$ (392,044)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
This is the amount of capital assets recorded in the current period.	1,056,082	1,219,139
This is the amount of depreciation recorded in the current period.	(1,509,322)	(1,367,154)
Long-term obligations including bonds and notes payable, compensated absences and other post-employment benefit obligations are reported as liabilities in the government-wide statement of net position but are not reported as liabilities in the governmental funds because they do not require the use of current financial resources:		
This is the repayment of bond principal reported as expenditures in governmental funds.	70,000	-
This is the change in accrued interest payable on long-term obligations.	1,242	(24,850)
This is the change in accrued compensated absences during the year.	(184,664)	(19,568)
Other postemployment benefit (OPEB) expense is reported in the statement of activities which differs from OPEB expenditures as report in the governmental funds:		
This amount represents the change in deferred inflows related to OPEB.	(123,417)	(10,015)
This amount represents the change in deferred outflows related to OPEB.	41,755	(859)
This amount represents the change in the total OPEB liability.	66,177	(22,547)
Pension expense is reported in the statement of activities which differs from pension expenditures as reported in the governmental funds:		
This amount represents the change in deferred inflows related to pensions.	504,719	(464,962)
This amount represents the change in deferred outflows related to pensions.	(187,957)	(34,244)
This amount represents the change in the net pension liability.	296,244	1,048,798
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,346,758</u>	<u>\$ (68,306)</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2019

	2020					2019 Totals
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Totals	
ASSETS						
Current assets:						
Equity in pooled cash and investments	\$ 9,900,286	\$ 1,032,739	\$ 669,146	\$ 415,226	\$ 12,017,397	\$ 8,345,121
Cash with fiscal agent	-	-	-	-	-	1,348,462
Accounts receivables, net	663,420	56,248	87,300	-	806,968	803,858
Due from other governments	35,244	-	96,573	-	131,817	131,817
Notes receivable - current	15,759	-	-	-	15,759	15,759
Inventory	60,763	-	-	-	60,763	60,763
Total current assets	<u>10,675,472</u>	<u>1,088,987</u>	<u>853,019</u>	<u>415,226</u>	<u>13,032,704</u>	<u>10,705,780</u>
Noncurrent assets:						
Restricted assets:						
Equity in pooled cash and investments	2,396,286	-	-	-	2,396,286	3,687,769
Notes receivable - noncurrent	119,320	-	-	-	119,320	119,766
Capital assets:						
Non-depreciable	2,215,589	1,879,228	-	-	4,094,817	3,346,431
Depreciable, net	24,469,953	7,995,578	2,474	89,592	32,557,597	34,781,542
Total noncurrent assets	<u>29,201,148</u>	<u>9,874,806</u>	<u>2,474</u>	<u>89,592</u>	<u>39,168,020</u>	<u>41,935,508</u>
Total assets	<u>39,876,620</u>	<u>10,963,793</u>	<u>855,493</u>	<u>504,818</u>	<u>52,200,724</u>	<u>52,641,288</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	529,430	64,655	43,458	49,959	687,502	872,002
Deferred outflows - refunding loss	469,553	70,163	-	-	539,716	647,660
Deferred outflows related to OPEB	14,410	3,269	-	5,540	23,219	6,075
Total deferred outflows of resources	<u>1,013,393</u>	<u>138,087</u>	<u>43,458</u>	<u>55,499</u>	<u>1,250,437</u>	<u>1,525,737</u>

Continued...

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (concluded)
SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2019

	2020					2019
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Totals	
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 102,348	\$ 185,650	\$ 120,702	\$ 14,579	\$ 423,279	\$ 608,275
Construction costs payable	6,255	31,905	-	-	38,160	6,255
Due to other governments	-	-	-	53,809	53,809	41,063
Unearned revenue	90,605	29,898	61,490	-	181,993	181,993
Compensated absences	43,614	3,046	-	10,878	57,538	44,220
Bonds and notes payable, current	1,527,497	198,522	-	-	1,726,019	1,686,515
Total current liabilities	<u>1,770,319</u>	<u>449,021</u>	<u>182,192</u>	<u>79,266</u>	<u>2,480,798</u>	<u>2,568,321</u>
Noncurrent liabilities:						
Liabilities payable from restricted assets:						
Customer deposits	669,629	-	-	-	669,629	725,363
Interest payable	145,834	12,222	-	-	158,056	176,827
Compensated absences	213,662	11,144	-	32,293	257,099	205,783
Other postemployment obligation payable	68,243	15,481	-	26,239	109,963	133,514
Net pension liability	1,283,571	156,751	105,361	121,122	1,666,805	1,772,211
Bonds and notes payable, noncurrent portion	11,101,931	920,078	-	-	12,022,009	13,748,028
Total noncurrent liabilities	<u>13,482,870</u>	<u>1,115,676</u>	<u>105,361</u>	<u>179,654</u>	<u>14,883,561</u>	<u>16,761,726</u>
Total liabilities	<u>15,253,189</u>	<u>1,564,697</u>	<u>287,553</u>	<u>258,920</u>	<u>17,364,359</u>	<u>19,330,047</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	21,716	2,652	1,783	2,049	28,200	427,263
Deferred inflows related to OPEB	36,930	8,378	-	14,199	59,507	9,064
Total deferred inflows of resources	<u>58,646</u>	<u>11,030</u>	<u>1,783</u>	<u>16,248</u>	<u>87,707</u>	<u>436,327</u>
NET POSITION						
Net investment in capital assets	14,519,412	8,794,464	2,474	89,592	23,405,942	23,334,835
Restricted for:						
Debt retirement	280,916	-	-	-	280,916	280,916
Renewal and replacement	250,000	-	-	-	250,000	250,000
Utility rate stabilization	400,000	-	-	-	400,000	400,000
Utility system improvements (expendable)	1,715,370	-	-	-	1,715,370	2,756,853
Building code enforcement	-	-	-	195,557	195,557	447,232
Unrestricted	<u>8,412,480</u>	<u>731,689</u>	<u>607,141</u>	<u>-</u>	<u>9,751,310</u>	<u>6,930,815</u>
Total net position	<u>\$ 25,578,178</u>	<u>\$ 9,526,153</u>	<u>\$ 609,615</u>	<u>\$ 285,149</u>	<u>\$ 35,999,095</u>	<u>\$ 34,400,651</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2020					2019 Total
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Totals	
OPERATING REVENUES:						
Charges for services						
Customer charges	\$ 9,300,483	\$ 894,776	\$ 1,915,650	\$ 370,961	\$ 12,481,870	\$ 12,133,524
Franchise permits	-	-	9,000	-	9,000	13,500
Miscellaneous revenues	43,252	-	-	-	43,252	67,291
Total operating income	<u>9,343,735</u>	<u>894,776</u>	<u>1,924,650</u>	<u>370,961</u>	<u>12,534,122</u>	<u>12,214,315</u>
OPERATING EXPENSES:						
Personnel services	1,827,004	366,654	47,747	422,228	2,663,633	2,625,868
Contractual services	375,144	92,471	1,458,853	17,835	1,944,303	2,364,023
Supplies	404,897	24,114	-	13,609	442,620	534,903
Repairs and maintenance	89,111	-	5,671	10,940	105,722	224,337
Utilities	351,447	-	-	-	351,447	352,529
Depreciation	1,899,373	652,585	771	19,254	2,571,983	2,577,417
Intergovernmental charges	1,321,314	162,745	152,276	50,336	1,686,671	1,494,710
Other expenses	219,231	27,602	1,834	10,555	259,222	386,370
Total operating expenses	<u>6,487,521</u>	<u>1,326,171</u>	<u>1,667,152</u>	<u>544,757</u>	<u>10,025,601</u>	<u>10,560,157</u>
OPERATING INCOME (LOSS)	<u>2,856,214</u>	<u>(431,395)</u>	<u>257,498</u>	<u>(173,796)</u>	<u>2,508,521</u>	<u>1,654,158</u>
NONOPERATING REVENUE (EXPENSE)						
Connection charges	24,957	-	-	-	24,957	44,018
Intergovernmental	-	-	-	-	-	731,746
Franchise fees	-	-	49,169	-	49,169	73,964
Investment earnings (loss)	234,288	(31,263)	8,923	(18,208)	193,740	399,295
Interest expense	(438,096)	(42,547)	-	-	(480,643)	(522,969)
Other, net	2,900	-	-	-	2,900	5,800
Total nonoperating revenues (expense)	<u>(175,951)</u>	<u>(73,810)</u>	<u>58,092</u>	<u>(18,208)</u>	<u>(209,877)</u>	<u>731,854</u>

Continued...

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2020				2019 Total	
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement		Totals
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$ 2,680,263	\$ (505,205)	\$ 315,590	\$ (192,004)	\$ 2,298,644	\$ 2,386,012
CAPITAL CONTRIBUTIONS						
System development charges	427,040	-	-	-	427,040	808,439
Capital grants and contributions	4,613	-	-	-	4,613	-
Total capital contributions	431,653	-	-	-	431,653	808,439
TRANSFERS						
Transfers in	-	285,000	-	-	285,000	200,000
Transfers out	(740,066)	(400,000)	(276,787)	-	(1,416,853)	(857,648)
Total transfers	(740,066)	(115,000)	(276,787)	-	(1,131,853)	(657,648)
CHANGE IN NET POSITION	2,371,850	(620,205)	38,803	(192,004)	1,598,444	2,536,803
NET POSITION, beginning of year	23,206,328	10,146,358	570,812	477,153	34,400,651	31,863,848
NET POSITION, end of year	\$ 25,578,178	\$ 9,526,153	\$ 609,615	\$ 285,149	\$ 35,999,095	\$ 34,400,651

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2020					2019 Totals
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 9,286,144	\$ 891,860	\$ 1,926,759	\$ 383,707	\$ 12,488,470	\$ 12,129,837
Payments to suppliers	(2,920,335)	(313,713)	(1,623,743)	(117,190)	(4,974,981)	(5,201,235)
Payments for salaries and benefits	(2,029,661)	(378,666)	(67,404)	(433,489)	(2,909,220)	(2,812,030)
Net cash flows from operating activities	4,336,148	199,481	235,612	(166,972)	4,604,269	4,116,572
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers from (to) other funds	(740,066)	(115,000)	(276,787)	-	(1,131,853)	(657,648)
Change in amounts due from/to other funds	-	-	-	-	-	(367,030)
Connection charges received	24,957	-	-	-	24,957	44,018
Operating grants	-	-	-	-	-	731,746
Franchise fees received	-	-	49,169	-	49,169	73,964
Net cash flows from noncapital financing activities	(715,109)	(115,000)	(227,618)	-	(1,057,727)	(174,950)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets, net of related payables	(530,595)	(455,000)	-	(78,925)	(1,064,520)	(912,551)
Principal paid on notes, bonds and lease obligations	(1,492,547)	(193,968)	-	-	(1,686,515)	(1,647,556)
Interest paid on borrowings and other debt costs	(361,078)	(30,392)	-	-	(391,470)	(434,026)
Capital contributions and impact fees received, net of change in related receivables	431,653	-	-	-	431,653	830,737
Net cash flows from capital and related financing activities	(1,952,567)	(679,360)	-	(78,925)	(2,710,852)	(2,163,396)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on invested funds	234,288	(31,263)	8,924	(18,208)	193,741	399,295
Other income	2,900	-	-	-	2,900	5,800
Net cash flows from investing activities	237,188	(31,263)	8,924	(18,208)	196,641	405,095
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,905,660	(626,142)	16,918	(264,105)	1,032,331	2,183,321
CASH AND CASH EQUIVALENTS, beginning of year	10,390,912	1,658,881	652,228	679,331	13,381,352	11,198,031
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 12,296,572</u>	<u>\$ 1,032,739</u>	<u>\$ 669,146</u>	<u>\$ 415,226</u>	<u>\$ 14,413,683</u>	<u>\$ 13,381,352</u>
As shown in the Accompanying Financial Statements						
Equity in cash and investments	\$ 9,900,286	\$ 1,032,739	\$ 669,146	\$ 415,226	\$ 12,017,397	\$ 8,345,121
Cash with fiscal agent	-	-	-	-	-	1,348,462
Restricted equity in cash and investments	2,396,286	-	-	-	2,396,286	3,687,769
Total cash and cash equivalents	<u>\$ 12,296,572</u>	<u>\$ 1,032,739</u>	<u>\$ 669,146</u>	<u>\$ 415,226</u>	<u>\$ 14,413,683</u>	<u>\$ 13,381,352</u>
Noncash financing and investing activities:						
Amortization of refunding loss	\$ 93,911	\$ 14,033	\$ -	\$ -	\$ 107,944	\$ 107,943

Continued...

