

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

CITY OF ATLANTIC BEACH, FLORIDA

SEPTEMBER 30, 2023

**CITY OF ATLANTIC BEACH, FLORIDA
 FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
 SEPTEMBER 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of a Matter

As described in Note 15 to the financial statements, in 2023, the City had a prior period adjustment related to an error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

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

INDEPENDENT AUDITOR'S REPORT

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual non-major fund financial statements, historical revenues and expenses, schedule of net revenues in accordance with bond resolutions, and other bond covenant disclosures (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical schedule but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

INDEPENDENT AUDITOR'S REPORT

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated January 10, 2025, 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 2022 financial statements, and our report dated June 2, 2023, 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, 2022, is consistent, in all material respects, with the audited financial statements from which it was derived.

Purvis Gray

January 10, 2025
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

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, 2023.

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 by referencing the table of contents of this report.

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(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 14 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, American Rescue Plan Act Special Revenue Fund and Capital Projects Fund which are considered to be a major funds. 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 by referencing the table of contents of this report.

The City adopts an annual appropriated budget for all funds but is only required to present a budget comparison for its special revenue funds. Budgetary comparison schedules can be found by referencing the table of contents of this report and has been provided to demonstrate compliance with the 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 by referencing the table of contents of this report.

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(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 by referencing the table of contents 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 can be found by referencing the table of contents 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 by referencing the table of contents of this report.

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(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 \$104,330,750 at the close of the fiscal year ended September 30, 2023.

By far the largest portion of the City's net position, \$72,688,335 (70%), 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, \$4,559,438 (4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$27,082,977 (26%), is used to meet the government's ongoing obligations to citizens and creditors.

Statement of Net Position (Summary)
as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 18,855,603	\$ 22,362,795	\$ 20,573,461	\$ 20,899,590	\$ 39,429,064	\$ 43,262,385
Capital assets	48,201,682	45,473,533	33,985,024	32,755,001	82,186,706	78,228,534
Total assets	67,057,285	67,836,328	54,558,485	53,654,591	121,615,770	121,490,919
Deferred outflows	5,181,216	1,753,220	1,688,140	773,416	6,869,356	2,526,636
Current liabilities	3,091,817	5,603,453	3,889,634	1,783,045	6,981,451	7,386,498
Non-current liabilities	7,378,643	2,464,935	8,370,813	10,733,222	15,749,456	13,198,157
Total liabilities	10,470,460	8,068,388	12,260,447	12,516,267	22,730,907	20,584,655
Deferred inflows	456,532	3,562,235	966,937	1,961,871	1,423,469	5,524,106
Net position:						
Net investment in capital assets	47,062,375	44,225,260	25,625,960	22,748,281	72,688,335	66,973,541
Restricted	1,509,059	3,325,666	3,050,379	2,455,901	4,559,438	5,781,567
Unrestricted	12,740,075	10,407,999	14,342,902	14,745,687	27,082,977	25,153,686
Total net position	\$ 61,311,509	\$ 57,958,925	\$ 43,019,241	\$ 39,949,869	\$ 104,330,750	\$ 97,908,794

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(Continued)

As illustrated in the schedule on page 7, 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.

Statement of Activities (Summary)
For the year ended September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 1,493,312	\$ 1,365,143	\$ 13,996,425	\$ 14,001,359	\$ 15,489,737	\$ 15,366,502
Operating grants/contrib.	414,304	424,147	-	-	414,304	424,147
Capital grants/contrib.	173,928	333,912	690,177	972,038	864,105	1,305,950
<i>General revenues:</i>						
Property taxes - General	7,224,605	6,708,984	-	-	7,224,605	6,708,984
Pub svc tax/franchise fees	2,073,377	2,085,980	-	-	2,073,377	2,085,980
Transportation fuel taxes	909,382	890,413	-	-	909,382	890,413
Discretionary Sales Surtax	1,241,724	1,202,628	-	-	1,241,724	1,202,628
State shared revenue	2,405,210	2,377,857	-	-	2,405,210	2,377,857
Grants	2,879,280	4,619,415	-	-	2,879,280	4,619,415
Other	551,609	(313,461)	487,381	(369,034)	1,038,990	(682,495)
Total revenues	19,366,731	19,695,018	15,173,983	14,604,363	34,540,714	34,299,381
Expenses:						
<i>Governmental activities:</i>						
General government	3,666,361	2,588,199	-	-	3,666,361	2,588,199
Public safety	7,679,550	6,377,771	-	-	7,679,550	6,377,771
Transportation	2,137,896	2,028,970	-	-	2,137,896	2,028,970
Parks and recreation	1,930,725	1,579,998	-	-	1,930,725	1,579,998
Conservation and resource management	27,767	14,405	-	-	27,767	14,405
Interest on long-term debt	38,873	41,713	-	-	38,873	41,713
<i>Business-type activities:</i>						
Utility	-	-	8,150,058	7,079,792	8,150,058	7,079,792
Stormwater	-	-	1,500,447	1,326,231	1,500,447	1,326,231
Sanitation	-	-	2,303,212	2,075,805	2,303,212	2,075,805
Building code enforcement	-	-	576,531	509,817	576,531	509,817
Total expenses	15,481,172	12,631,056	12,530,248	10,991,645	28,011,420	23,622,701
Transfers in (out)	(532,975)	(496,886)	532,975	496,886	-	-
Change in Net Position	3,352,584	6,567,076	3,176,710	4,109,604	6,529,294	10,676,680
Net position - Beginning	57,958,925	51,391,849	39,842,531	35,840,265	97,801,456	87,232,114
Net position - Ending	\$ 61,311,509	\$ 57,958,925	\$ 43,019,241	\$ 39,949,869	\$ 104,330,750	\$ 97,908,794

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(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 \$15,783,222 an increase of \$358,245 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 \$6,757,245, which equated to 46% of total General Fund expenditures. The net result of various revenue, expenditures and other financing sources and uses resulted in a \$1,412,663 increase to the general fund's total fund balance or 14% during the current fiscal year. Property tax revenues increased by \$515,621 or 8% from the previous year. This was a result of an increase in the taxable values. General Fund incoming transfers decreased by \$113,704, and outgoing transfers increased from zero in 2022 to \$101,250 in 2023. Overall, general fund expenditures increased by \$1,191,927 or 9%. This can be attributed primarily to increases in personnel related expenditures which account for approximately \$520,000 of the increase.

The City reports two additional major funds as of September 30, 2023, the American Rescue Plan Act (ARPA) special revenue fund and the capital projects fund. The ARPA special revenue fund was established in 2022 to report the sources, uses and residual balances of the ARPA State and Local Fiscal Recovery Funds. Revenue recognized in the ARPA special revenue funds was \$2,879,279 and was equal to the allowable costs paid with these funds during the year. Prior to 2022 the capital projects fund was reported as a nonmajor fund and has been accumulating resources for capital projects to the extent that this fund met the definition of a major fund in 2022. The capital projects fund expended \$2,874,438 on capital projects in 2023 and reported total assets of \$4,666,797 on September 30, 2023, which is restricted or assigned for various construction projects.

Nonmajor governmental funds consisting of special revenue funds and the debt service fund which have a combined fund balance of \$799,379. The net decrease in fund balance, after transfers, of the nonmajor governmental funds was \$492,337. The decrease was a result of expenditures and transfers out being greater than nonmajor governmental fund revenue and was inline with 2022 when the nonmajor governmental funds reported a decrease in fund balance totaling \$466,925.

■ **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 \$13,984,888, expenses of \$12,255,218, net non-operating revenue of \$223,888 and net capital contributions, grants and transfers of \$1,223,152. The net position in the proprietary funds increased \$3,176,710 as a result of the fiscal year's activities compared to \$4,109,604 in the prior year. The unrestricted net position of the enterprise funds amounted to \$14,342,902 at the end of fiscal year 2023 compared to \$14,745,687 at the end of the prior year.

Stormwater rates stayed constant in fiscal year 2023 as there were no rate changes. The stormwater fund's operating revenue was approximately 61% of the total operating expenses in 2023 compared to 70% for the prior year.

During fiscal year 2023, the Sanitation Fund netted a decrease in net position of \$302,840 due to expenses and transfer exceed revenue which is similar to the prior year when the fund reported a decrease in net position of \$349,847.

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(Continued)

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 decrease of \$595,139. The actual increase in fund balance was \$1,412,663. This resulted in a \$2,007,802 positive budgetary variance. The budget was amended during the 2023 fiscal year by increasing budgeted expenditures by \$445,229. The budget amendments did not change revenue or other financing sources or uses.

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, 2023, amounted to \$82,186,706. 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 an increase of \$2,728,149 or 6% for governmental activities and a increase of \$1,230,023 or 4% for business-type activities.