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CASH FLOWS (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2020					2019 Totals
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 2,856,214	\$ (431,395)	\$ 257,498	\$ (173,796)	\$ 2,508,521	\$ 1,654,158
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	1,899,373	652,585	771	19,254	2,571,983	2,577,417
(Increase) decrease in accounts receivable	(2,303)	(2,916)	2,109	-	(3,110)	(134,944)
(Increase) decrease in notes receivable	446	-	-	-	446	1,257
(Increase) decrease in amounts due from other governments	-	-	-	12,746	12,746	15,090
Increase (decrease) in accounts payable	(159,191)	(6,781)	(5,109)	(13,915)	(184,996)	155,637
Increase (decrease) in compensated absences	52,267	426	-	11,941	64,634	15,029
Increase (decrease) in customer deposits	(55,734)	-	-	-	(55,734)	34,119
(Increase) decrease in OPEB related deferred outflows	(10,561)	(2,546)	-	(4,037)	(17,144)	1,211
Increase (decrease) in the total OPEB liability	(16,355)	(398)	-	(6,798)	(23,551)	(7,931)
Increase (decrease) in OPEB related deferred inflows	31,187	7,300	-	11,956	50,443	3,286
(Increase) decrease in pension related deferred outflows	150,484	8,615	11,290	14,111	184,500	(87,871)
Increase (decrease) in the net pension liability	(98,251)	7,840	(5,905)	(9,090)	(105,406)	(362,550)
Increase (decrease) in pension related deferred inflows	(311,428)	(33,249)	(25,042)	(29,344)	(399,063)	252,664
Net cash flows from operating activities	<u>\$ 4,336,148</u>	<u>\$ 199,481</u>	<u>\$ 235,612</u>	<u>\$ (166,972)</u>	<u>\$ 4,604,269</u>	<u>\$ 4,116,572</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2019

	Pension Trust	
	Funds	
ASSETS	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 495,614	\$ 318,445
Accrued income	32,888	35,719
Investments at fair value	34,362,981	32,403,671
Total assets	<u>34,891,483</u>	<u>32,757,835</u>
LIABILITIES		
Accounts payable and accrued liabilities	7,810	-
Due to City	-	11,652
Total Liabilities	<u>7,810</u>	<u>11,652</u>
NET POSITION		
Restricted for pension benefits	<u>\$ 34,883,673</u>	<u>\$ 32,746,183</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Pension Trust	
	Funds	
	2020	2019
ADDITIONS		
Contributions:		
City	\$ 2,107,974	\$ 2,251,184
Plan members	258,087	249,769
State of Florida	132,844	-
Total contributions	<u>2,498,905</u>	<u>2,500,953</u>
Investment income	1,876,162	1,039,693
Less investment expenses:	<u>(118,261)</u>	<u>(111,228)</u>
Net investment income	1,757,901	928,465
Total additions	<u>4,256,806</u>	<u>3,429,418</u>
DEDUCTIONS		
Administrative expenses	73,887	86,926
Payments to retirees and participants	<u>2,045,429</u>	<u>2,470,938</u>
Total deductions	<u>2,119,316</u>	<u>2,557,864</u>
CHANGE IN NET POSITION	2,137,490	871,554
NET POSITION, beginning of year	<u>32,746,183</u>	<u>31,874,629</u>
NET POSITION, end of year	<u>\$ 34,883,673</u>	<u>\$ 32,746,183</u>

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Atlantic Beach, Florida, (the City), conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies used in the preparation of these financial statements:

Reporting Entity

The City was incorporated in 1957, under a charter in accordance with the laws of the State of Florida, Florida Statutes Section 57-1126. The City operates under a form of government, which comprises an elected City Commission (four Commissioners and a Mayor-Commissioner) and provides, under the administration of an appointed City Manager, the following services: public safety, public works (streets and infrastructure), recreation, conservation and resource management, sanitation, stormwater, reuse, planning, zoning, water and sewer, and general government services.

In accordance with the Codification of Governmental and Financial Reporting Standards, the financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations whose exclusions would cause the reporting entity's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria for consideration in determining financial accountability. These criteria include appointing a majority of an organization's governing body and: (1) the ability of the City to impose its will on that organization; or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the City. Other considerations are whether the organization is legally separate, whether the City holds the corporate powers of the organization, and whether there is fiscal dependency by the organization on the City. Based upon the application of these criteria, the City has no component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont...)

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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.

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

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. General revenues include all taxes.

Net position is reported as one of three categories: (1) Net Investment in Capital Assets; (2) Restricted; or (3) Unrestricted.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits, pension expense, and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental fund:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont...)

The City reports the following major proprietary funds:

- The **Utility Fund** accounts for the activities of the City’s water distribution, sewer collection and treatment systems, and reuse system.
- The **Sanitation Fund** accounts for the activities of the City’s sanitation system.
- The **Stormwater Fund** accounts for the activities of the City’s stormwater system.
- The **Building Code Enforcement Fund** accounts for the activities of the City’s Building Department.

Additionally, the City reports the following fund types:

- **Special Revenue Funds**—The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
- **Capital Projects Funds**—The capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities and improvement projects (other than those financed by proprietary funds or special revenue funds).
- **Pension Trust Funds**—These funds account for the activities of the Employees’ Retirement System, which accumulates resources for pension benefit payments to qualified police officers and general employees.

Fund Balance Classification

Fund Balance is reported in five components – non-spendable, restricted, committed, assigned, and unassigned:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

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

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

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

In the General Fund, the City strives to maintain a fund balance operating reserve of approximately 25% of the subsequent year's budgeted General Fund payroll and operating expenditures.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. 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 non-operating revenues and expenses.

Budgets

General governmental revenue and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the City's operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level.

Budgets are adopted for all governmental funds (general, special revenue, and capital projects). The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that increase the total expenditures of any department or fund must be approved by the City Commission. All necessary supplemental appropriations are adopted by the City Commission and are included in the reported budgetary data. The budget presented in the accompanying required supplemental information is prepared in conformity with accounting principles generally accepted in the United States of America.

Cash and Investments

Except where prohibited, cash resources of the individual funds are combined to form a pool of cash and investments. These pooled cash, investments and related accrued investment earnings are reported in the financial statements as "Equity in pooled cash and investments" under the City's "pooling" concept (see Note 2). Investment earnings and losses on the pooled cash and investments are distributed to the appropriate funds based on the average monthly balance of investments in each fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

The proprietary funds use this pool as a demand deposit accounts, and accordingly, all amounts in the pool are considered cash and cash equivalents for the purposes of the statement of cash flows.

Investments are valued at fair market value (see Note 2).

Receivables

Receivables are recorded at their net realizable value.

Inter-Fund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans).

Inventories

Inventories consisting principally of expendable materials, supplies, and fuel are determined by physical count at the City’s year-end on an annual basis and are valued at the lower of cost (first-in, first-out) or market. On the balance sheet - governmental funds, the inventory balance reported is considered non-spendable fund balance, which indicates that it does not constitute “available spendable resources” even though it is a component of net current assets. The cost of governmental fund-type inventories is recorded as expenditure when consumed.

Restricted Assets

Certain enterprise fund assets are required to be segregated from other current assets due to various bond indenture agreements and City ordinances. These assets are legally restricted for specific purposes, such as debt service, new construction, and renewals and replacements.

Use of Restricted Funds

When both restricted and unrestricted resources are available for use in the City’s funds, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets

Capital assets, which include property, plant and 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. Property, plant and equipment with initial, individual costs that equal or exceed \$1,000 and estimated useful lives of over one year are recorded as capital assets. Capital 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.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Improvements Other Than Buildings	10-50
Infrastructure	25-100
Machinery and Equipment	3-40

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. Bond premiums, discounts, and refunding losses are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed when incurred with the exception of bond insurance, which is amortized over the term of the related debt.

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

Compensated Absences

Accumulated unpaid vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements.

Deferred Inflows/Outflows of Resources

Deferred inflows of resources reported on applicable governmental fund types represent revenues, which are measurable but not available in accordance with the modified accrual basis of accounting. The deferred inflows will be recognized as revenue in the fiscal year they are earned or become available. Deferred outflows of resources represent consumption of net position that is applicable to a future reporting period. Deferred outflows have a positive effect on net position, similar to assets. Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period. Deferred inflows have a negative effect on net position, similar to liabilities.

Unamortized Refunding Loss—the difference between the net reacquisition cost of new debt and the net carrying amount of the old debt is recorded as a deferred outflow of resources. The unamortized refunding loss is recognized as expense over the remaining term of the new debt using the straight-line method.

Pension and OPEB Related—the difference between expected and actual experience with regard to economic or demographic factors and changes to assumptions in the measurement of total pension and OPEB liability and the differences between expected and actual earnings on pension plan investments, are reported as deferred inflows or outflows of resources, to be recognized in expense in future years. Contributions made subsequent to the measurement date, but prior to the reporting date, are reported as deferred outflows of resources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

Revenue Recognition

Utility revenues are reported on the accrual basis in the accompanying financial statements. Grant revenues are recorded using the modified accrual basis in governmental funds and the accrual basis in the proprietary funds. Restricted grant revenues, which are received but not expended, are recorded as unearned revenues.

Property Taxes

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

Taxes are levied on November 1 of each year. All taxes become delinquent on April 1 of the following year. Discounts are allowed for early payment. On or prior to June 1, interest-bearing certificates are sold for all uncollected real property taxes. Unsold certificates are held by the City of Jacksonville, Florida.

Inter-Fund Transactions

During the course of normal operations, the City has various transactions between funds to construct assets and comply with local ordinances and other legal restrictions. These transactions are reflected as transfers. In addition, certain transfers have been made between systems and accounts of the utility enterprise fund as required by bond covenants.

Prior Period Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

Future GASB Pronouncement Implementations

The City is currently evaluating the effects that the following GASB Statements, which will be implemented in future financial statements, will have on its financial statements for subsequent fiscal years:

- **Statement No. 87, "Leases."**

This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is currently under review and the City will consider the impact, if any, upon financial reporting.

The effective date for this Statement was originally for those years beginning after June 15, 2020 but this date was extended with the passage of Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance." The provisions of this statement are now effective for fiscal years beginning after June 15, 2021.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

- **Statement 89, “Accounting for Interest Cost Incurred before the End of a Construction Period”**

This statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period by requiring that financial statements prepared using the economic resources measurement focus report interest cost incurred before the end of a construction period as an expense in the period in which the cost is incurred.

The provisions of this statement are effective for fiscal years beginning after December 15, 2020.

- **Statement 91, “Conduit Debt Obligations”**

This statement will improve financial reporting by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events.

The effective date for this Statement was originally for those years beginning after December 15, 2020 but this date was extended with the passage of Statement No. 95, “Postponement of the Effective Dates of Certain Authoritative Guidance.” The provisions of this statement are now effective for fiscal years beginning after December 15, 2021.

- **Statement 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.”**

This statement increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The provisions of this statement are effective for fiscal years beginning after June 15, 2021.

NOTE 2 – CASH AND INVESTMENTS

The City maintains a cash and investment pool that is designed for use by all funds, except for those monies which are periodically transferred for pension investment purposes. In addition, investments are separately held and individually accounted for where contractual arrangements and bond covenants provide for and require such arrangements.

On September 30, 2020, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was \$6,442,730, and the related bank balance was \$7,421,929. Monies which are placed on deposit with financial institutions in the form of demand deposit accounts, time deposit accounts, and certificates of deposit are defined as public deposits. All of the City’s public deposits are held in qualified public depositories pursuant to Florida Statutes Chapter 280, Florida Security for Public Deposits Act (the Act). Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository’s collateral pledged level. The pledging level may range from 25% to 125% depending upon the depository’s financial condition and establishment period. All collateral must be deposited with an approved financial institution.

Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

The City elected to adopt a written investment policy as authorized under Florida Statutes.

Under the City’s investment policies, general investments’ activities are authorized to invest in obligations of the U.S. Treasury, demand deposits, U.S. government agency securities, certificates of deposit, U.S. government sponsored enterprises, government and corporate fixed income mutual funds, corporate notes and bonds, and local government investment pools. Pension trust funds can invest in the aforementioned and, additionally, authorized investments include domestic and foreign equity securities, domestic and foreign fixed income securities, and cash equivalent securities.

Following are the investments, credit ratings, and maturities of the City’s governmental and business-type activities on September 30, 2020:

Investment Type	Investment Maturities					Total
	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	
Accrued interest	\$ 79,145	\$ 79,145	\$ -	\$ -	\$ -	79,145
Money market funds / cash	207,870	207,870	-	-	-	207,870
Corporate bonds	5,422,361	751,980	4,324,434	345,947	-	5,422,361
U.S. Treasury Obligations and Federal Agency Securities	11,698,425	1,528,523	9,935,473	234,429	-	11,698,425
Florida PRIME	24,526	24,526	-	-	-	24,526
Total	\$ 17,432,327	\$ 2,592,044	\$ 14,259,907	\$ 580,376	\$ -	\$ 17,432,327

The Florida PRIME component of the cash and investments is an investment in an investment pool administered by the State Board of Administration, under the regulatory oversight of the State of Florida. Florida PRIME meets all the necessary criteria to report their investments at amortized cost in accordance with GASB Cod. Sec. In5. As of September 30, 2020, there were no redemption fees, maximum transaction amounts or any other requirements that service to limit the City’s access to one hundred percent of their account value. The fair value of the City’s position in the pool in the same as the value of the pool shares.

NOTE 2 – CASH AND INVESTMENTS (cont...)