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

■ **Governmental Activities**

Buildings reflected a net decrease of \$180,612 as a result of depreciation.

Intangible Assets reflected a net decrease of \$13,947 as a result of depreciation. This asset category includes land easements and computer software.

Improvements Other Than Buildings reflected a net increase of \$344,437. This represents capital asset increase of \$1,067,598 offset by depreciation of \$723,161.

Equipment reflected a net decrease of \$49,324. This represents capital asset increase of \$591,545, offset by depreciation of \$640,869.

Construction in progress increased by \$2,627,595.

■ **Business-type Activities**

Buildings reflected a net decrease in asset value of \$4,885 from depreciation.

Improvements Other Than Buildings reflected a net decrease of \$730,444. This represents capital asset increases of \$1,376,531, offset by depreciation of \$2,106,975.

Equipment reflected a net decrease of \$81,649. This represents capital asset increase of \$199,111, offset by depreciation of \$280,760.

Construction in Progress had a net increase of \$2,047,192.

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(Continued)

Capital Assets Activity
(net of accumulated depreciation)
as of September 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 12,090,795	\$ 12,090,795	\$ 1,656,018	\$ 1,656,018	\$ 13,746,813	\$ 13,746,813
Intangibles	56,936	70,883	212,714	212,905	269,650	283,788
Buildings	6,530,835	6,711,447	10,725	15,610	6,541,560	6,727,057
Improvements - Other	24,197,197	23,852,760	27,897,748	28,628,192	52,094,945	52,480,952
Equipment	1,008,812	1,058,136	695,060	776,709	1,703,872	1,834,845
Construction in progress	4,317,107	1,689,512	3,512,759	1,465,567	7,829,866	3,155,079
Total	<u>\$ 48,201,682</u>	<u>\$ 45,473,533</u>	<u>\$ 33,985,024</u>	<u>\$ 32,755,001</u>	<u>\$ 82,186,706</u>	<u>\$ 78,228,534</u>

Additional information on the City's capital assets can be found in Note 5 of the notes to the financial statements by referencing the table of contents of this report.

Long-term Debt

At the end of the 2022 fiscal year, the City had total long-term debt outstanding of \$9,579,000. The amount of \$8,484,000 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.

Long-Term Debt
as of September 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Governmental Activities:						
Capital Impvt Rev Bonds, Series 2018	1,095,000	1,175,000	-	-	1,095,000	1,175,000
Business-type Activities:						
Utilities System Revenue Bond, Series 2014	-	-	4,175,000	5,505,000	4,175,000	5,505,000
Refunding Bank Loan, Series 2022	-	-	4,309,000	4,756,000	4,309,000	4,756,000
Total	<u>\$ 1,095,000</u>	<u>\$ 1,175,000</u>	<u>\$ 8,484,000</u>	<u>\$ 10,261,000</u>	<u>\$ 9,579,000</u>	<u>\$ 11,436,000</u>

Additional information on the City's long-term debt can be found in Note 6 of the notes to the financial statements by referencing the table of contents of this report.

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(Concluded)

Revenue Highlights:

- Total General Fund Revenues for 2023 were \$995,001 (8%) higher than 2022 revenue. Increase in property tax revenue of \$515,621 is the largest contributor to this increase. Another notable increase is investment earnings/loss that increased from a \$171,235 loss in 2022 to a \$263,030 gain in 2023.
- The 2023 taxable property values were about 23% higher than the 2022 values. The City Commission voted to reduce the millage rate to 3.1035 mills, instead of keeping the prior year rate of 3.2285. The purpose for adopting the millage rate of 3.1035 was to offer tax relief to the citizens and maintain adequate funding for the existing level of services at the estimated cost and continue to maintain the City's infrastructure and adequate reserves. The final gross taxable property value was \$2,623,838,787. Ad valorem taxes of \$7,224,605 represent 46% of the General Fund revenues for 2023.
- The 2022 Intergovernmental revenues of \$2,544,905 make up 18% of general fund revenues. This is a decrease of \$195,257 over 2022.
- The City's investment portfolio is valued at approximately \$25,182,728 as of September 30, 2023. The investments showed an increase of approximately \$780,000 compared to a loss of approximately \$818,000 in the prior year.

Expenditure Highlights:

- Total Governmental Fund Expenditures increased in current year by \$2,611,412 or 16% when compared to prior year. Capital expenditures increased from \$1,469,786 (52%) in 2023 compared to 2022. This increase is due to the City running into challenges completing, and in many instances, starting the slated projects. Personnel related costs of the governmental funds increased by approximately \$520,000 or 6% when compared to the prior year.

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.

Brittany Percell
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, 2023
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2022

	Primary Government			2022 Totals
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Equity in pooled cash and investments	\$ 10,199,238	\$ 15,911,595	\$ 26,110,833	\$ 22,940,515
Cash with fiscal agent	-	-	-	1,394,133
Receivables, current:				
Customer accounts, net	1,304	819,014	820,318	784,516
Intergovernmental and other	1,354,116	-	1,354,116	1,402,607
Notes and leases receivable, net	760	53,787	54,547	51,262
Inventory	94,652	49,872	144,524	136,411
Prepaid expenses	121,239	-	121,239	106,223
Internal balances	21,093	(21,093)	-	-
Due from fiduciary component unit	-	-	-	255,259
Net pension assets	-	-	-	1,946,014
Restricted assets:				
Equity in pooled cash and investments	7,061,681	2,883,148	9,944,829	13,312,999
Capital assets:				
Non-depreciable	16,407,902	5,168,777	21,576,679	16,901,892
Depreciable, net	31,793,780	28,816,247	60,610,027	61,326,642
Notes and leases receivable, noncurrent	1,520	877,138	878,658	932,446
TOTAL ASSETS	67,057,285	54,558,485	121,615,770	121,490,919
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	5,139,529	1,456,716	6,596,245	2,142,093
Deferred outflows - loss on refunding	-	215,886	215,886	323,829
Deferred outflows related to OPEB	41,687	15,538	57,225	60,714
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,181,216	1,688,140	6,869,356	2,526,636
LIABILITIES				
Accounts payable and accrued expenses	1,488,840	1,022,568	2,511,408	1,836,376
Construction costs payable	44,307	90,950	135,257	142,822
Due to other governments	-	73,730	73,730	62,656
Unearned revenue	1,525,038	-	1,525,038	4,477,045
Accrued interest payable	19,436	72,956	92,392	111,829
Customer deposits	14,196	745,967	760,163	755,770
Long-term obligations:				
Due within one year	267,699	1,883,463	2,151,162	2,111,593
Due in more than one year	7,110,944	8,370,813	15,481,757	11,086,564
TOTAL LIABILITIES	10,470,460	12,260,447	22,730,907	20,584,655
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	261,057	-	261,057	4,323,294
Deferred inflows related to OPEB	195,475	72,861	268,336	233,893
Deferred inflows related to leases	-	894,076	894,076	966,919
Total deferred inflows of resources	456,532	966,937	1,423,469	5,524,106
NET POSITION				
Net investment in capital assets	47,062,375	25,625,960	72,688,335	66,973,541
Restricted for:				
General capital projects	700,811	-	700,811	371,500
Public safety	170,957	-	170,957	146,095
Road maintenance and construction	83,060	-	83,060	2,498,634
Other purposes	431,731	-	431,731	309,437
Substance use prevention and awareness	122,500	-	122,500	-
Debt service	-	151,333	151,333	280,916
Renewal and replacement	-	250,000	250,000	250,000
Utility rate stabilization	-	400,000	400,000	400,000
Utility system improvements	-	2,057,498	2,057,498	1,307,707
Building code enforcement	-	191,548	191,548	217,278
Unrestricted	12,740,075	14,342,902	27,082,977	25,153,686
TOTAL NET POSITION	\$ 61,311,509	\$ 43,019,241	\$ 104,330,750	\$ 97,908,794