The City’s fixed income investment balances as of on September 30, 2020, are comprised of the following items:

Investment Type	S & P Credit Rating	Percentage of Total Fixed Income Investments
Corporate Bonds	AAA	0.40%
Corporate Bonds	AA+	0.31%
Corporate Bonds	AA	0.18%
Corporate Bonds	AA-	1.05%
Corporate Bonds	A+	2.01%
Corporate Bonds	A	5.83%
Corporate Bonds	A-	6.42%
Corporate Bonds	BBB+	6.79%
Corporate Bonds	BBB	3.10%
Corporate Bonds	BBB-	0.25%
Corporate Bonds	Not Rated	5.33%
U.S. Treasury Obligations and Federal Agency Securities	AAA	5.65%
U.S. Treasury Obligations and Federal Agency Securities	AA+	55.96%
U.S. Treasury Obligations and Federal Agency Securities	Not Rated	6.72%
		100.00%

Listed below are the investments, credit ratings and maturities in the City’s pension trust funds on September 30, 2020:

General Employees’ Pension Plan:

Investment Type	Investment Maturities					Total
	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	
Money market funds / cash	\$ 458,973	\$ 458,973	\$ -	\$ -	\$ -	\$ 458,973
Corporate bonds	2,171,497	79,031	1,164,884	927,582	-	2,171,497
U.S. Treasury Obligations and Federal Agency Securities	1,960,889	-	1,223,927	227,875	509,087	1,960,889
Fixed Income Mutual Funds	1,891,688	1,891,688	-	-	-	1,891,688
Total	\$ 6,483,047	\$ 2,429,692	\$ 2,388,811	\$ 1,155,457	\$ 509,087	\$ 6,483,047

Police Officers Pension Plan:

Investment Type	Investment Maturities					Total
	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	
Money market funds / cash	\$ 280,487	\$ 280,487	\$ -	\$ -	\$ -	\$ 280,487
Corporate bonds	1,256,454	45,595	676,057	534,802	-	1,256,454
U.S. Treasury Obligations and Federal Agency Securities	1,126,008	-	711,844	120,736	293,428	1,126,008
Fixed Income Mutual Funds	1,076,142	1,076,142	-	-	-	1,076,142
Total	\$ 3,739,091	\$ 1,402,224	\$ 1,387,901	\$ 655,538	\$ 293,428	\$ 3,739,091

NOTE 2 – CASH AND INVESTMENTS (cont...)

The City’s pension trust fund fixed income investment balances as of September 30, 2020, are comprised of the following items:

General Employees’ Pension Plan:

Investment Type	S & P Credit Rating	Percentage of Total Fixed Income Investments
Corporate Bonds	AAA	7.20%
Corporate Bonds	A-	10.94%
Corporate Bonds	BBB+	9.06%
Corporate Bonds	BBB	13.25%
Corporate Bonds	BBB-	12.09%
U.S. Treasury Obligations and Federal Agency Securities	AA+	35.13%
U.S. Treasury Obligations and Federal Agency Securities	Not Rated	12.33%
		100.00%

Police Officers Pension Plan:

Investment Type	S & P Credit Rating	Percentage of Total Fixed Income Investments
Corporate Bonds	AAA	7.23%
Corporate Bonds	A-	10.95%
Corporate Bonds	BBB+	11.21%
Corporate Bonds	BBB	13.27%
Corporate Bonds	BBB-	10.08%
U.S. Treasury Obligations and Federal Agency Securities	AA+	34.95%
U.S. Treasury Obligations and Federal Agency Securities	Not Rated	12.31%
		100.00%

Credit Risk—It is the City’s Police Officers’ Retirement System Trust Fund’s and the City’s General Employees’ Retirement System Trust Fund’s investment policies to, at a minimum, limit 80% of the total fixed income portfolio to those that are rated investment grade of higher. The Police Officers’ Retirement System Trust Fund’s investment policy defines investment grade as “BBB”, Baa”, or their equivalent.

Also, no more than 10% (at cost) of the fixed income portfolio total value can be invested in the securities of any single corporate issuer. The maximum allocation to International Equities is 25%.

Custodial Credit Risk—For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City’s investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Finance Director may execute a third party Custodial Safekeeping Agreement with a commercial bank having trust powers or a trust company which is chartered by the United States government or the State of Florida. All securities purchased and/or collateral obtained by the City shall be properly designated as an asset of the City and held in safekeeping by the trust department or trust company, and no withdrawal of such securities, in whole or in part, shall be made from safekeeping, except by an authorized City staff member. The third party Custodial Safekeeping Agreement shall include letters of authority from the City with details as to responsibilities of parties, notification of security purchases, sales, deliver, repurchase agreements, wire transfers, safekeeping and transaction costs, procedures in case of wire failure or other unforeseen mishaps, including liability of each party.

NOTE 2 – CASH AND INVESTMENTS (concluded)

Fair Value Measurements

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

- Level 1 Inputs—are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 Inputs—are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs—are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

The City’s investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value in the hierarchy described above.

The fair value measurements for the City’s investments are as follows on September 30, 2020:

Investments by Fair Value Level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
City Investments:				
Accrued interest	\$ 79,145	\$ 79,145	\$ -	\$ -
Money Markets	232,396	232,396	-	-
Corporate Bonds	5,422,361	-	5,422,361	-
U.S. Treasury Obligations and Federal Agency Securities	11,698,425	-	11,698,425	-
Subtotal - City Investments	17,432,327	311,541	17,120,786	-
General Employees' Pension Plan:				
Money Markets	458,973	458,973	-	-
Corporate Bonds	2,171,497	-	2,171,497	-
U.S. Treasury Obligations and Federal Agency Securities	1,960,889	-	1,960,889	-
Mutual Funds - Fixed Income	1,891,688	1,891,688	-	-
Mutual Funds - Equities	2,646,865	2,646,865	-	-
ETFs	3,679,755	3,679,755	-	-
Equities	8,832,404	8,832,404	-	-
ICMA Self Directed	-	-	-	-
Subtotal - General Employees' Pension Plan	21,642,071	17,509,685	4,132,386	-
Police Officers' Pension Plan:				
Money Markets	280,487	280,487	-	-
Corporate Bonds	1,256,454	-	1,256,454	-
U.S. Treasury Obligations and Federal Agency Securities	1,126,008	-	1,126,008	-
Mutual Funds - Fixed Income	1,076,142	1,076,142	-	-
Mutual Funds - Equities	1,631,395	1,631,395	-	-
ETFs	1,897,151	1,897,151	-	-
Equities	5,277,957	5,277,957	-	-
ICMA Self Directed	175,316	175,316	-	-
Subtotal - Police Officers' Pension Plan	12,720,910	10,338,448	2,382,462	-
Total Investments Measured at Fair Value	\$ 51,795,308	\$ 28,159,674	\$ 23,635,634	\$ -

NOTE 3 – RECEIVABLES

Receivables, net of the allowance for doubtful accounts on September 30, 2020, consist of the following:

Fund	Total Accounts Receivable	Less Allowance for Doubtful Accounts	Accounts Receivable Net
General Fund	\$ 54,055	\$ -	\$ 54,055
Utility Fund	1,113,441	(450,021)	663,420
Stormwater Fund	71,845	(15,597)	56,248
Sanitation Fund	140,902	(53,602)	87,300
Total	\$ 1,380,243	\$ (519,220)	\$ 861,023

Included in accounts receivable are \$244,053 of water and sewer revenues earned, but not billed as of September 30, 2020.

NOTE 4 – NOTES RECEIVABLE

It is the City's policy to allow its water and sewer customers to pay connection fees over an extended period.

Following is a summary of the outstanding balance due to the City on September 30, 2020:

Notes Receivable	\$ 135,079
(Current Portion)	(15,759)
Total Notes Receivable - Noncurrent	\$ 119,320

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2020, is as follows:

	Balance October 1, 2019	Transfers	Increases	Decreases	Balance September 30, 2020
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 11,913,572	\$ -	\$ -	-	\$ 11,913,572
Construction in process	897,951	-	169,414	-	1,067,365
Total capital assets, not being depreciated	<u>12,811,523</u>	<u>-</u>	<u>169,414</u>	<u>-</u>	<u>12,980,937</u>
Capital assets, being depreciated:					
Buildings	9,547,484	-	-	-	9,547,484
Intangible assets	448,322	(12,846)	89,969	-	525,445
Improvements other than buildings	42,222,685	12,846	274,097	-	42,509,628
Machinery and equipment	5,657,522	-	522,602	-	6,180,124
Total capital assets, being depreciated	<u>57,876,013</u>	<u>-</u>	<u>886,668</u>	<u>-</u>	<u>58,762,681</u>
Less accumulated depreciation for:					
Buildings	(2,572,148)	-	(170,395)	-	(2,742,543)
Intangible assets	(396,144)	-	(24,958)	-	(421,102)
Improvements other than buildings	(17,671,486)	-	(709,207)	-	(18,380,693)
Machinery and equipment	(4,357,787)	-	(604,762)	-	(4,962,549)
Total accumulated depreciation	<u>(24,997,565)</u>	<u>-</u>	<u>(1,509,322)</u>	<u>-</u>	<u>(26,506,887)</u>
Total capital assets being depreciated, net	<u>32,878,448</u>	<u>-</u>	<u>(622,654)</u>	<u>-</u>	<u>32,255,794</u>
Governmental activities capital assets, net	<u>\$ 45,689,971</u>	<u>\$ -</u>	<u>\$ (453,240)</u>	<u>\$ -</u>	<u>\$ 45,236,731</u>
<u>Business-type activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 1,656,018	\$ -	\$ -	\$ -	\$ 1,656,018
Construction-in-progress	1,690,413	-	748,386	-	2,438,799
Total capital assets, not being depreciated	<u>3,346,431</u>	<u>-</u>	<u>748,386</u>	<u>-</u>	<u>4,094,817</u>
Capital assets, being depreciated:					
Buildings	4,356,384	-	-	-	4,356,384
Intangible assets	244,709	-	-	-	244,709
Improvements other than buildings	85,657,044	-	157,244	-	85,814,288
Machinery and equipment	3,503,245	-	190,794	-	3,694,039
Total capital assets, being depreciated	<u>93,761,382</u>	<u>-</u>	<u>348,038</u>	<u>-</u>	<u>94,109,420</u>
Less accumulated depreciation for:					
Buildings	(4,320,769)	-	(8,442)	-	(4,329,211)
Intangible assets	(31,234)	-	(190)	-	(31,424)
Improvements other than buildings	(52,227,900)	(2,307)	(2,293,532)	-	(54,523,739)
Machinery and equipment	(2,399,937)	2,307	(269,819)	-	(2,667,449)
Total accumulated depreciation	<u>(58,979,840)</u>	<u>-</u>	<u>(2,571,983)</u>	<u>-</u>	<u>(61,551,823)</u>
Total capital assets being depreciated, net	<u>34,781,542</u>	<u>-</u>	<u>(2,223,945)</u>	<u>-</u>	<u>32,557,597</u>
Business-type activities capital assets, net	<u>\$ 38,127,973</u>	<u>\$ -</u>	<u>\$ (1,475,559)</u>	<u>\$ -</u>	<u>\$ 36,652,414</u>

NOTE 5 – CAPITAL ASSETS (concluded)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$	204,559
Public safety		375,860
Transportation		577,907
Parks and recreation		350,996
Total depreciation expense - governmental activities	\$	<u>1,509,322</u>

Business-type Activities:

Utility	\$	1,899,373
Stormwater		652,585
Sanitation		771
Building Code Enforcement		19,254
Total depreciation expense - business-type activities	\$	<u>2,571,983</u>

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 – LONG-TERM OBLIGATIONS

The following is a summary of the changes in long-term obligations of the City for the year ended September 30, 2020:

	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020	Amounts Due within One Year
Governmental Activities:					
Long-term debt:					
Capital Improvement Revenue Bond, Series 2018	\$ 1,400,000	\$ -	\$ (70,000)	\$ 1,330,000	\$ 75,000
Total long-term debt	1,400,000	-	(70,000)	1,330,000	75,000
Other liabilities:					
OPEB obligation	336,441	-	(66,177)	270,264	-
Net pension liability	5,328,821	-	(296,244)	5,032,577	-
Compensated absences	762,351	184,664	-	947,015	204,663
Total other liabilities	6,427,613	184,664	(362,421)	6,249,856	204,663
Total long-term obligations	\$ 7,827,613	\$ 184,664	\$ (432,421)	7,579,856	\$ 279,663
Less amounts due in one year				(279,663)	
Total noncurrent obligations due in more than one year				\$ 7,300,193	
Business-type Activities:					
Long-term debt:					
Utility System Revenue Refunding Bond, Series 2014	\$ 9,310,000	\$ -	\$ (1,240,000)	\$ 8,070,000	\$ 1,265,000
FDEP Loan DW160710	490,006	-	(36,848)	453,158	37,853
FDEP Loan WW160700	5,430,002	-	(344,131)	5,085,871	355,022
Capital Lease Payable - 2018	204,535	-	(65,536)	138,999	68,144
Total bonds and notes payable	15,434,543	-	(1,686,515)	13,748,028	1,726,019
Other liabilities:					
OPEB obligation	133,514	-	(23,551)	109,963	-
Net pension liability	1,772,211	-	(105,406)	1,666,805	-
Compensated absences	250,003	64,634	-	314,637	57,538
Total other liabilities	2,155,728	64,634	(128,957)	2,091,405	57,538
Total long-term liabilities	\$ 17,590,271	\$ 64,634	\$ (1,815,472)	15,839,433	\$ 1,783,557
Less amounts due in one year				(1,783,557)	
Net long-term liabilities in excess of one year				\$ 14,055,876	

Notes to the Long-Term Obligations Table:

Long term liabilities, including accumulated compensated absences, OPEB liability and the City's net pension liabilities, are typically liquidated by the individual fund to which the liability is directly associated.

All of the City's long-term debt arose through direct borrowings or direct placements.

Governmental Activities:

- Capital Improvement Revenue Bond, Series 2019 – Payable in annual installment of principal and semiannual installments of interest through October 1, 2033, bearing coupon rates of 3.550%, secured solely by a pledge of non-advallorem revenues.

NOTE 6 – LONG-TERM OBLIGATIONS (cont...)

Notes to the Long-Term Obligations Table:

Business-type Activities

- Utilities System Revenue Refunding Bond, Series 2014, Payable in Annual Installments of Principal and Semiannual Installments of Interest Through October 1, 2025, Bearing Coupon Rates of 2.330%, Secured Solely by a Pledge of and Lien on Net Water and Sewer System Revenues and Certain Other Revenues as Defined in the Bond Ordinance.
- Florida Department of Environmental Protection,(FDEP) disbursements and capitalized interest for a \$773,030 state of Florida revolving loan #DW160710, issued to finance the construction costs to replace a well at water treatment plant no. 1 and a transmission main on Ocean Boulevard, payable in semiannual installments of principal and interest through November 15, 2030, with financing rates of 2.71%, secured solely by a pledge of net water and sewer system revenues, after payment of all yearly payment obligations on account of the senior revenue obligations, as defined in the loan agreement.
- Florida Department of Environmental Protection (FDEP), Disbursements, Service Fee, and Capitalized Interest for a Combined \$9,368,576 State of Florida Revolving Loan #WW160700, Issued to Finance the Construction of Treatment and Transmission Facilities for the Buccaneer WWTP Phase-out Improvements and TMDL Compliance Program WWTP #1, Payable in Semiannual Installments of Principal and Interest Through May 15, 2032, with Financing Rates of 3.14% and 2.88%, Secured Solely by a Pledge of Net Water and Sewer System Revenues, After Payment of all Yearly Payment Obligations on Account of the Senior Revenue Obligations, as Defined in the Loan Agreement.
- Capital Lease Payable – 2018 - The City entered into a lease agreement for financing the acquisition of a Vac-Con Vacuum Truck. Lease payments including principal and interest are due each September 1, until 2022 at an interest rate of 3.98%.

The asset acquired through the capital lease are as follows:

Asset:	Business-type Activities	
Vac-Con vacuum truck	\$	334,544
Less: accumulated depreciation		(148,686)
Net book value	\$	<u>185,858</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2020, were as follows:

Year Ending September 30	Principal	Interest	Total
2021	\$ 68,144	\$ 5,532	\$ 73,676
2022	70,855	2,820	73,675
	<u>\$ 138,999</u>	<u>\$ 8,352</u>	<u>\$ 147,351</u>

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 – LONG-TERM OBLIGATIONS (cont...)

Notes to the Long-Term Obligations Table:

The annual requirements to amortize all revenue bonds and loans payable outstanding at September 30, 2020, are as follows:

<u>Fiscal Year Ending</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 75,000	\$ 45,884	\$ 1,657,875	\$ 409,836
2022	80,000	43,133	1,705,143	356,031
2023	80,000	40,293	1,747,795	300,790
2024	85,000	37,364	1,790,842	244,183
2025	85,000	34,346	1,834,297	186,195
2026-2030	475,000	123,096	3,863,525	393,708
2031-2035	450,000	32,838	1,009,552	39,294
Total	<u>\$ 1,330,000</u>	<u>\$ 356,954</u>	<u>\$ 13,609,029</u>	<u>\$ 1,930,037</u>

Interest and amortization incurred during the year ended September 30, 2020, amounted to \$570,184. Of the amount incurred, no interest was capitalized.

The City is also required to maintain certain debt service coverage ratios in accordance with bond resolutions. As of September 30, 2020, and during the year then ended, the City was in compliance with those ratios.

Pledged Revenue

The City has pledged certain revenues to repay certain bonds and notes outstanding as of September 30, 2020. The following table reports the revenues, sometimes net of related operating expenses, pledged for each debt issue, the amounts of such revenues received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, and the date through which the revenue is pledged under the debt agreement, and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds and notes at September 30, 2020:

<u>Description</u>	<u>Pledged Revenue</u>	<u>Revenue Pledged Through</u>	<u>Total Principal and Interest Outstanding</u>	<u>Current Year Principal and Interest Paid</u>	<u>Current Year Net Revenue</u>	<u>Percentage of Net Revenues to Principal and Interest Paid</u>
2014 - Utility System Refunding Bonds	Utility Net Revenues	2026	\$ 8,871,903	\$ 1,442,478	\$ 4,755,587	
FDEP Loan DW160710	Utility Net Revenues	2031	\$ 523,727	\$ 49,879	\$ 4,755,587	
FDEP Loan WW160700	Utility Net Revenues	2032	\$ 6,143,436	\$ 511,953	\$ 4,755,587	
Total			<u>\$ 15,539,066</u>	<u>\$ 2,004,310</u>	<u>\$ 4,755,587</u>	<u>237.27%</u>

NOTE 6 – LONG-TERM OBLIGATIONS (concluded)

Remedies in the Event of Default

The City's debt obligations all allow for the obligors to take whatever legal actions necessary to collect the amounts due in the event of default. The following debt obligations have additional remedies in the event of default as follows:

- **FDEP Loans DW160710 and WW160700** - The lender, subject to the rights of superior liens on the pledged revenues, may request a court to appoint a receiver to manage the water and sewer systems, intercept the delinquent amount from any unobligated funds due to the City under any revenue or tax sharing fund established by the State of Florida, impose a penalty in the amount not to exceed a rate of 18 percent per annum on the amount due, notify financial market credit rating agencies and potential creditors and may accelerate the repayment schedule or increase the interest rate on the unpaid principal of the loan to as much as three times the loan interest rate.

Conduit Debt

The City has issued Health Facility Revenue and Refunding Bonds to provide financial assistance to private sector entities for the acquisition and construction of health care facilities deemed to be in the public interest. These bonds are secured by the financed property and are payable solely from the payments received on the underlying mortgage loans.

There is no obligation on the part of the City or any political subdivision for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2020, there are two series of Health Facility Revenue and Refunding Bonds outstanding, with an aggregate principal amount payable of \$165,495,000.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Plan Descriptions

The City maintains two separate single employer defined benefit pension plans, one for police officers and one for general employees, which cover substantially all full-time City employees hired before September 1, 2008. The general employees’ defined benefit plan is closed to new entrants. Full-time general employees hired on or after September 1, 2008, are covered by the defined contribution plan disclosed in Note 8. The pension plans do not issue separate stand-alone financial statements. Combining statements are included in the supplementary information to the basic financial statements.

General Employees’ Retirement Plan

Plan Description

The General Employees’ Retirement Plan (the Plan) provides retirement, disability, and death benefits to Plan members and their beneficiaries. The City Commission has the authority to establish and amend the benefit provisions of the Plan. The Plan is governed by a Retirement Plan Board appointed by the City Commission and comprised of five members, two of which will be eligible legal residents of the City, two of which will be general employees elected by the majority of general employees who are members of the Plan, and one of which will be elected by the other four members. Plan membership in the General Employees’ Retirement Plan as of September 30, 2020 and 2019, is as follows:

	September 30 2019	September 30 2018
Inactive plan members or beneficiaries currently receiving benefits	75	74
Inactive plan members entitled to but not yet receiving benefits	7	7
Active plan members	28	34
Total	<u>110</u>	<u>115</u>

Plan Benefits

Normal retirement is available upon the attainment of age sixty and the completion of five years of credited service. Early retirement is available with a reduced benefit upon the attainment of age fifty-five and the completion of five years of credited service. For members hired before April 24, 2005, the normal retirement benefit shall equal 2.85% of average final compensation for each year of credited service. For members hired on or after April 24, 2005, the normal retirement benefit shall equal 2.50% of average final compensation for each year of credited service. The Plan includes a deferred retirement option program (DROP) under which members eligible for normal retirement may have their monthly pension benefit credited to an account while continuing to be actively employed for up to five years. As of September 30, 2020, Plan net position included \$0 of DROP account balances.

Contributions

The City is required to contribute at an actuarially determined rate (83.9%) of covered payroll for the year ended September 30, 2020. City contributions to the Plan were \$1,362,952 for the year ended September 30, 2020. Plan members are required to contribute 6.0% of their annual covered salary. Contribution requirements are established by City code, which may be amended by the City Commission.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (cont...)

Measurement Date

The City elected to use a measurement date to value the net pension liability and related deferred inflows and outflows as of September 30, 2019, one year prior to the reporting date. The City’s Pension Plans do not issue separate financial statements. Therefore, the disclosures required for the Plan as of September 30, 2020, are also included below.

Net Pension Liability

The components of the changes in the net pension liability for the Plan for the year ended September 30, 2020 is shown below.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Reporting period ending 9/30/2019	\$ 23,534,251	\$ 19,714,297	\$ 3,819,954
Changes for the year:			
Service cost	332,673	-	332,673
Interest	1,566,226	-	1,566,226
Difference between actual and expected experience	40,197	-	40,197
Contributions - City	-	1,424,479	(1,424,479)
Contributions - employee	-	107,745	(107,745)
Net investment income	-	619,176	(619,176)
Benefit payments, including refunds of employee contributions	(1,327,161)	(1,327,161)	-
Administrative expense	-	(40,584)	40,584
Net changes	611,935	783,655	(171,720)
Reporting period ending 9/30/2020	<u>\$ 24,146,186</u>	<u>\$ 20,497,952</u>	<u>\$ 3,648,234</u>

*Note: Plan Net Position per Fiduciary Statement of Net Position on page 52 is different than the Plan Net Position noted above primarily due to reporting differences between the actuarially determined changes in the net pension liability above and the Fiduciary Statement of Net Position. Differences are immaterial.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (cont...)

The components of the net pension liability for the Plan as of the September 30, 2020 measurement date were as follows:

Total pension liability	\$ 24,665,518
Plan fiduciary net position	<u>(21,719,136)</u>
Net pension liability (asset)	<u>\$ 2,946,382</u>
Plan fiduciary net position as a percentage of the total pension liability	88%

For the year ended September 30, 2020, the City recognized total pension expense of \$706,803. The City reported deferred outflows of resources and deferred inflows of resources related to the General Employees’ Pension Plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,056	\$ 61,721
Change in assumptions	90,719	-
Difference between projected and actual earnings on Plan investments	30,047	-
City contributions subsequent to the measurement date	<u>1,362,952</u>	-
Total	<u>\$ 1,504,774</u>	<u>\$ 61,721</u>

Contributions made after the measurement date (shown above) will be recognized as a reduction of net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	Amount
2021	\$ (94,207)
2022	(47,403)
2023	78,293
2024	<u>143,418</u>
	<u>\$ 80,101</u>

Plan Investments

The Retirement Plan Board is responsible for establishing and amending the Plan’s investment policies. The Plan’s current investment policy gives the Board discretion to allocate assets with assistance of the Plan’s investment consultant. No formal targets are stated in the investment policy although the maximum allocation to international equities is 25%. The money-weighted rate of return on Plan investments, net of investment related expenses, was 6.41% and 4.04% for the years ended September 30, 2020 and 2019, respectively.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (cont...)

Actuarial Assumptions

The total pension liability was determined by actuarial valuations for the Plan as of October 1, 2018, rolled forward to the measurement date of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50%
Salary Increases:	Age based ranging from 4.80% to 9.50% (including 2.50% price inflation.
Investment Rate of Return:	6.75% per year compounded annually, net of investment expenses.
Mortality:	RP-2000 Combined Healthy Participant Mortality Table for males and females with generational projections from the Year 2000 Projection Scale BB.
Date of Experience Study:	Dated August 9, 2017 for the period October 1, 2009 to September 30, 2016

Long Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense of 0.50% and inflation of 2.50%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation (see the discussion of the pension plans' investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Net Rate of Return</u>
US Large-Cap Growth Stocks	13%	7.40%
US Large-Cap Value Stocks	12%	7.00%
US Mid-Cap Growth Stocks	3%	8.60%
US Mid-Cap Value Stocks	4%	7.80%
US Mid-Cap Core Stocks	3%	6.90%
US Small-Cap Growth Stocks	5%	9.60%
US Small-Cap Value Stocks	5%	8.60%
International Equities	5%	7.20%
US Investment Grade Bonds	40%	1.80%
Cash (US 90-day T-Bill)	10%	0.20%

Discount Rate

A single discount rate was used to measure the total pension liability. The single discount rate was based on the expected rate of return on Plan investments of 6.75%. The projection of cash flows used to determine the single discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments (6.75%) was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (cont...)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate noted below, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for both the measurement date of September 30, 2019 and the financial reporting date of September 30, 2020.