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			2022 Totals
		Charges for Services	Operating Grant and Contributions	Capital Grant and Contributions	Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government	\$ 3,666,361	\$ 287,166	\$ 4,964	\$ 3,627	\$ (3,370,604)	\$ -	\$ (3,370,604)	\$ (1,990,674)
Public safety	7,679,550	819,720	186,780	-	(6,673,050)	-	(6,673,050)	(5,490,541)
Transportation	2,137,896	284,104	136,068	170,301	(1,547,423)	-	(1,547,423)	(1,626,367)
Parks and recreation	1,930,725	102,322	-	-	(1,828,403)	-	(1,828,403)	(1,503,985)
Conservation and resource management	27,767	-	86,492	-	58,725	-	58,725	145,426
Interest on long-term debt	38,873	-	-	-	(38,873)	-	(38,873)	(41,713)
Total governmental activities	<u>15,481,172</u>	<u>1,493,312</u>	<u>414,304</u>	<u>173,928</u>	<u>(13,399,628)</u>	<u>-</u>	<u>(13,399,628)</u>	<u>(10,507,854)</u>
Business-type activities								
Utility	8,150,058	10,460,469	-	617,961	-	2,928,372	2,928,372	4,434,380
Stormwater	1,500,447	903,456	-	-	-	(596,991)	(596,991)	(417,092)
Sanitation	2,303,212	2,106,488	-	72,216	-	(124,508)	(124,508)	408
Building code enforcement	576,531	526,012	-	-	-	(50,519)	(50,519)	(35,944)
Total business-type activities	<u>12,530,248</u>	<u>13,996,425</u>	<u>-</u>	<u>690,177</u>	<u>-</u>	<u>2,156,354</u>	<u>2,156,354</u>	<u>3,981,752</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 28,011,420</u>	<u>\$ 15,489,737</u>	<u>\$ 414,304</u>	<u>\$ 864,105</u>	<u>\$ (13,399,628)</u>	<u>\$ 2,156,354</u>	<u>\$ (11,243,274)</u>	<u>\$ (6,526,102)</u>
GENERAL REVENUES								
Taxes:								
Property taxes, levied for general purposes					7,224,605	-	7,224,605	6,708,984
Public service taxes and franchise fees					2,073,377	-	2,073,377	2,085,980
Fuel taxes levied for transportation purposes					909,382	-	909,382	890,413
Discretionary Sales Surtax					1,241,724	-	1,241,724	1,202,628
State shared revenue					2,405,210	-	2,405,210	2,377,857
Grants not restricted to specific programs					2,879,280	-	2,879,280	4,619,415
Investment earnings (loss)					367,889	412,077	779,966	(818,008)
Miscellaneous					170,123	75,304	245,427	133,859
Gain (loss) on disposal of capital assets					13,597	-	13,597	1,654
TRANSFERS					<u>(532,975)</u>	<u>532,975</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>16,752,212</u>	<u>1,020,356</u>	<u>17,772,568</u>	<u>17,202,782</u>
CHANGE IN NET POSITION					<u>3,352,584</u>	<u>3,176,710</u>	<u>6,529,294</u>	<u>10,676,680</u>
NET POSITION, beginning of year					<u>57,958,925</u>	<u>39,949,869</u>	<u>97,908,794</u>	<u>87,232,114</u>
Restatement (Note 15)					-	(107,338)	(107,338)	-
NET POSITION, beginning of year, as restated					<u>57,958,925</u>	<u>39,842,531</u>	<u>97,801,456</u>	<u>87,232,114</u>
NET POSITION, end of year					<u>\$ 61,311,509</u>	<u>\$ 43,019,241</u>	<u>\$ 104,330,750</u>	<u>\$ 97,908,794</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2023
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2022

	2023					2022 Totals
	General Fund	American Rescue Plan Act Special Revenue Fund	Capital Projects Fund	Non-Major Governmental Funds	Total	
ASSETS						
Equity in pooled cash and investments	\$ 10,199,238	\$ 1,449,148	\$ 4,666,797	\$ 945,736	\$ 17,260,919	\$ 18,567,143
Receivables, net						
Customer accounts, net	1,304	-	-	-	1,304	1,077
Intergovernmental and other	992,451	-	-	361,665	1,354,116	1,402,607
Notes receivable, current	760	-	-	-	760	760
Inventory	94,652	-	-	-	94,652	86,539
Prepaid expenditures	107,590	-	-	13,649	121,239	106,223
Due from other funds	495,710	-	-	-	495,710	1,438,661
Notes receivable, non-current	1,520	-	-	-	1,520	1,520
TOTAL ASSETS	<u>\$ 11,893,225</u>	<u>\$ 1,449,148</u>	<u>\$ 4,666,797</u>	<u>\$ 1,321,050</u>	<u>\$ 19,330,220</u>	<u>\$ 21,604,530</u>
LIABILITIES						
Accounts payable and accrued liabilities	624,040	-	828,090	36,710	1,488,840	1,017,764
Construction costs payable	5,436	-	31,525	7,346	44,307	73,273
Due to other funds	-	-	-	474,617	474,617	596,956
Deposits	11,198	-	-	2,998	14,196	14,515
Unearned revenue	75,890	1,449,148	-	-	1,525,038	4,477,045
TOTAL LIABILITIES	<u>716,564</u>	<u>1,449,148</u>	<u>859,615</u>	<u>521,671</u>	<u>3,546,998</u>	<u>6,179,553</u>
FUND BALANCE						
Nonspendable:						
Inventory	94,652	-	-	-	94,652	86,539
Prepays	107,590	-	-	13,649	121,239	106,223
Restricted for:						
Public safety	-	-	-	170,957	170,957	146,095
Road maintenance and construction	-	-	-	83,060	83,060	2,498,634
Capital projects	-	-	700,811	-	700,811	371,500
Other purposes	-	-	-	431,731	431,731	309,437
Substance use prevention and awareness	122,500	-	-	-	122,500	-
Committed to:						
Conservation and resource management	-	-	-	262,215	262,215	203,490
Assigned to:						
Community redevelopment	50,000	-	-	-	50,000	50,000
Capital projects	-	-	3,106,371	-	3,106,371	2,282,013
Operating reserves	3,691,854	-	-	-	3,691,854	4,561,860
Subsequent year budget	352,820	-	-	-	352,820	903,466
Unassigned	6,757,245	-	-	(162,233)	6,595,012	3,905,720
TOTAL FUND BALANCES	<u>11,176,661</u>	<u>-</u>	<u>3,807,182</u>	<u>799,379</u>	<u>15,783,222</u>	<u>15,424,977</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,893,225</u>	<u>\$ 1,449,148</u>	<u>\$ 4,666,797</u>	<u>\$ 1,321,050</u>	<u>\$ 19,330,220</u>	<u>\$ 21,604,530</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2022

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

	<u>2023</u>	<u>2022</u>
FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 15,783,222	\$ 15,424,977
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	48,201,682	45,473,533
The net pension assets are not current financial resources and therefore are not reported in the governmental funds.	-	1,355,221
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.	5,181,216	1,753,220
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.	(456,532)	(3,562,235)
Interest payable on long-term debt does not require current financial resources and therefore, is not reported as a liability in governmental funds.	(19,436)	(20,856)
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	(7,378,643)	(2,464,935)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 61,311,509</u>	<u>\$ 57,958,925</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, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2023					2022 Totals
	General Fund	American Rescue Plan Act Special Revenue Fund	Capital Projects Fund	Non-major Governmental Funds	Total	
REVENUES:						
Property taxes	\$ 7,224,605	\$ -	\$ -	\$ -	\$ 7,224,605	\$ 6,708,984
Non-property taxes	1,308,418	-	-	2,151,106	3,459,524	3,393,913
Licenses and permits	1,093,728	-	-	-	1,093,728	1,097,637
Intergovernmental revenue	2,544,905	2,879,279	-	170,300	5,594,484	7,470,443
Charges for services	1,059,239	-	-	118,337	1,177,576	958,156
Fines and forfeitures	147,426	-	-	87,128	234,554	369,346
Investment earnings (loss)	263,030	-	91,022	13,838	367,890	(370,553)
Miscellaneous revenues	176,671	-	-	25,683	202,354	67,091
Total revenues	<u>13,818,022</u>	<u>2,879,279</u>	<u>91,022</u>	<u>2,566,392</u>	<u>19,354,715</u>	<u>19,695,017</u>
EXPENDITURES:						
General government	3,393,168	-	-	27,767	3,420,935	3,042,864
Public safety	7,304,630	-	-	35,597	7,340,227	6,861,067
Transportation	1,753,398	-	-	-	1,753,398	1,503,867
Culture/recreation	1,529,465	-	-	-	1,529,465	1,491,759
Capital outlay	786,754	-	2,874,438	650,000	4,311,192	2,841,406
Debt service	-	-	-	120,291	120,291	123,133
Total expenditures	<u>14,767,415</u>	<u>-</u>	<u>2,874,438</u>	<u>833,655</u>	<u>18,475,508</u>	<u>15,864,096</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(949,393)</u>	<u>2,879,279</u>	<u>(2,783,416)</u>	<u>1,732,737</u>	<u>879,207</u>	<u>3,830,921</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,451,293	-	2,221,336	221,543	4,894,172	6,727,515
Transfers (out)	(101,250)	(2,879,280)	-	(2,446,617)	(5,427,147)	(7,224,401)
Sale of general capital assets	12,013	-	-	-	12,013	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,362,056</u>	<u>(2,879,280)</u>	<u>2,221,336</u>	<u>(2,225,074)</u>	<u>(520,962)</u>	<u>(496,886)</u>
NET CHANGE IN FUND BALANCE	<u>1,412,663</u>	<u>(1)</u>	<u>(562,080)</u>	<u>(492,337)</u>	<u>358,245</u>	<u>3,334,035</u>
FUND BALANCE, beginning of year	<u>9,763,998</u>	<u>1</u>	<u>4,369,262</u>	<u>1,291,716</u>	<u>15,424,977</u>	<u>12,090,942</u>
FUND BALANCE, end of year	<u>\$ 11,176,661</u>	<u>\$ -</u>	<u>\$ 3,807,182</u>	<u>\$ 799,379</u>	<u>\$ 15,783,222</u>	<u>\$ 15,424,977</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, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