As of September,	Current Discount Rate	1% Decrease	Current Rate	1% Increase
9/30/2019	6.75%	\$ 6,263,183	\$ 3,648,234	\$ 1,407,059
9/30/2020	6.75%	\$ 5,568,387	\$ 2,946,382	\$ 699,271

Police Officers' Retirement Plan

Plan Description

The Police Officers' Retirement Plan (the Police Plan) provides retirement, disability, and death benefits to Police Plan members and their beneficiaries. The Police Plan is governed by the Policemen's Pension Board of Trustees, although the City Commission retains the authority to establish and amend the benefit provisions of the Police Plan. The Policemen's Pension Board of Trustees is appointed by the City Commission and comprised of five members, two of which will be eligible legal residents of the City, two of which will be police officers elected by the majority of police officers who are members of the Police Plan, and one of which will be elected by the other four trustees. Membership in the Police Officers' Retirement Plan as of the September 30, 2019 and 2018 measurement dates, is as follows:

	September 30 2019	September 30 2018
Inactive plan members or beneficiaries currently receiving benefits	23	22
Inactive plan members entitled to but not yet receiving benefits	3	4
Active plan members	26	24
Total	52	50

Plan Benefits

For members hired before January 1, 2013, normal retirement is available upon the attainment of age fifty and the completion of twenty years of credited service, the attainment of age fifty-five and the completion of ten years of credited service, the completion of twenty-five years of credited service regardless of age, or the attainment of age sixty and the completion of five years of credited service. For members hired on or after January 1, 2013, normal retirement is available upon the attainment of age fifty-five and the completion of ten years of credited service or the attainment of age fifty-two and the completion of twenty-five years of credited service. Early retirement is available with a reduced benefit upon the attainment of age fifty and the completion of ten years of credited service.

For members hired before January 1, 2013, the normal retirement benefit shall equal 3.00% of average final compensation for each year of credited service. For members hired on or after January 1, 2013, the normal retirement benefit shall equal 2.00% of average final compensation for each year of credited service. The Police Plan includes a DROP under which members eligible for normal retirement may have their monthly pension benefit credited to an account while continuing to be actively employed for up to five years. As of September 30, 2019, Police Plan net position included \$0 of DROP account balances.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (cont...)

Contributions

The City is required to contribute, at actuarially determined rate (33.2%) of covered payroll for the year ended September 30, 2020. The City may use State contributions to offset this required contribution. City and State contributions to the Police Plan were \$877,866 for the year ended September 30, 2020. Police Plan members are required to contribute 8.0% of their annual covered salary. Per City Code, the City Commission may amend established contribution requirements.

Measurement Date

The City elected to use a measurement date to value the net pension liability and related deferred inflows and outflows as of September 30, 2019, one year prior to the reporting date. The City’s Pension Plans do not issue separate financial statements. Therefore, the disclosures required for the Plan as of September 30, 2020, are also included below.

Net Pension Liability

The components of the changes in the net pension liability for the Police Plan for the year ended September 30, 2020 (September 30, 2019 measurement date) is shown below:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Reporting period ending 9/30/2019	\$ 15,445,722	\$ 12,164,644	\$ 3,281,078
Changes for the year:			
Service cost	332,419	-	332,419
Interest	1,026,422	-	1,026,422
Difference between actual and expected experience	(351,262)	-	(351,262)
Contributions - City	-	826,705	(826,705)
Contributions - employee	-	142,024	(142,024)
Net investment income	-	307,543	(307,543)
Benefit payments, including refunds of employee contributions	(1,143,777)	(1,143,777)	-
Administrative expense	-	(38,763)	38,763
Net changes	(136,198)	93,732	(229,930)
Reporting period ending 9/30/2020	<u>\$ 15,309,524</u>	<u>\$ 12,258,376</u>	<u>\$ 3,051,148</u>

*Note: Plan Net Position per Fiduciary Statement of Net Position on page 52 is different than the Plan Net Position noted above primarily due to reporting differences between the actuarially determined changes in the net pension liability above and the Fiduciary Statement of Net Position. Differences are immaterial.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (cont...)

The components of the net pension liability for the Police Plan as of the September 30, 2020 measurement date were as follows:

Total pension liability	\$ 16,100,283
Plan fiduciary net position	<u>(13,153,186)</u>
Net pension liability (asset)	<u>\$ 2,947,097</u>

Plan fiduciary net position as a percentage of the total pension liability 82%

For the year ended September 30, 2020, the City recognized total pension expense of \$601,041. The City reported deferred outflows of resources and deferred inflows of resources related to the General Employees’ Pension Plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,416	\$ 360,942
Change in assumptions	227,491	-
Net difference between projected and actual earnings on Plan investments	117,128	-
City contributions subsequent to the measurement date	<u>877,867</u>	-
Total	<u>\$ 1,279,902</u>	<u>\$ 360,942</u>

Contributions made after the measurement date (shown above) will be recognized as a reduction of net pension liability in the fiscal year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	Amount
2021	\$ (15,432)
2022	(21,564)
2023	(4,937)
2024	<u>83,026</u>
	<u>\$ 41,093</u>

Plan Investments

The Policemen’s Pension Board of Trustees is responsible for establishing and amending the Police Plan’s investment policies. The Police Plan’s current investment policy gives the Board discretion to allocate assets with assistance of the Police Plan’s investment consultant. No formal targets are stated in the investment policy although the maximum allocation to international equities is 25%. The money-weighted rate of return on Plan investments, net of investment related expenses, was 6.15% and 4.38% for the years ended September 30, 2020 and 2019, respectively.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (cont...)

Actuarial Assumptions

The total pension liability was determined by actuarial valuations for the Plan as of September 30, 2018, rolled forward to September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50%
Salary Increases:	Age based ranging from 4.80% to 18.50% (including 2.50% price inflation.
Investment Rate of Return:	6.75% per year compounded annually, net of investment expenses.
Mortality:	RP-2000 Combined Healthy Participant Mortality Table for males and females with generational projections from the Year 2000 Projection Scale BB.
Date of Experience Study:	Dated August 9, 2017 for the period October 1, 2009 to September 30, 2016

Long Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense of 0.50% and inflation of 2.50%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation (see the discussion of the pension plans' investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Net Rate of Return
US Large-Cap Growth Stocks	13%	7.40%
US Large-Cap Value Stocks	12%	7.00%
US Mid-Cap Growth Stocks	3%	8.60%
US Mid-Cap Value Stocks	4%	7.80%
US Mid-Cap Core Stocks	3%	6.90%
US Small-Cap Growth Stocks	5%	9.60%
US Small-Cap Value Stocks	5%	8.60%
International Equities	5%	7.20%
US Investment Grade Bonds	40%	1.80%
Cash (US 90-day T-Bill)	10%	0.20%

Discount Rate

A single discount rate was used to measure the total pension liability. The single discount rate was based on the expected rate of return on Plan investments of 6.75%. The projection of cash flows used to determine the single discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments (6.75%) was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (cont...)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate noted below, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for both the measurement date of September 30, 2019 and the financial reporting date of September 30, 2020.

As of September,	Current Discount Rate	1% Decrease	Current Rate	1% Increase
9/30/2019	6.75%	\$ 4,821,956	\$ 3,051,148	\$ 1,406,207
9/30/2020	6.75%	\$ 4,884,449	\$ 2,947,097	\$ 1,329,735

The Statements of Fiduciary Net Position for the City's pension trust funds for the year ended September 30, 2020 were as follows:

	Pension Trust Funds			
	General Employees' Retirement Plan	Police Officers' Retirement Plan	2020 Totals	2019 Totals
ASSETS				
Cash and cash equivalents	\$ 72,186	\$ 423,428	\$ 495,614	\$ 318,445
Accrued income	20,841	12,047	32,888	35,719
Investments at fair value	21,642,071	12,720,910	34,362,981	32,403,671
Total assets	21,735,098	13,156,385	34,891,483	32,757,835
LIABILITIES				
Accounts payable and accrued liabilities	4,310	3,500	7,810	-
Due to City	-	-	-	11,652
Total Liabilities	4,310	3,500	7,810	11,652
NET POSITION				
Restricted for pension benefits	\$ 21,730,788	\$ 13,152,885	\$ 34,883,673	\$ 32,746,183

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

**CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (concluded)

The Statements of Changes in Fiduciary Net Position for the City’s pension trust funds for the year ended September 30, 2020 were as follows:

	Pension Trust Funds			
	General Employees' Retirement Plan	Police Officers' Retirement Plan	2020 Totals	2019 Totals
ADDITIONS				
Contributions:				
City	\$ 1,362,952	\$ 745,022	\$ 2,107,974	\$ 2,251,184
Plan members	96,921	161,166	258,087	249,769
State of Florida	-	132,844	132,844	-
Total contributions	<u>1,459,873</u>	<u>1,039,032</u>	<u>2,498,905</u>	<u>2,500,953</u>
Investment income	1,226,055	650,107	1,876,162	1,039,693
Less investment expenses:	<u>(75,430)</u>	<u>(42,831)</u>	<u>(118,261)</u>	<u>(111,228)</u>
Net investment income	<u>1,150,625</u>	<u>607,276</u>	<u>1,757,901</u>	<u>928,465</u>
Total additions	<u>2,610,498</u>	<u>1,646,308</u>	<u>4,256,806</u>	<u>3,429,418</u>
DEDUCTIONS				
Administrative expenses	42,469	31,418	73,887	86,926
Payments to retirees and participants	<u>1,329,553</u>	<u>715,876</u>	<u>2,045,429</u>	<u>2,470,938</u>
Total deductions	<u>1,372,022</u>	<u>747,294</u>	<u>2,119,316</u>	<u>2,557,864</u>
CHANGE IN NET POSITION	1,238,476	899,014	2,137,490	871,554
NET POSITION, beginning of year	<u>20,492,312</u>	<u>12,253,871</u>	<u>32,746,183</u>	<u>31,874,629</u>
NET POSITION, end of year	<u>\$ 21,730,788</u>	<u>\$ 13,152,885</u>	<u>\$ 34,883,673</u>	<u>\$ 32,746,183</u>

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

NOTE 8 – DEFINED CONTRIBUTION PLAN

The City passed an ordinance in 2013 closing the General Employees’ defined benefit plan to new entrants and creating the City of Atlantic Beach Defined Contribution Plan. The City’s 457 defined contribution plan is administered through ICMA, which covers all eligible employees employed with the City on or after September 1, 2008, who are not covered by the City’s Police Officers’ defined benefit plan. Under the 457 Plan, the City contributes an employer matching contribution of up to 6% of earnings during the first ten years of service. Following ten years of service, the City contributes an additional fixed contribution of 4% of earnings for a total of 10%. Employees have the option to voluntarily contribute to the 457 Plan. Employer matching contributions from the City were \$107,404 and \$88,051 for the years ended September 30, 2020 and 2019, respectively. Under the 457 Plan, an employee is considered fully vested after 5 years of completed service.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City of Atlantic Beach administers a single employer defined benefit health care plan (the Plan) that provides medical insurance benefits to its employees and their eligible dependents. In accordance with Section 112.0801 of the Florida Statutes, because the City provides a medical plan to active employees of the City and their eligible dependents, the City is also required to provide retirees with the opportunity to participate in this Plan. Benefit provisions for the Plan are established by the City Commission and may be amended by the City Commission. The City does not issue stand-alone financial statements for the Plan.

Membership in the Plan consisted of the following, as of September 30, 2019, the date of the latest actuarial valuation:

	September 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	1
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	101
Total	<u>102</u>

Funding Policy

Contribution rates for the Plan are established on an annual basis by the City Commission. Eligible retirees and their covered dependents receiving benefits contribute 100% of the blended (active and retiree combined) equivalent premium rates. While the City does not directly contribute towards the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a blended, group rate constitutes a significant economic benefit to retirees, or an “implicit” subsidy. This implicit subsidy is considered to be another postemployment benefit (OPEB) obligation of the City.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (cont...)

Actuarial Methods and Assumptions

For the September 30, 2019 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. This method determines a service cost rate as a fixed percentage of compensation for each active participant. The current years' service cost is the participant's compensation multiplied by the service cost rate. Under this method, service cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement.

Other actuarial assumptions are as follows:

Discount Rate: 2.75%

Investment Rate of Return: 0.0%

Salary Increases: Rates used in the October 1, 2018 actuarial valuation of the City's pension plans.

Healthcare Cost Trend: Based on Getzen Model, with trend of 1.95% for 2020 and 6.25% for 2021 and gradually decreasing to an ultimate trend rate of 3.99% plus 0.36% increase for excise tax.

Mortality: Mortality tables used for Regular and Special Risk Class members in the July 1, 2018 actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.75% as of September 30, 2019, which is equal to the single rate of return developed pursuant to GASB 75. The discount rate used to determine the liabilities under GASB 75 depends on the City's funding policy. Since the City does not prefund benefits, the discount rate required to be used is based on the Fidelity 20-Year Municipal General Obligation AA Index. This index includes only federally tax-exempt municipal bonds and the yield curves are constructed using option adjusted analytics of a diverse population of over 10,000 tax exempt securities.

Annual OPEB Cost and Net OPEB Obligation

The City's total OPEB liability was measured as of September 30, 2019 and was determined by an actuarial valuation as of September 30, 2019. Changes in the Total OPEB liability were as follows:

	Total OPEB Liability
Reporting period ending September 30, 2019	\$ 469,955
Changes for the year:	
Service cost	38,095
Interest	19,049
Differences between expected and actual experience	(203,632)
Changes of assumptions	78,146
Benefit payments	(21,386)
Net changes	(89,728)
Reporting period ending September 30, 2020	\$ 380,227

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (cont...)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Rate Assumption</u>	<u>1% Increase</u>
Total OPEB liability	\$ 426,391	\$ 380,227	\$ 340,115

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates.