	<u>2023</u>	<u>2022</u>
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 358,245	\$ 3,334,035
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.	4,425,192	2,878,911
This is the amount of depreciation recorded in the current period.	(1,558,589)	(1,603,302)
This is the book value of dispositions recorded in the current period.	(138,454)	(868)
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.	80,000	80,000
This is the change in accrued interest payable on long-term obligations.	1,420	1,420
This is the change in accrued compensated absences during the year.	(28,572)	(7,455)
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.	(26,055)	(27,837)
This amount represents the change in deferred outflows related to OPEB.	(2,291)	(3,674)
This amount represents the change in the total OPEB liability.	21,844	7,282
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.	3,131,758	(3,168,190)
This amount represents the change in deferred outflows related to pensions.	3,430,287	(870,524)
This amount represents the change in the net pension liability(asset).	(6,342,201)	5,947,278
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,352,584</u>	<u>\$ 6,567,076</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2023
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2022

	2023				Totals	2022 Totals
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement		
ASSETS						
Current assets:						
Equity in pooled cash and investments	\$ 15,078,996	\$ 520,357	\$ -	\$ 312,242	\$ 15,911,595	\$ 14,861,302
Cash with fiscal agent	-	-	-	-	-	1,394,133
Accounts receivables, net	726,446	39,553	53,015	-	819,014	783,439
Leases receivable - current	53,787	-	-	-	53,787	50,502
Inventory	49,872	-	-	-	49,872	49,872
Total current assets	<u>15,909,101</u>	<u>559,910</u>	<u>53,015</u>	<u>312,242</u>	<u>16,834,268</u>	<u>17,139,248</u>
Noncurrent assets:						
Net pension asset	-	-	-	-	-	590,793
Leases receivable - noncurrent	877,138	-	-	-	877,138	930,926
Restricted assets:						
Equity in pooled cash and investments	2,883,148	-	-	-	2,883,148	2,825,069
Capital assets:						
Non-depreciable	4,029,324	1,139,453	-	-	5,168,777	3,121,585
Depreciable, net	21,555,878	7,089,437	136,132	34,800	28,816,247	29,633,416
Total noncurrent assets	<u>29,345,488</u>	<u>8,228,890</u>	<u>136,132</u>	<u>34,800</u>	<u>37,745,310</u>	<u>37,101,789</u>
Total assets	<u>45,254,589</u>	<u>8,788,800</u>	<u>189,147</u>	<u>347,042</u>	<u>54,579,578</u>	<u>54,241,037</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	1,062,946	71,595	143,190	178,985	1,456,716	432,851
Deferred outflows - refunding loss	187,821	28,065	-	-	215,886	323,829
Deferred outflows related to OPEB	11,249	2,077	-	2,212	15,538	16,736
Total deferred outflows of resources	<u>1,262,016</u>	<u>101,737</u>	<u>143,190</u>	<u>181,197</u>	<u>1,688,140</u>	<u>773,416</u>

Continued...

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (concluded)
SEPTEMBER 30, 2023
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2022