The following presents the total OPEB liability for the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate Assumption</u>	<u>1% Increase</u>
Total OPEB liability	\$ 317,455	\$ 380,227	\$ 461,324

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the City recognized OPEB expense of \$36,903. On September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions or other inputs	\$ 68,616	\$ 26,964
Differences between expected and actual experience	-	178,799
City contributions subsequent to the measurement date	11,668	-
Total	<u>\$ 80,284</u>	<u>\$ 205,763</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$11,668 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended September 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended September 30,</u>	<u>Amount</u>
2021	\$ (20,241)
2022	(20,241)
2023	(20,241)
2024	(20,241)
2025	(20,238)
Thereafter	(35,945)
Total	<u>\$ (137,147)</u>

NOTE 10 – INTERFUND ACCOUNTS

Individual fund inter-fund receivables and payables on September 30, 2020, consist of the following:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 394,451	\$ -
Community Development Block Grants Fund	-	197,786
Local Option Gas Tax Fund		124,665
Police Grants Fund	-	8,083
Capital Projects Fund	-	44,067
Debt Service Fund	-	19,850
	\$ 394,451	\$ 394,451

Inter-fund receivable/payables are due to timing differences or due to deficit positions in the City’s pooled cash and investments. The receivable/payables are expected to be received/paid within one year.

NOTE 11 – INTERFUND TRANSFERS

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers and are reported as other financing sources (uses) in the governmental funds and as transfers in (out) in the proprietary funds. Following is a summary of inter-fund transfers for the year ended September 30, 2020:

	Transfer In:				
	General Fund	Capital Projects Fund	Debt Service Fund	Stormwater Fund	Total
Transfers Out:					
Utility Fund	\$ 740,066	\$ -	\$ -	\$ -	\$ 740,066
Local Option Gas Tax Fund	234,623	470,000	-	-	704,623
Capital Projects Fund	90,132	-	-	-	90,132
Sanitation Fund	276,787	-	-	-	276,787
Community Development Block Grant Fund	-	200,000	-	-	200,000
Stormwater Fund	-	400,000	-	-	400,000
Convention Development Tax Fund	-	-	118,458	-	118,458
Half-cent Sales Tax Fund	-	100,000	-	285,000	385,000
Total	\$ 1,341,608	\$ 1,170,000	\$ 118,458	\$ 285,000	\$ 2,915,066

Transfers are used to move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them.

NOTE 12 – COMMITMENTS

On June 2, 1999, the City entered into an agreement with the City of Jacksonville, Florida, whereas the City of Jacksonville will provide advanced life support and fire services to the residents and businesses located in the City. The term of the agreement shall be from the effective date and continuing for a period of 25 years unless terminated earlier by the parties (such parties must provide a one-year notice). For the year ended September 30, 2020, the City incurred \$1,236,431 in services under this agreement. The amount will be adjusted annually by an amount equal to 103% of the previous year's amount for all services provided by the City of Jacksonville.

NOTE 13 - CONTINGENCIES

The City is a defendant in several lawsuits which arose in the ordinary course of the City's business. To the extent the outcome of such litigation has been determined to result in probable loss to the City, an estimated loss has been accrued in the accompanying financial statements. The outcome of the remaining claims cannot be determined at this time.

NOTE 14 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Insurance against losses is provided through the Public Risk Insurance Agency and LB Bryan and Company for the following types of risk:

- Workers' Compensation and Employer's Liability
- Automobile Liability
- Automobile Physical Damage
- Accidental Death and Dismemberment
- General Liability
- Public Officials' Liability
- Property Coverage

The City's coverage for workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to-date of the City's experience for this type of risk.

Page Intentionally Left Blank

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis) see Note A	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 5,950,351	\$ 5,950,351	\$ 5,912,053	\$ (38,298)
Non-property taxes	1,099,364	1,120,661	1,271,015	150,354
Licenses and permits	903,106	903,106	905,755	2,649
Intergovernmental revenue	2,209,867	2,209,867	1,997,831	(212,036)
Charges for services	842,971	842,971	759,599	(83,372)
Fines and forfeitures	113,090	113,090	52,945	(60,145)
Investment earnings (loss)	180,000	292,108	292,108	-
Miscellaneous revenues	30,857	30,857	22,848	(8,009)
Interfund charges	1,701,852	1,789,976	1,778,652	(11,324)
Total revenues	<u>13,031,458</u>	<u>13,252,987</u>	<u>12,992,806</u>	<u>(260,181)</u>
EXPENDITURES				
City Administration:				
City Commission	55,876	55,876	45,834	10,042
City Clerk	358,543	358,543	309,706	48,837
City Attorney	150,000	150,000	150,000	-
City Manager	442,233	442,223	419,797	22,426
Human resources	250,149	255,019	250,394	4,625
Information technology	782,592	782,592	708,411	74,181
Finance	1,063,701	1,103,301	1,113,333	(10,032)
Total City administration	<u>3,103,094</u>	<u>3,147,554</u>	<u>2,997,475</u>	<u>150,079</u>
Planning and zoning	<u>424,764</u>	<u>374,764</u>	<u>284,350</u>	<u>90,414</u>
General government	<u>748,880</u>	<u>770,410</u>	<u>580,184</u>	<u>190,226</u>
Public safety:				
Police	4,810,484	5,380,879	5,205,722	175,157
Animal control	96,155	96,155	94,311	1,844
Fire control	1,660,567	1,590,567	1,550,874	39,693
Code enforcement	106,432	106,432	94,693	11,739
Total public safety	<u>6,673,638</u>	<u>7,174,033</u>	<u>6,945,600</u>	<u>228,433</u>

Continued...

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Amounts (Budgetary Basis) see Note A	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works:				
Administration and streets	1,745,890	1,745,890	1,403,463	342,427
Fleet maintenance	299,090	299,090	257,682	41,408
Total public works	2,044,980	2,044,980	1,661,145	383,835
Parks and recreation				
Recreation and special events	484,333	484,333	442,921	41,412
Parks maintenance	979,030	1,028,187	950,383	77,804
Total parks and recreation	1,463,363	1,512,520	1,393,304	119,216
Total expenditures	14,458,719	15,024,261	13,862,058	1,162,203
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(1,427,261)	(1,771,274)	(869,252)	902,022
OTHER FINANCING SOURCES (USES):				
Transfers in	1,345,908	1,345,908	1,341,608	4,300
Sale of general capital assets	25,000	25,000	-	(25,000)
Total other financing sources (uses)	1,370,908	1,370,908	1,341,608	(20,700)
NET CHANGE IN FUND BALANCE	\$ (56,353)	\$ (400,366)	\$ 472,356	\$ 872,722

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Note A - Budgets and Budgetary Accounting

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the City’s operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level. Encumbrances are recorded. Unexpended items which are unencumbered at year-end must be re-appropriated in the subsequent year.

Budgets are adopted for all governmental funds (general, special revenue, and capital projects funds). The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that increase the total expenditures of any department or fund must be approved by the City Commission. All necessary supplemental appropriations are adopted by the City Commission and are included in the reported budgetary data. The budget presented in the accompanying required supplemental information is prepared in conformity with accounting principles generally accepted in the United States of America.

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources

Total revenue from the budgetary comparison schedule	\$ 12,992,806
Differences - budget to GAAP:	
For GAAP, General Fund inter-fund charges are reported as a reduction in the applicable expenditure function rather than revenues.	(1,778,652) (*)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances (page 16)	\$ 11,214,154

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the Total expenditures from the budgetary comparison schedule	\$ 13,862,058
Differences - budget to GAAP:	
For GAAP, General Fund inter-fund charges are reported as a reduction in the applicable expenditure function rather than revenues.	(1,778,652) (*)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances (page 16)	\$ 12,083,406

(*) - Interfund charges by Division

City Manager	\$ 160,747
Finance	836,132
Public Works Admin	274,137
Fleet and Equipment Maintenance	76,800
Human Resources	58,049
Information Technology	237,831
Facility Maintenance	134,956
	\$ 1,778,652

CITY OF ATLANTIC BEACH, FLORIDA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - GENERAL EMPLOYEES' PENSION PLAN

City reporting period date	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Measurement date	9/30/2020	9/30/2019	9/30/2018	9/30/2017
Total pension liability				
Service cost	\$ 288,450	\$ 332,673	\$ 345,019	\$ 346,460
Interest	1,604,466	1,566,226	1,574,193	1,485,239
Change in assumptions	-	-	695,507	559,117
Difference between expected and actual experience	(44,031)	40,197	(473,189)	291,669
Benefit payments, including refunds of employee contributions	(1,329,553)	(1,327,161)	(1,501,456)	(1,319,107)
Employee buy-back	-	-	-	-
Net change in total pension liability	519,332	611,935	640,074	1,363,378
Total pension liability, beginning	<u>24,146,186</u>	<u>23,534,251</u>	<u>22,894,177</u>	<u>21,530,799</u>
Total pension liability, ending (a)	<u>\$ 24,665,518</u>	<u>\$ 24,146,186</u>	<u>\$ 23,534,251</u>	<u>\$ 22,894,177</u>
Plan fiduciary net position				
Contributions - City	\$ 1,362,952	\$ 1,424,479	\$ 1,332,119	\$ 1,175,572
Contributions - Employee	96,921	107,745	117,536	124,024
Net investment income (loss)	1,138,973	619,176	1,554,225	1,792,192
Benefit payments, including refunds Of employee contributions	(1,329,553)	(1,327,161)	(1,501,456)	(1,319,107)
Administrative expenses	(48,109)	(40,584)	(31,261)	(53,880)
Net change in plan fiduciary net position	1,221,184	783,655	1,471,163	1,718,801
Plan fiduciary net position, beginning	<u>20,497,952</u>	<u>19,714,297</u>	<u>18,243,134</u>	<u>16,524,333</u>
Plan fiduciary net position, ending (b)	<u>\$ 21,719,136</u>	<u>\$ 20,497,952</u>	<u>\$ 19,714,297</u>	<u>\$ 18,243,134</u>
Net pension liability (asset) (a)-(b)	<u>\$ 2,946,382</u>	<u>\$ 3,648,234</u>	<u>\$ 3,819,954</u>	<u>\$ 4,651,043</u>
Plan fiduciary net position as a percentage of total pension liability	88.05%	84.89%	83.77%	79.68%
Covered payroll	\$ 1,615,350	\$ 1,795,750	\$ 1,958,933	\$ 2,067,067
Net pension liability as a percentage of covered payroll	182.40%	203.16%	195.00%	225.01%

Continued...

CITY OF ATLANTIC BEACH, FLORIDA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - GENERAL EMPLOYEES' PENSION PLAN

City reporting period date	9/30/2017	9/30/2016	9/30/2015
Measurement date	9/30/2016	9/30/2015	9/30/2014
Total pension liability			
Service cost	\$ 348,604	\$ 402,093	\$ 399,576
Interest	1,437,296	1,404,316	1,386,245
Change in assumptions	-	-	1,814,460
Difference between expected and actual experience	164,601	(162,280)	-
Benefit payments, including refunds of employee contributions	(1,207,804)	(1,031,191)	(707,218)
Employee buy-back	-	-	-
Net change in total pension liability	742,697	612,938	2,893,063
Total pension liability, beginning	<u>20,788,102</u>	<u>20,175,164</u>	<u>17,282,101</u>
Total pension liability, ending (a)	<u>\$ 21,530,799</u>	<u>\$ 20,788,102</u>	<u>\$ 20,175,164</u>
Plan fiduciary net position			
Contributions - City	1,112,344	\$ 863,613	\$ 950,980
Contributions - Employee	128,204	136,191	157,383
Net investment income (loss)	1,515,746	162,326	778,981
Benefit payments, including refunds Of employee contributions	(1,207,804)	(1,031,191)	(707,218)
Administrative expenses	(32,495)	(41,909)	(31,529)
Net change in plan fiduciary net position	1,515,995	89,030	1,148,597
Plan fiduciary net position, beginning	<u>15,008,338</u>	<u>14,919,308</u>	<u>13,770,711</u>
Plan fiduciary net position, ending (b)	<u>\$ 16,524,333</u>	<u>\$ 15,008,338</u>	<u>\$ 14,919,308</u>
Net pension liability (asset) (a)-(b)	<u>\$ 5,006,466</u>	<u>\$ 5,779,764</u>	<u>\$ 5,255,856</u>
Plan fiduciary net position as a percentage of total pension liability	76.75%	72.20%	73.95%
Covered payroll	\$ 2,136,733	\$ 2,269,850	\$ 2,623,050
Net pension liability as a percentage of covered payroll	234.30%	254.63%	200.37%

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

Change of Assumptions:

For measurement date September 30, 2018:

- The assumed investment return assumption was reduced from 7.00% to 6.75%.
- The assumed rates of salary increase, retirement and withdrawal were revised based on a 7-year experience study performed for the Plan.

CITY OF ATLANTIC BEACH, FLORIDA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - POLICE OFFICERS' PENSION PLAN

City reporting period date	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Measurement date	9/30/2020	9/30/2019	9/30/2018	9/30/2017
Total pension liability				
Service cost	\$ 369,089	\$ 332,419	\$ 329,254	\$ 335,185
Interest	1,034,146	1,026,422	1,016,983	970,877
Change in excess State money	-	-	(120,454)	-
Difference between expected and actual experience	103,400	(351,261)	(209,232)	187,216
Change of assumptions	-	-	454,983	(40,955)
Benefit payments, including refunds of employee contributions	(715,876)	(1,143,778)	(690,688)	(643,872)
Net change in total pension liability	790,759	(136,198)	780,846	808,451
Total pension liability, beginning	<u>15,309,524</u>	<u>15,445,722</u>	<u>14,664,876</u>	<u>13,856,425</u>
Total pension liability, ending (a)	<u>\$ 16,100,283</u>	<u>\$ 15,309,524</u>	<u>\$ 15,445,722</u>	<u>\$ 14,664,876</u>
Plan fiduciary net position				
Contributions - City	\$ 745,022	\$ 826,705	\$ 854,780	\$ 945,540
Contributions - State of Florida	132,844	-	236,772	-
Contributions - Employee	161,166	142,024	131,498	129,552
Net investment income (loss)	607,277	307,543	853,894	950,447
Benefit payments, including refunds of employee contributions	(715,876)	(1,143,777)	(690,688)	(643,872)
Administrative expenses	(35,623)	(38,763)	(25,152)	(51,481)
Other	-	-	-	-
Net change in plan fiduciary net position	894,810	93,732	1,361,104	1,330,186
Plan fiduciary net position, beginning	<u>12,258,376</u>	<u>12,164,644</u>	<u>10,803,540</u>	<u>9,473,354</u>
Plan fiduciary net position, ending (b)	<u>\$ 13,153,186</u>	<u>\$ 12,258,376</u>	<u>\$ 12,164,644</u>	<u>\$ 10,803,540</u>
Net pension liability (asset) (a)-(b)	<u>\$ 2,947,097</u>	<u>\$ 3,051,148</u>	<u>\$ 3,281,078</u>	<u>\$ 3,861,336</u>
Plan fiduciary net position as a percentage of total pension liability	81.70%	80.07%	78.76%	73.67%
Covered payroll	\$ 2,014,575	\$ 1,775,300	\$ 1,643,725	\$ 1,619,400
Net pension liability as a percentage of covered payroll	146.29%	171.87%	199.61%	238.44%

Continued...

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - POLICE OFFICERS' PENSION PLAN

City reporting period date	9/30/2017	9/30/2016	9/30/2015
Measurement date	9/30/2016	9/30/2015	9/30/2014
Total pension liability			
Service cost	\$ 279,863	\$ 291,761	\$ 269,182
Interest	931,370	900,982	879,486
Change in excess State money	-	120,454	-
Difference between expected and actual experience	(2,998)	(213,426)	-
Change of assumptions	-	-	1,275,669
Benefit payments, including refunds of employee contributions	(754,465)	(553,042)	(585,616)
Net change in total pension liability	453,770	546,729	1,838,721
Total pension liability, beginning	13,402,655	12,855,926	11,017,205
Total pension liability, ending (a)	\$ 13,856,425	\$ 13,402,655	\$ 12,855,926
Plan fiduciary net position			
Contributions - City	\$ 729,483	\$ 574,014	\$ 563,203
Contributions - State of Florida	112,972	103,528	96,217
Contributions - Employee	117,274	112,354	103,095
Net investment income (loss)	804,901	43,534	642,480
Benefit payments, including refunds of employee contributions	(754,465)	(553,042)	(585,616)
Administrative expenses	(29,933)	(35,984)	(22,742)
Other (change in excess State money)	-	120,454	-
Net change in plan fiduciary net position	980,232	364,858	796,637
Plan fiduciary net position, beginning	8,493,122	8,128,264	7,331,627
Plan fiduciary net position, ending (b)	\$ 9,473,354	\$ 8,493,122	\$ 8,128,264
Net pension liability (asset) (a)-(b)	\$ 4,383,071	\$ 4,909,533	\$ 4,727,662
Plan fiduciary net position as a percentage of total pension liability	68.37%	63.37%	63.23%
Covered payroll	\$ 1,465,925	\$ 1,404,425	\$ 1,472,786
Net pension liability as a percentage of covered payroll	299.00%	349.58%	321.00%

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

Change of Assumptions:

For measurement date September 30, 2018:

- The assumed investment return assumption was reduced from 7.00% to 6.75%.
- The assumed rates of salary increase, retirement and withdrawal were revised based on a 7-year experience study performed for the Plan.

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF CONTRIBUTIONS – ALL PENSION PLANS

Year Ended September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contributions as a % of Covered Payroll
General Employees' Plan					
2020	\$ 1,355,973	\$ 1,362,952	\$ 6,979	\$ 1,615,350	84.38%
2019	\$ 1,424,479	\$ 1,424,479	\$ -	\$ 1,795,750	79.33%
2018	\$ 1,332,118	\$ 1,332,119	\$ 1	\$ 1,958,933	68.00%
2017	\$ 1,175,572	\$ 1,175,572	\$ -	\$ 2,067,067	56.87%
2016	\$ 1,112,344	\$ 1,112,344	\$ -	\$ 2,136,733	52.06%
2015	\$ 863,613	\$ 863,613	\$ -	\$ 2,269,850	38.05%
2014	\$ 950,980	\$ 950,980	\$ -	\$ 2,623,050	36.25%
Police Officers' Plan					
2020	\$ 668,090	\$ 877,866	\$ 209,776	\$ 2,014,575	43.58%
2019	\$ 826,705	\$ 826,705	\$ -	\$ 1,775,300	46.57%
2018	\$ 841,726	\$ 1,091,552	\$ 249,826	\$ 1,643,725	66.41%
2017	\$ 849,061	\$ 945,540	\$ 96,479	\$ 1,619,400	58.39%
2016	\$ 825,700	\$ 842,455	\$ 16,755	\$ 1,465,925	57.47%
2015	\$ 665,091	\$ 677,542	\$ 12,451	\$ 1,404,425	48.24%
2014	\$ 654,280	\$ 659,420	\$ 5,140	\$ 1,472,786	44.77%

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

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO THE SCHEDULE OF CONTRIBUTIONS – ALL PENSION PLANS

Significant methods and assumptions used in calculating the actuarially determined contributions:

The following pertain to both City's defined benefit pension plans unless separately stated.

- **Valuation Date:** October 1, 2018. Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are required.
- **Actuarial Cost Method:** Entry Age Normal Cost Method
- **Amortization Method:**
 - *General Employees' Plan* – Closed, Level Dollar Method
 - *Police Officers' Plan* - Closed, Level % of Pay Method
- **Remaining Amortization Period:**
 - *General Employees' Plan* – 10 Years.
 - *Police Officers' Plan* - 29 years.
- **Asset Valuation Method:** 4-year smoothed market value where the difference between the expected and actual return on market value of assets is phased in over a period of four years at a rate of 25% per year.
- **Inflation:** 2.50%
- **Salary Increases:**
 - *General Employees Plan* – Age Based ranging from 4.8% to 9.5% (including 2.5% price inflation).
 - *Police Officers' Plan* – Age Based ranging from 4.5% to 18.5% (including 2.5% price inflation).
- **Payroll Growth:**
 - *General Employees Plan* – None
 - *Police Officers' Plan* – 3.50%
- **Investment Rate of Return:** 6.75% per year compounded annually, net of investment expenses, including inflation.
- **Retirement Age:** Experience-based table of rates (from Experience Study dated August 9, 2017 for the period October 1, 2009 to September 30, 2016) that vary by age.
- **Mortality:** RP-2000 Combined Healthy Participant Mortality Table (for preretirement mortality) and the RP-2000 Mortality Table for Annuitants (for postretirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB.
 - *General Employees' Plan* – For males, the base mortality rates include a 50% blue collar adjustment and a 50% white collar adjustment and for females, the base mortality rates include a 100% white collar adjustment.
 - *Police Officers' Plan* - For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment and for females, the base mortality rates include a 100% white collar adjustment.

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF INVESTMENT RETURNS – ALL PENSION PLANS

	Year Ended September 30,					
	2020	2019	2018	2017	2016	2015
General Employees' Plan						
Annual money-weighted rate of return net of investment expenses	6.41%	4.04%	8.67%	10.92%	10.18%	1.10%
Police Officers' Plan						
Annual money-weighted rate of return net of investment expenses	6.15%	4.38%	8.26%	10.80%	9.93%	0.53%

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

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Reporting date	9/30/2020	9/30/2019	9/30/2018
Measurement date	9/30/2019	9/30/2018	9/30/2017
Total OPEB Liability			
Service cost	\$ 38,095	\$ 39,404	\$ 41,222
Interest	19,049	16,906	14,667
Difference between expected and actual experience	(203,632)	-	-
Changes in assumptions	78,146	(18,238)	(21,261)
Benefit payments	(21,386)	(23,456)	(22,404)
Net change in total OPEB Liability	(89,728)	14,616	12,224
Total OPEB Liability - beginning	469,955	455,339	443,115
Total OPEB Liability - ending	<u>\$ 380,227</u>	<u>\$ 469,955</u>	<u>\$ 455,339</u>
Covered-employee payroll	\$ 5,196,501	\$ 6,647,363	\$ 6,272,956
Total OPEB liability as a percentage of covered-employee payroll	7.32%	7.07%	7.26%

Notes to Schedule:

No assets are being accumulated in a trust to pay for plan benefits.

Changes in Assumptions:

Changes in assumptions reflect the effects of changes in the discount rate of each period. The following are the discount rates used for each measurement date.

Measurement Date	Discount Rate
September 30, 2019	2.75%
September 30, 2018	3.83%
September 30, 2017	3.50%
September 30, 2016	3.10%

Additional changes in assumptions for the following measurement dates:

- September 30, 2019
 - Per capita costs and premiums were updated based on information provided.
 - Assumed ultimate rate of inflation was revised from 2.5% to 2.25% and the healthcare cost trend assumption was revised to reflect this change.

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

SUPPLEMENTARY INFORMATION

CITY OF ATLANTIC BEACH, FLORIDA
 COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2020						
	Special Revenue Funds						
	Tree Replacement	Local Option Gas Tax	Convention Development Tax	Half-Cent Sales Tax	Court Cost Training	Parking Facilities	Radio Communication
ASSETS							
Equity in pooled cash and investments	\$ 77,732	\$ -	\$ 148,406	\$ 1,447,310	\$ 24,267	\$ 48,343	\$ 91,465
Cash with fiscal agent	-	-	-	-	-	-	-
Receivables, net							
Customer accounts, net	-	-	-	-	-	-	-
Intergovernmental and other	-	77,537	10,833	164,341	247	4,480	1,455
Prepaid expenditures	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 77,732</u>	<u>\$ 77,537</u>	<u>\$ 159,239</u>	<u>\$ 1,611,651</u>	<u>\$ 24,514</u>	<u>\$ 52,823</u>	<u>\$ 92,920</u>
LIABILITIES							
Accounts payable and accrued liabilities	-	-	-	-	500	-	-
Construction costs payable	-	-	-	4,212	-	-	-
Due to other funds	-	124,665	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>124,665</u>	<u>-</u>	<u>4,212</u>	<u>500</u>	<u>-</u>	<u>-</u>
FUND BALANCE							
Nonspendable:							
Prepays	-	-	-	-	-	-	-
Restricted for:							
Public safety	-	-	-	-	24,014	-	92,920
Road maintenance and construction	-	-	-	1,607,439	-	-	-
Other capital projects	-	-	-	-	-	-	-
Other purposes	-	-	159,239	-	-	52,823	-
Committed to:							
Conservation and resource management	77,732	-	-	-	-	-	-
Unassigned	-	(47,128)	-	-	-	-	-
TOTAL FUND BALANCES	<u>77,732</u>	<u>(47,128)</u>	<u>159,239</u>	<u>1,607,439</u>	<u>24,014</u>	<u>52,823</u>	<u>92,920</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 77,732</u>	<u>\$ 77,537</u>	<u>\$ 159,239</u>	<u>\$ 1,611,651</u>	<u>\$ 24,514</u>	<u>\$ 52,823</u>	<u>\$ 92,920</u>

Continued...