	2023					2022 Totals
	Business Type Activities - Enterprise Funds				Totals	
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement		
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 557,467	\$ 56,636	\$ 389,733	\$ 18,732	\$ 1,022,568	\$ 818,612
Construction costs payable	45,078	45,872	-	-	90,950	69,549
Due to other governments	9,730	-	-	64,000	73,730	62,656
Due to other funds	-	-	21,093	-	21,093	586,446
Compensated absences	55,913	3,350	-	9,200	68,463	61,578
Bonds and notes payable, current	1,638,200	176,800	-	-	1,815,000	1,777,000
Total current liabilities	<u>2,306,388</u>	<u>282,658</u>	<u>410,826</u>	<u>91,932</u>	<u>3,091,804</u>	<u>3,375,841</u>
Noncurrent liabilities:						
Liabilities payable from restricted assets:						
Customer deposits	745,967	-	-	-	745,967	741,255
Interest payable	66,633	6,323	-	-	72,956	90,973
Compensated absences	228,542	13,574	-	20,901	263,017	302,601
Other postemployment obligation payable	70,721	13,057	-	13,905	97,683	108,043
Net pension liability	978,592	65,913	131,827	164,781	1,341,113	-
Bonds and notes payable, noncurrent portion	6,303,050	365,950	-	-	6,669,000	8,484,000
Total noncurrent liabilities	<u>8,393,505</u>	<u>464,817</u>	<u>131,827</u>	<u>199,587</u>	<u>9,189,736</u>	<u>9,726,872</u>
Total liabilities	<u>10,699,893</u>	<u>747,475</u>	<u>542,653</u>	<u>291,519</u>	<u>12,281,540</u>	<u>13,102,713</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	-	-	-	-	-	930,479
Deferred inflows related to OPEB	52,750	9,739	-	10,372	72,861	64,473
Deferred inflows related to leases	894,076	-	-	-	894,076	966,919
Total deferred inflows of resources	<u>946,826</u>	<u>9,739</u>	<u>-</u>	<u>10,372</u>	<u>966,937</u>	<u>1,961,871</u>
NET POSITION						
Net investment in capital assets	17,786,695	7,668,333	136,132	34,800	25,625,960	22,748,281
Restricted for:						
Debt retirement	151,333	-	-	-	151,333	280,916
Renewal and replacement	250,000	-	-	-	250,000	250,000
Utility rate stabilization	400,000	-	-	-	400,000	400,000
Utility system improvements (expendable)	2,057,498	-	-	-	2,057,498	1,307,707
Building code enforcement	-	-	-	191,548	191,548	217,278
Unrestricted	<u>14,224,360</u>	<u>464,990</u>	<u>(346,448)</u>	<u>-</u>	<u>14,342,902</u>	<u>14,745,687</u>
Total net position	<u>\$ 34,869,886</u>	<u>\$ 8,133,323</u>	<u>\$ (210,316)</u>	<u>\$ 226,348</u>	<u>\$ 43,019,241</u>	<u>\$ 39,949,869</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, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2023					2022 Total
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement	Totals	
OPERATING REVENUES:						
Charges for services						
Customer charges	\$ 10,422,663	\$ 903,456	\$ 2,056,806	\$ 526,012	\$ 13,908,937	\$ 13,887,723
Franchise permits	-	-	647	-	647	16,500
Miscellaneous revenues	75,304	-	-	-	75,304	78,422
Total operating income	<u>10,497,967</u>	<u>903,456</u>	<u>2,057,453</u>	<u>526,012</u>	<u>13,984,888</u>	<u>13,982,645</u>
OPERATING EXPENSES:						
Personnel services	2,217,898	350,629	57,286	355,577	2,981,390	2,333,190
Contractual services	758,088	200,669	2,081,723	87,647	3,128,127	2,356,835
Supplies	504,067	40,535	-	2,774	547,376	450,857
Repairs and maintenance	758,342	1,179	5,622	11,239	776,382	535,044
Utilities	400,159	-	-	-	400,159	402,707
Depreciation	1,840,502	518,923	15,451	17,935	2,392,811	2,482,375
Intergovernmental charges	1,112,776	317,767	140,921	90,518	1,661,982	1,807,939
Other expenses	309,875	44,066	2,209	10,841	366,991	307,258
Total operating expenses	<u>7,901,707</u>	<u>1,473,768</u>	<u>2,303,212</u>	<u>576,531</u>	<u>12,255,218</u>	<u>10,676,205</u>
OPERATING INCOME (LOSS)	<u>2,596,260</u>	<u>(570,312)</u>	<u>(245,759)</u>	<u>(50,519)</u>	<u>1,729,670</u>	<u>3,306,440</u>
NONOPERATING REVENUE (EXPENSE)						
Connection charges	37,806	-	-	-	37,806	44,895
Franchise fees	-	-	49,035	-	49,035	52,241
Investment earnings (loss)	396,055	7,709	1,458	6,855	412,077	(447,456)
Interest expense	(254,651)	(26,679)	-	-	(281,330)	(322,465)
Other, net	6,300	-	-	-	6,300	7,025
Total nonoperating revenues (expense)	<u>185,510</u>	<u>(18,970)</u>	<u>50,493</u>	<u>6,855</u>	<u>223,888</u>	<u>(665,760)</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, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2023					2022 Total
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement	Totals	
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$ 2,781,770	\$ (589,282)	\$ (195,266)	\$ (43,664)	\$ 1,953,558	\$ 2,640,680
CAPITAL CONTRIBUTIONS						
System development charges	168,455	-	-	-	168,455	931,013
Capital grants and contributions	449,506	-	72,216	-	521,722	41,025
Total capital contributions	617,961	-	72,216	-	690,177	972,038
TRANSFERS						
Transfers in	1,166,664	730,012	-	-	1,896,676	2,683,432
Transfers out	(833,911)	(350,000)	(179,790)	-	(1,363,701)	(2,186,546)
Total transfers	332,753	380,012	(179,790)	-	532,975	496,886
CHANGE IN NET POSITION	3,732,484	(209,270)	(302,840)	(43,664)	3,176,710	4,109,604
NET POSITION, beginning of year, as previously reported	31,137,402	8,342,593	199,862	270,012	39,949,869	35,840,265
Restatement (Note 15)	-	-	(107,338)	-	(107,338)	-
NET POSITION, beginning of year, as restated	31,137,402	8,342,593	92,524	270,012	39,842,531	35,840,265
NET POSITION, end of year	<u>\$ 34,869,886</u>	<u>\$ 8,133,323</u>	<u>\$ (210,316)</u>	<u>\$ 226,348</u>	<u>\$ 43,019,241</u>	<u>\$ 39,949,869</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2023					2022 Totals
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 10,458,258	\$ 902,148	\$ 2,045,267	\$ 538,032	\$ 13,943,705	\$ 13,929,552
Payments to suppliers	(3,766,164)	(583,518)	(2,241,967)	(203,426)	(6,795,075)	(5,832,957)
Payments for salaries and benefits	(2,206,718)	(356,998)	(68,649)	(395,206)	(3,027,571)	(2,984,201)
Net cash flows from operating activities	<u>4,485,376</u>	<u>(38,368)</u>	<u>(265,349)</u>	<u>(60,600)</u>	<u>4,121,059</u>	<u>5,112,394</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers to other funds	(833,911)	(350,000)	(179,790)	-	(1,363,701)	(2,186,546)
Transfers from other funds	1,166,664	730,012	-	-	1,896,676	2,683,432
Cash received (paid) from/to other funds	(586,446)	-	21,093	-	(565,353)	586,446
Connection charges received	37,806	-	-	-	37,806	44,895
Franchise fees received	-	-	49,035	-	49,035	52,241
Net cash flows from noncapital financing activities	<u>(215,887)</u>	<u>380,012</u>	<u>(109,662)</u>	<u>-</u>	<u>54,463</u>	<u>1,180,468</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets, net of related payables	(3,367,036)	(20,608)	(150,009)	(1)	(3,537,654)	(1,223,486)
Principal paid on notes, bonds and lease obligations	(1,604,100)	(172,900)	-	-	(1,777,000)	(1,807,856)
Interest paid on borrowings and other debt costs	(176,744)	(14,660)	-	-	(191,404)	(231,807)
Proceeds from the sale of capital assets	-	-	-	-	-	35,244
Capital contributions and impact fees received, net of change in related receivables	617,961	-	72,216	-	690,177	1,068,611
Net cash flows from capital and related financing activities	<u>(4,529,919)</u>	<u>(208,168)</u>	<u>(77,793)</u>	<u>(1)</u>	<u>(4,815,881)</u>	<u>(2,159,294)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on invested funds	396,055	7,709	1,458	6,855	412,077	(538,844)
Other income	(57,479)	-	-	-	(57,479)	7,025
Net cash flows from investing activities	<u>338,576</u>	<u>7,709</u>	<u>1,458</u>	<u>6,855</u>	<u>354,598</u>	<u>(531,819)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	78,146	141,185	(451,346)	(53,746)	(285,761)	3,601,749
CASH AND CASH EQUIVALENTS, beginning of year	17,883,998	379,172	451,346	365,988	19,080,504	15,478,755
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 17,962,144</u>	<u>\$ 520,357</u>	<u>\$ -</u>	<u>\$ 312,242</u>	<u>\$ 18,794,743</u>	<u>\$ 19,080,504</u>
As shown in the Accompanying Financial Statements						
Equity in cash and investments	\$ 15,078,996	\$ 520,357	\$ -	\$ 312,242	\$ 15,911,595	\$ 16,255,435
Restricted equity in cash and investments	2,883,148	-	-	-	2,883,148	2,825,069
Total cash and cash equivalents	<u>\$ 17,962,144</u>	<u>\$ 520,357</u>	<u>\$ -</u>	<u>\$ 312,242</u>	<u>\$ 18,794,743</u>	<u>\$ 19,080,504</u>
Noncash financing and investing activities:						
Amortization of refunding loss	\$ 93,910	\$ 14,033	\$ -	\$ -	\$ 107,943	\$ 107,944
Donated Infrastructure	63,779	-	-	-	63,779	-
Total noncash financing and investing activities	<u>\$ 157,689</u>	<u>\$ 14,033</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,722</u>	<u>\$ 107,944</u>

Continued...

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CASH FLOWS (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2023					2022 Totals
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 2,596,260	\$ (570,312)	\$ (245,759)	\$ (50,519)	\$ 1,729,670	\$ 3,306,440
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	1,840,502	518,923	15,451	17,935	2,392,811	2,482,375
(Increase) decrease in inventory and prepaids	-	-	-	-	-	10,891
(Increase) decrease in accounts receivable	(22,081)	(1,308)	(12,186)	-	(35,575)	18,999
(Increase) decrease in leases receivable	50,503	-	-	-	50,503	58,334
Increase (decrease) in lease related deferred inflows	(72,843)	-	-	-	(72,843)	(72,843)
(Increase) decrease in amounts due from other governments	-	-	-	12,020	12,020	9,576
Increase (decrease) in accounts payable	87,819	20,698	(11,492)	(407)	96,618	25,086
Increase (decrease) in compensated absences	15,443	395	-	(38,807)	(22,969)	36,847
Increase (decrease) in amounts due to other governments	(10,676)	-	-	-	(10,676)	(8,294)
Increase (decrease) in customer deposits	4,712	-	-	-	4,712	23,446
(Increase) decrease in OPEB related deferred outflows	860	265	-	73	1,198	2,600
Increase (decrease) in the total OPEB liability	(7,454)	(2,063)	-	(843)	(10,360)	(10,114)
Increase (decrease) in OPEB related deferred inflows	6,101	716	-	1,571	8,388	7,024
(Increase) decrease in pension related deferred outflows	(688,548)	(71,595)	(143,190)	(120,532)	(1,023,865)	283,011
Increase (decrease) in the net pension liability	978,592	65,913	131,827	164,781	1,341,113	(1,301,422)
(Increase) decrease in the net pension asset	511,011	-	-	79,782	590,793	(590,793)
Increase (decrease) in pension related deferred inflows	(804,825)	-	-	(125,654)	(930,479)	921,836
Increase (decrease) in unearned revenue and other	-	-	-	-	-	(90,605)
Net cash flows from operating activities	<u>\$ 4,485,376</u>	<u>\$ (38,368)</u>	<u>\$ (265,349)</u>	<u>\$ (60,600)</u>	<u>\$ 4,121,059</u>	<u>\$ 5,112,394</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2023
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2022

	Pension Trust Funds	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 828,906	\$ 478,118
Accrued income	89,333	47,643
Investments at fair value	39,220,515	36,131,971
Total assets	<u>40,138,754</u>	<u>36,657,732</u>
LIABILITIES		
Accounts payable and accrued liabilities	3,151	10,900
Due to City	-	255,259
Total Liabilities	<u>3,151</u>	<u>266,159</u>
NET POSITION		
Restricted for pension benefits	<u>\$ 40,135,603</u>	<u>\$ 36,391,573</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Pension Trust Funds	
	2023	2022
ADDITIONS		
Contributions:		
City	\$ 1,408,617	\$ 1,879,108
Plan members	291,159	259,658
State of Florida	165,133	144,821
Total contributions	<u>1,864,909</u>	<u>2,283,587</u>
Investment income	4,823,653	(6,449,213)
Less investment expenses:	<u>(142,997)</u>	<u>(167,816)</u>
Net investment income	4,680,656	(6,617,029)
Total additions	<u>6,545,565</u>	<u>(4,333,442)</u>
DEDUCTIONS		
Administrative expenses	62,858	86,955
Payments to retirees and participants	<u>2,738,677</u>	<u>2,320,129</u>
Total deductions	<u>2,801,535</u>	<u>2,407,084</u>
CHANGE IN NET POSITION	3,744,030	(6,740,526)
NET POSITION, beginning of year	<u>36,391,573</u>	<u>43,132,099</u>
NET POSITION, end of year	<u>\$ 40,135,603</u>	<u>\$ 36,391,573</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 reports the following fiduciary component units:

- General Employees' Retirement Plan
- Police Officers' Retirement Plan

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 funds:

- 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.
- The **American Rescue Plan Act (ARPA) Special Revenue Fund** is used to account for the receipt and expenditure of ARPA funding to support the City's recovery from the COVID-19 pandemic.
- The **Capital Projects Fund** is 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).

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.

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.
- **Debt Service Fund** – The debt service fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.
- **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 assets 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 assets 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.

Lease related – represents the total unrecognized revenue to be received from the City’s antenna placement leases.

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, 2022, from which the summarized information was derived.

Leases:

Lessee: The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements when the initial value of the lease liability is deemed to be material. For the year ended September 30, 2023, the City reports no right-to-use lease assets or lease liabilities.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The City is a lessor for several noncancellable antenna placement leases. The City recognizes a lease receivable and a deferred inflow of resources in the business-type activities and the enterprise fund financial statements.

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

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses the stated interest rate in the lease agreement if available and if not, utilizes a high-quality municipal bond rate based on the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices nearest to the date of lease commencement.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset, receivable, liability and/or deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease liability.

Implementation of New GASB Pronouncements

During the fiscal year ended September 30, 2023, the City implemented the provisions of GASB Statement No. 96 – Subscription-Based Information Technology Arrangement. The objective of this Statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs), improving the comparability of financial statements among governments that have entered into SBITAs and to enhance the understandability, reliability, relevance and consistency of information about SBITAs. Under this Statement, a government generally should recognize a subscription liability and an intangible right-to-use subscription asset. Due to the immaterial nature of the City’s SBITAs, adoption of the new guidance had no effect on the financial statements.

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. 100, “Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62.”**

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

- **Statement No. 101, “Compensated Absences.”**

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the 2025 fiscal year and will be evaluated in the future closer to the implementation period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

- **Statement No. 102, “Certain Risk Disclosures.”**

The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This statement is effective for the 2025 fiscal year and will result in additional financial statement disclosures.

- **Statement No. 103, “Financial Reporting Model Improvements.”**

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This statement is effective for the 2026 fiscal year and will be evaluated in the future closer to the implementation period.

- **Statement No. 104, “Disclosure of Certain Capital Assets.”**

The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This statement is effective for the 2026 fiscal year and will result in expanded financial statement disclosures, but the changes are not expected to be significant.

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, 2023, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was \$11,701,840, and the related bank balance was \$12,345,111. 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.

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

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, 2023:

Investment Type	Investment Maturities					Total
	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	
Accrued interest	\$ 187,398	\$ 187,398	\$ -	\$ -	\$ -	187,398
Money market funds / cash	701,430	701,430	-	-	-	701,430
Corporate bonds	9,053,210	1,896,190	7,157,020	-	-	9,053,210
U.S. Treasury Obligations and Federal Agency Securities	15,214,699	1,302,195	13,912,504	-	-	15,214,699
Florida PRIME	25,991	25,991	-	-	-	25,991
Total	\$ 25,182,728	\$ 4,113,204	\$ 21,069,524	\$ -	\$ -	\$ 25,182,728

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, 2023, 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.

The City’s fixed income investment balances as of on September 30, 2023, are comprised of the following items:

Investment Type	Moody's Credit Rating	Percentage of Total Fixed Income Investments
Corporate Bonds	Aaa	0.38%
Corporate Bonds	Aa2	0.75%
Corporate Bonds	Aa3	0.52%
Corporate Bonds	A1	5.71%
Corporate Bonds	A2	4.31%
Corporate Bonds	A3	5.23%
Corporate Bonds	Baa1	5.67%
Corporate Bonds	Baa2	6.33%
Corporate Bonds	Baa3	0.39%
Corporate Bonds	Not Rated	7.99%
U.S. Treasury Obligations and Federal Agency Securities	Aaa	57.08%
U.S. Treasury Obligations and Federal Agency Securities	Not Rated	5.64%
		100.00%

**CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

Listed below are the investments, credit ratings and maturities in the City’s pension trust funds on September 30, 2023:

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	\$ 254,298	\$ 254,298	\$ -	\$ -	\$ -	\$ 254,298
Corporate bonds	2,217,186	37,102	1,841,633	338,451	-	2,217,186
U.S. Treasury Obligations and Federal Agency Securities	3,777,607	155,118	2,468,281	519,860	634,348	3,777,607
Total	\$ 6,249,091	\$ 446,518	\$ 4,309,914	\$ 858,311	\$ 634,348	\$ 6,249,091

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	\$ 198,038	\$ 198,038	\$ -	\$ -	\$ -	\$ 198,038
Corporate bonds	1,351,046	21,480	1,043,102	259,900	26,564	1,351,046
U.S. Treasury Obligations and Federal Agency Securities	2,446,132	82,309	1,567,353	434,134	362,336	2,446,132
Total	\$ 3,995,216	\$ 301,827	\$ 2,610,455	\$ 694,034	\$ 388,900	\$ 3,995,216

The City’s pension trust fund fixed income investment balances as of September 30, 2023, are comprised of the following items:

General Employees’ Pension Plan:

Investment Type	Moody's Credit Rating	Percentage of Total Fixed Income Investments
Corporate Bonds	Aaa	0.00%
Corporate Bonds	Aa2	0.00%
Corporate Bonds	A1	11.12%
Corporate Bonds	A2	3.27%
Corporate Bonds	A3	5.94%
Corporate Bonds	Baa1	2.13%
Corporate Bonds	Baa2	12.83%
Corporate Bonds	Baa3	1.70%
U.S. Treasury Obligations and Federal Agency Securities	AAA	51.27%
U.S. Treasury Obligations and Federal Agency Securities	Not Rated	11.74%
		100.00%

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

Police Officers Pension Plan:

Investment Type	Moody's Credit Rating	Percentage of Total Fixed Income Investments
Corporate Bonds	Aaa	0.00%
Corporate Bonds	Aa2	0.00%
Corporate Bonds	A1	9.49%
Corporate Bonds	A2	3.19%
Corporate Bonds	A3	5.73%
Corporate Bonds	Baa1	2.12%
Corporate Bonds	Baa2	11.99%
Corporate Bonds	Baa3	3.06%
U.S. Treasury Obligations and Federal Agency Securities	Aaa	54.98%
U.S. Treasury Obligations and Federal Agency Securities	Not Rated	9.44%
		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, 2023:

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	\$ 187,398	\$ 187,398	\$ -	\$ -
Money Markets	727,421	727,421	-	-
Corporate Bonds	9,053,150	-	9,053,150	-
U.S. Treasury Obligations and Federal Agency Securities	15,214,699	-	15,214,699	-
Subtotal - City Investments	25,182,668	914,819	24,267,849	-
General Employees' Pension Plan:				
Money Markets	254,298	254,298	-	-
Corporate Bonds	2,217,186	-	2,217,186	-
U.S. Treasury Obligations and Federal Agency Securities	3,777,607	-	3,777,607	-
Mutual Funds - Equities	2,886,596	2,886,596	-	-
ETFs	3,617,546	3,617,546	-	-
Equities	10,937,655	10,937,655	-	-
Subtotal - General Employees' Pension Plan	23,690,888	17,696,095	5,994,793	-
Police Officers' Pension Plan:				
Money Markets	198,038	198,038	-	-
Corporate Bonds	1,351,046	-	1,351,046	-
U.S. Treasury Obligations and Federal Agency Securities	2,446,132	-	2,446,132	-
Mutual Funds - Equities	2,058,065	2,058,065	-	-
ETFs	2,304,788	2,304,788	-	-
Equities	7,081,199	7,081,199	-	-
ICMA Self Directed	90,359	90,359	-	-
Subtotal - Police Officers' Pension Plan	15,529,627	11,732,449	3,797,178	-
Total Investments Measured at Fair Value	\$ 64,403,183	\$ 30,343,363	\$ 34,059,820	\$ -

NOTE 3 – RECEIVABLES

Receivables, net of the allowance for doubtful accounts on September 30, 2023, consist of the following:

Fund	Total Accounts Receivable	Less Allowance for Doubtful Accounts	Accounts Receivable Net
General Fund	\$ 1,304	\$ -	\$ 1,304
Utility Fund	1,263,746	(537,300)	726,446
Stormwater Fund	75,481	(35,928)	39,553
Sanitation Fund	153,125	(100,110)	53,015
Total	\$ 1,493,656	\$ (673,338)	\$ 820,318

Included in accounts receivable are \$310,934 of water and sewer revenues earned, but not billed as of September 30, 2023.