CITY OF ATLANTIC BEACH, FLORIDA
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS (CONCLUDED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2020						Totals Non-Major Governmental Funds	2019 Totals
	Special Revenue Funds			Total Special Revenue Funds	Debt Service	Capital Projects		
	Contraband Revenue	Community Development Block Grants	Police Grants					
ASSETS								
Equity in pooled cash and investments	\$ 3,484	\$ -	\$ 8,728	\$ 1,849,735	\$ -	\$ 1,515,399	\$ 3,365,134	\$ 2,312,277
Cash with fiscal agent	-	-	-	-	-	-	-	94,850
Receivables, net								
Customer accounts, net	-	-	-	-	-	-	-	115,512
Intergovernmental and other	-	100	-	258,993	-	-	258,993	239,328
Prepaid expenditures	-	-	1,548	1,548	-	-	1,548	-
TOTAL ASSETS	<u>\$ 3,484</u>	<u>\$ 100</u>	<u>\$ 10,276</u>	<u>\$ 2,110,276</u>	<u>\$ -</u>	<u>\$ 1,515,399</u>	<u>\$ 3,625,675</u>	<u>\$ 2,761,967</u>
LIABILITIES								
Accounts payable and accrued liabilities	-	-	-	500	-	134,020	134,520	217,785
Construction costs payable	-	3,134	-	7,346	-	-	7,346	16,666
Due to other funds	-	197,786	8,083	330,534	19,850	44,067	394,451	283,396
Deposits	4,461	-	-	4,461	-	-	4,461	2,766
TOTAL LIABILITIES	<u>4,461</u>	<u>200,920</u>	<u>8,083</u>	<u>342,841</u>	<u>19,850</u>	<u>178,087</u>	<u>540,778</u>	<u>520,613</u>
FUND BALANCE								
Nonspendable:								
Prepays	-	-	1,548	1,548	-	-	1,548	-
Restricted for:								
Public safety	-	-	2,193	119,127	-	-	119,127	299,845
Road maintenance and construction	-	-	-	1,607,439	-	1,079,623	2,687,062	1,318,572
Other capital projects	-	-	-	-	-	257,689	257,689	257,689
Other purposes	-	-	-	212,062	-	-	212,062	308,383
Committed to:								
Conservation and resource management	-	-	-	77,732	-	-	77,732	77,940
Unassigned	(977)	(200,820)	(1,548)	(250,473)	(19,850)	-	(270,323)	(21,075)
TOTAL FUND BALANCES	<u>(977)</u>	<u>(200,820)</u>	<u>2,193</u>	<u>1,767,435</u>	<u>(19,850)</u>	<u>1,337,312</u>	<u>3,084,897</u>	<u>2,241,354</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 3,484</u>	<u>\$ 100</u>	<u>\$ 10,276</u>	<u>\$ 2,110,276</u>	<u>\$ -</u>	<u>\$ 1,515,399</u>	<u>\$ 3,625,675</u>	<u>\$ 2,761,967</u>

CITY OF ATLANTIC BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2020						
	Special Revenue Funds						
	Tree Replacement	Local Option Gas Tax	Convention Development Tax	Half-Cent Sales Tax	Court Cost Training	Parking Facilities	Radio Communication
REVENUES:							
Non-property taxes	\$ -	\$ 446,752	\$ 96,871	\$ 914,697	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	52,823	-
Fines and forfeitures	-	-	-	-	3,269	-	17,497
Investment earnings (loss)	-	(23,598)	(13,863)	6,063	(1,574)	-	1,330
Miscellaneous revenues	22,506	-	-	-	-	-	-
Interfund charges	-	-	-	-	-	-	-
Total revenues	<u>22,506</u>	<u>423,154</u>	<u>83,008</u>	<u>920,760</u>	<u>1,695</u>	<u>52,823</u>	<u>18,827</u>
EXPENDITURES:							
General government	22,714	-	-	-	-	-	-
Public safety	-	-	-	-	17,751	-	-
Transportation	-	-	-	-	-	-	-
Culture/recreation	-	-	265	-	-	-	-
Capital outlay	-	-	113,429	12,552	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>22,714</u>	<u>-</u>	<u>113,694</u>	<u>12,552</u>	<u>17,751</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES							
OVER EXPENDITURES	(208)	423,154	(30,686)	908,208	(16,056)	52,823	18,827
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	(704,623)	(118,458)	(385,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(704,623)</u>	<u>(118,458)</u>	<u>(385,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(208)	(281,469)	(149,144)	523,208	(16,056)	52,823	18,827
FUND BALANCE, beginning of year	77,940	234,341	308,383	1,084,231	40,070	-	74,093
FUND BALANCE, end of year	<u>\$ 77,732</u>	<u>\$ (47,128)</u>	<u>\$ 159,239</u>	<u>\$ 1,607,439</u>	<u>\$ 24,014</u>	<u>\$ 52,823</u>	<u>\$ 92,920</u>

Continued...

CITY OF ATLANTIC BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS (CONCLUDED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2020						Totals Non-Major Governmental Funds	2019 Totals
	Special Revenue Funds							
	Contraband Revenue	Community Development Block Grants	Police Grants	Total Special Revenue Funds	Debt Service	Capital Projects		
REVENUES:								
Non-property taxes	\$ -	\$ -	\$ -	\$ 1,458,320	\$ -	\$ -	\$ 1,458,320	\$ 1,531,684
Charges for services	-	-	-	52,823	-	-	52,823	-
Fines and forfeitures	-	-	-	20,766	-	-	20,766	22,252
Investment earnings (loss)	(572)	-	-	(32,214)	-	81,604	49,390	56,294
Miscellaneous revenues	-	-	-	22,506	-	-	22,506	14,821
Total revenues	(572)	-	-	1,522,201	-	81,604	1,603,805	1,625,051
EXPENDITURES:								
General government	-	-	-	22,714	-	-	22,714	23,519
Public safety	-	-	-	17,751	-	24,235	41,986	26,478
Transportation	-	-	-	-	-	-	-	270,834
Culture/recreation	-	-	-	265	-	-	265	368
Capital outlay	-	-	-	125,981	-	241,103	367,084	698,287
Debt service	-	-	-	-	118,458	-	118,458	19,850
Total expenditures	-	-	-	166,711	118,458	265,338	550,507	1,039,336
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(572)	-	-	1,355,490	(118,458)	(183,734)	1,053,298	585,715
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	118,458	1,170,000	1,288,458	-
Transfers (out)	-	(200,000)	-	(1,408,081)	-	(90,132)	(1,498,213)	(435,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	(200,000)	-	(1,408,081)	118,458	1,079,868	(209,755)	(435,000)
NET CHANGE IN FUND BALANCE	(572)	(200,000)	-	(52,591)	-	896,134	843,543	150,715
FUND BALANCE, beginning of year	(405)	(820)	2,193	1,820,026	(19,850)	441,178	2,241,354	2,090,639
FUND BALANCE, end of year	\$ (977)	\$ (200,820)	\$ 2,193	\$ 1,767,435	\$ (19,850)	\$ 1,337,312	\$ 3,084,897	\$ 2,241,354

CITY OF ATLANTIC BEACH, FLORIDA
HISTORICAL REVENUES AND EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2016, THROUGH SEPTEMBER 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues					
Operating Revenues:					
Water:					
Customer charges	\$ 3,550,004	\$ 3,462,039	\$ 3,206,520	\$ 3,262,314	\$ 3,177,331
Miscellaneous charges	43,252	67,291	64,563	65,198	62,477
Total water	<u>3,593,256</u>	<u>3,529,330</u>	<u>3,271,083</u>	<u>3,327,512</u>	<u>3,239,808</u>
Sewer:					
Customer charges	5,750,479	5,399,935	5,092,613	5,111,353	5,045,673
Miscellaneous charges	-	-	-	590	-
Total sewer	<u>5,750,479</u>	<u>5,399,935</u>	<u>5,092,613</u>	<u>5,111,943</u>	<u>5,045,673</u>
Total operating revenues	<u>9,343,735</u>	<u>8,929,265</u>	<u>8,363,696</u>	<u>8,439,455</u>	<u>8,285,481</u>
Non-operating revenues					
Investment income (loss):					
Water	143,198	163,209	(7,606)	21,455	58,092
Sewer	158,264	115,389	(8,249)	17,281	38,929
Total non-operating revenues	<u>301,462</u>	<u>278,598</u>	<u>(15,855)</u>	<u>38,736</u>	<u>97,021</u>
Total revenues	<u>9,645,197</u>	<u>9,207,863</u>	<u>8,347,841</u>	<u>8,478,191</u>	<u>8,382,502</u>
Expenses					
Operating expenses:					
Water	1,044,002	1,299,974	1,348,985	1,488,854	1,379,495
Sewer	2,222,833	2,387,924	2,393,828	2,309,637	2,064,614
Total operating expenses	<u>3,266,835</u>	<u>3,687,898</u>	<u>3,742,813</u>	<u>3,798,491</u>	<u>3,444,109</u>
Administrative, non divisional and other					
Water	642,424	508,655	508,655	502,058	561,069
Sewer	678,890	624,796	624,796	591,161	725,248
Total administrative non-divisional and other	<u>1,321,314</u>	<u>1,133,451</u>	<u>1,133,451</u>	<u>1,093,219</u>	<u>1,286,317</u>
Total expenses	<u>4,588,149</u>	<u>4,821,349</u>	<u>4,876,264</u>	<u>4,891,710</u>	<u>4,730,426</u>
Net revenues available for debt service	<u>5,057,048</u>	<u>4,386,514</u>	<u>3,471,577</u>	<u>3,586,481</u>	<u>3,652,076</u>
Non-operating income(expense)					
Interest expense	(344,186)	(381,546)	(404,297)	(455,259)	(481,693)
Loan amortization	(93,910)	(93,910)	(93,910)	(93,910)	(93,910)
Total non-operating income (expense)	<u>(438,096)</u>	<u>(475,456)</u>	<u>(498,207)</u>	<u>(549,169)</u>	<u>(575,603)</u>
Change in net position before depreciation expense and interfund transfers	<u>\$ 4,618,952</u>	<u>\$ 3,911,058</u>	<u>\$ 2,973,370</u>	<u>\$ 3,037,312</u>	<u>\$ 3,076,473</u>

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULES OF NET REVENUES IN ACCORDANCE WITH BOND RESOLUTIONS – ENTERPRISE FUNDS (WATER AND SEWER)
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019

	<u>2020</u>	<u>2019</u>
Gross revenues:		
Utility	\$ 9,343,735	\$ 8,929,265
Connection charges	24,957	44,018
Interest	234,288	328,612
Total Gross Revenues	<u>9,602,980</u>	<u>9,301,895</u>
Operating Expenses		
Personnel services	1,827,004	1,794,213
Contractual services	375,144	643,360
Supplies	507,960	474,547
Repairs and maintenance	(13,952)	188,756
Utilities	351,447	352,529
Intergovernmental charges	1,321,314	1,133,451
Other expenses	219,231	234,493
Total operating expenses	<u>4,588,148</u>	<u>4,821,349</u>
Total net revenues in accordance with Bond resolutions	<u>\$ 5,014,832</u>	<u>\$ 4,480,546</u>
Total debt service	<u>\$ 1,853,625</u>	<u>\$ 1,856,755</u>
Debt service coverage ratio	<u>270.54%</u>	<u>241.31%</u>
Required debt service coverage ratio	<u>110.00%</u>	<u>110.00%</u>

**CITY OF ATLANTIC BEACH, FLORIDA
 OTHER BOND COVENANT DISCLOSURES
 FOR THE YEAR ENDED SEPTEMBER 30, 2016, THROUGH SEPTEMBER 30, 2020**

Utility Service Tax Collections

(last five years)

Year	Electricity	Communications	Gas	Fuel Oil	Total
2020	\$ 499,712	\$ 489,444	14,122	\$ -	\$ 1,003,278
2019	587,563	484,505	12,518	-	1,084,586
2018	498,379	497,133	16,262	-	1,011,774
2017	475,895	479,551	15,229	-	970,675
2016	483,516	500,295	17,881	6	1,001,698

Ad Valorem Tax Collections

(last five years)

Year	Total
2020	\$ 5,912,053
2019	5,519,446
2018	5,063,409
2017	4,730,476
2016	4,482,739

OTHER STATISTICAL INFORMATION

**CITY OF ATLANTIC BEACH, FLORIDA
MAJOR UTILITY CUSTOMERS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(UNAUDITED)**

	Annual Billings
Fleet Landing (retirement community)	\$ 417,910
Navy (Federal Government)	313,290
PAC-2160 Mayport GP, LLC	159,642
City of Atlantic Beach, Florida	138,390
John's Creek Estates (mobile home park)	132,254
Hanna Park (regional park)	123,710
PBG MAYPORT LLC	118,382
Sea Turtle Inn	115,432
Yes Companies	96,618
Seaside Apartments (apartment complex)	69,322
	<u>\$ 1,684,950</u>

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

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

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Atlantic Beach, Florida, (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Lakeland
purvisgray.com

Members of American and Florida Institutes of Certified Public Accountants

An Independent Member of the BDO Alliance USA

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



June 18, 2021
Gainesville, Florida

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

We have examined the City of Atlantic Beach, Florida's (the City) compliance with Section 218.415, Florida Statutes during the period ended September 30, 2020, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the City, its management, and is not intended to be, and should not be, used by anyone other than these specified parties.



June 18, 2021
Gainesville, Florida

MANAGEMENT LETTER

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Atlantic Beach, Florida (the City) as of and for the year ended September 30, 2020, and have issued our report thereon dated June 18, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Accountant's 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 June 18, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. Corrective actions have been taken to address prior audit findings 17-3 and 15-1.

Official Title and Legal Authority

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

Financial Condition and Management

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

CERTIFIED PUBLIC ACCOUNTANTS

Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Lakeland

purvisgray.com

Members of American and Florida Institutes of Certified Public Accountants

An Independent Member of the BDO Alliance USA

Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

MANAGEMENT LETTER

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

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

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

Additional Matters

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

Purpose of this Letter

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



June 18, 2021
Gainesville, Florida

AFFIDAVIT

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

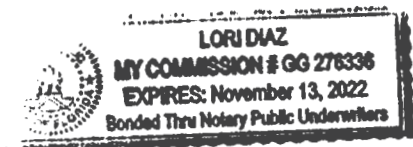
1. I am the Chief Financial Officer of the City of Atlantic Beach is a local governmental entity of the State of Florida
2. City of Atlantic Beach adopted Ordinance No. 80-92-51 implementing water and sewer impact fees; and
3. City of Atlantic Beach has complied with and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FUTHER AFFIANT SAYETH NAUGHT.

Melissa Burns
 (Chief Finance Officer of the Entity)

STATE OF FLORIDA
COUNTY OF DUVAL

SWORN TO AND SUBSCRIBED before me this 16 day of June, 2021.



Lori Diaz
 NOTARY PUBLIC
 Print Name Lori Diaz

Personally Known or produced identification _____

Type of identification produced: _____

My Commission Expires:

November 13, 2022