NOTE 4 – LEASES

Lease Receivable – The City has one reportable lease receivable related to antenna lease agreements originally executed in 2005. The lease term includes an initial 5-year period with the option of 5 separate 5-year renewal periods thereafter. The lease term ends in 2035 and the lease payments are increased by 3.3% each year.

The City also entered into a new antenna placement lease during 2022 whose lease term includes an initial term of 5 years with the option of 4 5-year renewal periods thereafter ending in 2046. The lease payments are increased by 2% each year.

The City recognized \$72,843 in lease revenue and \$23,648 of interest revenue during the fiscal year related to these two leases. On September 30, 2023, the City’s receivable for lease payments was \$930,925 and reported in the City’s utility enterprise fund. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. On September 30, 2023, the balance of the deferred inflow of resources was \$894,076.

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CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 5 – CAPITAL ASSETS

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

	Balance October 1, 2022	Transfers	Increases	Decreases	Balance September 30, 2023
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 12,090,795	\$ -	\$ -	\$ -	\$ 12,090,795
Construction in process	1,689,512	(442,563)	3,207,744	(137,586)	4,317,107
Total capital assets, not being depreciated	<u>13,780,307</u>	<u>(442,563)</u>	<u>3,207,744</u>	<u>(137,586)</u>	<u>16,407,902</u>
Capital assets, being depreciated:					
Buildings	9,810,880	-	-	-	9,810,880
Intangible assets	525,445	-	-	-	525,445
Improvements other than buildings	43,697,295	442,563	625,903	(868)	44,764,893
Machinery and equipment	7,282,739	-	591,545	(205,860)	7,668,424
Total capital assets, being depreciated	<u>61,316,359</u>	<u>442,563</u>	<u>1,217,448</u>	<u>(206,728)</u>	<u>62,769,642</u>
Less accumulated depreciation for:					
Buildings	(3,099,433)	-	(180,612)	-	(3,280,045)
Intangible assets	(454,562)	-	(13,947)	-	(468,509)
Improvements other than buildings	(19,844,535)	-	(723,161)	-	(20,567,696)
Machinery and equipment	(6,224,603)	-	(640,869)	205,860	(6,659,612)
Total accumulated depreciation	<u>(29,623,133)</u>	<u>-</u>	<u>(1,558,589)</u>	<u>205,860</u>	<u>(30,975,862)</u>
Total capital assets being depreciated, net	<u>31,693,226</u>	<u>442,563</u>	<u>(341,141)</u>	<u>(868)</u>	<u>31,793,780</u>
Governmental activities capital assets, net	<u>\$ 45,473,533</u>	<u>\$ -</u>	<u>\$ 2,866,603</u>	<u>\$ (138,454)</u>	<u>\$ 48,201,682</u>
<u>Business-type activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 1,656,018	\$ -	\$ -	\$ -	\$ 1,656,018
Construction-in-progress	1,465,567	(421,732)	2,468,924	-	3,512,759
Total capital assets, not being depreciated	<u>3,121,585</u>	<u>(421,732)</u>	<u>2,468,924</u>	<u>-</u>	<u>5,168,777</u>
Capital assets, being depreciated:					
Buildings	4,354,563	-	-	-	4,354,563
Intangible assets	244,709	-	-	-	244,709
Improvements other than buildings	87,536,777	421,732	954,799	-	88,913,308
Machinery and equipment	4,116,732	-	199,111	(27,850)	4,287,993
Total capital assets, being depreciated	<u>96,252,781</u>	<u>421,732</u>	<u>1,153,910</u>	<u>(27,850)</u>	<u>97,800,573</u>
Less accumulated depreciation for:					
Buildings	(4,338,953)	-	(4,885)	-	(4,343,838)
Intangible assets	(31,804)	-	(191)	-	(31,995)
Improvements other than buildings	(58,908,585)	-	(2,106,975)	-	(61,015,560)
Machinery and equipment	(3,340,023)	-	(280,760)	27,850	(3,592,933)
Total accumulated depreciation	<u>(66,619,365)</u>	<u>-</u>	<u>(2,392,811)</u>	<u>27,850</u>	<u>(68,984,326)</u>
Total capital assets being depreciated, net	<u>29,633,416</u>	<u>421,732</u>	<u>(1,238,901)</u>	<u>-</u>	<u>28,816,247</u>
Business-type activities capital assets, net	<u>\$ 32,755,001</u>	<u>\$ -</u>	<u>\$ 1,230,023</u>	<u>\$ -</u>	<u>\$ 33,985,024</u>

NOTE 5 – CAPITAL ASSETS (concluded)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$	187,607
Public safety		461,739
Transportation		574,123
Parks and recreation		<u>335,120</u>
Total depreciation expense - governmental activities	\$	<u>1,558,589</u>

Business-type Activities:

Utility	\$	1,840,502
Stormwater		518,923
Sanitation		15,451
Building Code Enforcement		<u>17,935</u>
Total depreciation expense - business-type activities	\$	<u>2,392,811</u>

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**CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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, 2023:

	Balance October 1, 2022	Increases	Decreases	Balance September 30, 2023	Amounts Due within One Year
Governmental Activities:					
Long-term debt:					
Capital Improvement Revenue Bond, Series 2018	\$ 1,175,000	\$ -	\$ (80,000)	\$ 1,095,000	\$ 85,000
Total long-term debt	<u>1,175,000</u>	<u>-</u>	<u>(80,000)</u>	<u>1,095,000</u>	<u>85,000</u>
Other liabilities:					
OPEB obligation	283,916	-	(21,844)	262,072	-
Net pension liability	-	4,986,980	-	4,986,980	-
Compensated absences	1,006,019	28,572	-	1,034,591	182,699
Total other liabilities	<u>1,289,935</u>	<u>5,015,552</u>	<u>(21,844)</u>	<u>6,283,643</u>	<u>182,699</u>
Total long-term obligations	<u>\$ 2,464,935</u>	<u>\$ 5,015,552</u>	<u>\$ (101,844)</u>	<u>7,378,643</u>	<u>\$ 267,699</u>
Less amounts due in one year				(267,699)	
Total noncurrent obligations due in more than one year				<u>\$ 7,110,944</u>	
Business-type Activities:					
Long-term debt:					
Utility System Revenue Refunding Bond, Series 2014	\$ 5,505,000	\$ -	\$ (1,330,000)	\$ 4,175,000	\$ 1,360,000
Refunding Bank Loan Series 2021	4,756,000	-	(447,000)	4,309,000	455,000
Total bonds and notes payable	<u>10,261,000</u>	<u>-</u>	<u>(1,777,000)</u>	<u>8,484,000</u>	<u>1,815,000</u>
Other liabilities:					
OPEB obligation	108,043	-	(10,360)	97,683	-
Net pension liability	-	1,341,113	-	1,341,113	-
Compensated absences	364,179	-	(32,699)	331,480	68,463
Total other liabilities	<u>472,222</u>	<u>1,341,113</u>	<u>(43,059)</u>	<u>1,770,276</u>	<u>68,463</u>
Total long-term liabilities	<u>\$ 10,733,222</u>	<u>\$ 1,341,113</u>	<u>\$ (1,820,059)</u>	<u>10,254,276</u>	<u>\$ 1,883,463</u>
Less amounts due in one year				(1,883,463)	
Net long-term liabilities in excess of one year				<u>\$ 8,370,813</u>	

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.
- Refunding Bank Loan Series 2021 was issued on May 17, 2021 in the amount of \$5,193,000 to refund the FDEP loans #DW160710 and #WW160700. The FDEP loans were originally used for water and wastewater system improvements. The Refunding Bank Loan Series 2021 is payable in semiannual installments of principal and interest through May 15, 2032 with an effective interest rate of 1.69% and is 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.

Notes to the Long-Term Obligations Table:

The annual requirements to amortize all revenue bonds and loans payable outstanding on September 30, 2023, 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>
2024	\$ 85,000	\$ 37,364	\$ 1,815,000	\$ 152,464
2025	85,000	34,346	1,851,000	112,696
2026	90,000	31,240	1,895,000	72,056
2027	90,000	28,045	478,000	47,463
2028	95,000	24,761	487,000	39,329
2029-2033	530,000	69,758	1,958,000	73,756
2034-2038	120,000	2,130	-	-
Total	<u>\$ 1,095,000</u>	<u>\$ 227,644</u>	<u>\$ 8,484,000</u>	<u>\$ 497,764</u>

Interest and amortization expenses incurred during the year ended September 30, 2023, amounted to \$361,338.

The City is also required to maintain certain debt service coverage ratios in accordance with bond resolutions. As of September 30, 2023, and during the year then ended, the City was in compliance with those ratios.

NOTE 6 – LONG-TERM OBLIGATIONS (concluded)

Pledged Revenue

The City has pledged certain revenues to repay certain bonds and notes outstanding as of September 30, 2023. 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, 2023:

Description	Pledged Revenue	Revenue Pledged Through	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Net Revenue	Percentage of Net Revenues to Principal and Interest Paid
2014 - Utility System Refunding Bonds	Utility Net Revenues	2026	\$ 4,322,431	\$ 1,442,771	\$ 4,870,623	
Refunding Bank Loan, Series 2021	Utility Net Revenues	2032	4,659,333	525,633	4,870,623	
Total			<u>\$ 8,981,764</u>	<u>\$ 1,968,404</u>	<u>\$ 4,870,623</u>	<u>247.44%</u>

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.

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, 2023, there are two series of Health Facility Revenue and Refunding Bonds outstanding, with an aggregate principal amount payable of \$118,380,000

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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 below in NOTE 7 of the notes to financials statements. As of, and for the year ended September 30, 2023, the two plans have the following balances reported in the government-wide financials statements:

	Total Pension Liability	Net pension liability (asset)	Deferred outflows of resources	Deferred inflows of resources	Pension expense (benefit)
Retirement Plan					
General Employees'	\$ 25,540,642	\$ 3,493,351	\$ 3,794,473	\$ -	\$ 800,772
Police Officers'	17,179,024	2,834,742	2,801,772	261,057	530,699
	<u>\$ 42,719,666</u>	<u>\$ 6,328,093</u>	<u>\$ 6,596,245</u>	<u>\$ 261,057</u>	<u>\$ 1,331,471</u>

Detailed disclosures for each plan follow.

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 on September 30, 2022 and 2021 (latest actuarial data available), were as follows:

	September 30 2022	September 30 2021
Inactive plan members or beneficiaries currently receiving benefits	84	81
Inactive plan members entitled to but not yet receiving benefits	6	5
Active plan members	18	22
Total	<u>108</u>	<u>108</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, 2023, Plan net position included \$291,124 of DROP account balances.

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

Contributions

The City is required to contribute an actuarially determined amount of \$850,266 (60% of covered payroll) for the year ended September 30, 2023. City contributions to the Plan were \$850,266 for the year ended September 30, 2023. 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.

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, 2022, 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, 2023, 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, 2023 (September 30, 2022 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 9/30/2022	\$ 24,901,187	\$ 26,496,836	\$ (1,595,649)
Changes for the year:			
Service cost	241,673	-	241,673
Interest	1,646,364	-	1,646,364
Difference between actual and expected experience	255,984	-	255,984
Contributions - City	-	1,099,884	(1,099,884)
Contributions - employee	-	81,830	(81,830)
Net investment income	-	(4,081,483)	4,081,483
Benefit payments, including refunds of employee contributions	(1,504,566)	(1,504,566)	-
Administrative expense	-	(45,210)	45,210
Net changes	<u>639,455</u>	<u>(4,449,545)</u>	<u>5,089,000</u>
Reporting period ending 9/30/2023	<u>\$ 25,540,642</u>	<u>\$ 22,047,291</u>	<u>\$ 3,493,351</u>

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

The components of the net pension liability (asset) for the Plan as of the September 30, 2023 measurement date were as follows:

Total pension liability	\$ 25,579,142
Plan fiduciary net position	<u>(23,871,925)</u>
Net pension liability (asset)	<u>\$ 1,707,217</u>
Plan fiduciary net position as a percentage of the total pension liability	93%

For the year ended September 30, 2023, the City recognized a total pension expense of \$800,772. 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	\$ 73,138	\$ -
Change in assumptions	-	-
Difference between projected and actual earnings on Plan investments	2,871,069	-
City contributions subsequent to the measurement date	<u>850,266</u>	<u>-</u>
Total	<u>\$ 3,794,473</u>	<u>\$ -</u>

Contributions made after the measurement date (shown above) will be recognized as a reduction of net pension liability (or increase in the net pension asset) in the fiscal year ended September 30, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	Amount
2024	\$ 751,749
2025	535,191
2026	485,746
2027	<u>1,171,521</u>
	<u>\$ 2,944,207</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 14.05% and -16.01% for the years ended September 30, 2023 and 2022, 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, 2021, rolled forward to the measurement date of September 30, 2022, 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:	Pub-2010 Headcount-Weighted Mortality Tables are used with mortality improvements projected for nondisabled lives to all future years using Scale MP-2018.
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>
Large Cap Equity	33%	5.82%
Small/Mid Cap Equity	10%	5.54%
International Equities	15%	4.51%
Fixed Income (70% core/30% Short-term)	30%	1.25%
Alternatives (50% REITS/50% MLPS)	6%	4.19%
Cash and Equivalents	6%	0.74%

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 (asset) of the City, calculated using the discount rate noted below, as well as what the City's net pension liability (asset) 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, 2022 and the financial reporting date of September 30, 2023.

As of September,	Current Discount Rate	1% Decrease	Current Rate	1% Increase
9/30/2022	6.75%	\$ 6,031,093	\$ 3,493,351	\$ 1,307,277
9/30/2023	6.75%	\$ 4,225,050	\$ 1,707,217	\$ (476,902)

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, 2022 and 2021 measurement dates (latest actuarial data available), were as follows:

	September 30 2022	September 30 2021
Inactive plan members or beneficiaries currently receiving benefits	21	22
Inactive plan members entitled to but not yet receiving benefits	4	4
Active plan members	26	27
Total	51	53

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, 2023, Police Plan net position included \$91,274 of DROP account balances.

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

Contributions

The City is required to contribute an actuarially determined amount of \$483,076 (22% of covered payroll) for the year ended September 30, 2023. The City may use State contributions to offset this required contribution. City and State contributions to the Police Plan were \$723,484 for the year ended September 30, 2023. 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, 2022, 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, 2023, 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, 2023 (September 30, 2022 measurement date) is shown below:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
Reporting period ending 9/30/2022	\$ 16,284,898	\$ 16,635,263	\$ (350,365)
Changes for the year:			
Service cost	414,067	-	414,067
Interest	1,099,655	-	1,099,655
Difference between actual and expected experience	195,967	-	195,967
Contributions - City	-	779,224	(779,224)
Contributions - State	-	144,821	(144,821)
Contributions - employee	-	177,828	(177,828)
Net investment income	-	(2,535,548)	2,535,548
Benefit payments, including refunds of employee contributions	(815,563)	(815,563)	-
Administrative expense	-	(41,743)	41,743
Net changes	894,126	(2,290,981)	3,185,107
Reporting period ending 9/30/2023	<u>\$ 17,179,024</u>	<u>\$ 14,344,282</u>	<u>\$ 2,834,742</u>

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

The components of the net pension liability (asset) for the Police Plan as of the September 30, 2023 measurement date were as follows:

Total pension liability	\$ 17,916,032
Plan fiduciary net position	<u>(16,263,678)</u>
Net pension liability (asset)	<u>\$ 1,652,354</u>

Plan fiduciary net position as a percentage of the total pension liability 91%

For the year ended September 30, 2023, the City recognized total pension expense of \$530,699. 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	\$ 163,299	\$ 56,061
Change in assumptions	-	204,996
Net difference between projected and actual earnings on Plan investments	1,914,989	-
City contributions subsequent to the measurement date	<u>723,484</u>	<u>-</u>
Total	<u>\$ 2,801,772</u>	<u>\$ 261,057</u>

Contributions made after the measurement date (shown above) will be recognized as a reduction of net pension liability (or increase in the net pension asset) in the fiscal year ending September 30, 2024. 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
2024	\$ 366,713
2025	348,940
2026	368,239
2027	<u>733,339</u>
	<u>\$ 1,817,231</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 6.13% and -14.98% for the years ended September 30, 2023 and 2022, 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, 2021, rolled forward to September 30, 2022, 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:	Pub-2010 Headcount-Weighted Mortality Tables are used with mortality improvements projected for nondisabled lives to all future years using Scale MP-2018.
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>
Large Cap Equity	33%	5.82%
Small/Mid Cap Equity	10%	5.54%
International Equities	15%	4.51%
Fixed Income (70% core/30% Short-term)	30%	1.25%
Alternatives (50% REITS/50% MLPS)	6%	4.19%
Cash and Equivalents	6%	0.74%

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 (asset) of the City, calculated using the discount rate noted below, as well as what the City's net pension liability (asset) 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, 2021 and the financial reporting date of September 30, 2022.

As of September,	Current Discount Rate	1% Decrease	Current Rate	1% Increase
9/30/2022	6.75%	\$ 4,809,571	\$ 2,834,742	\$ 1,174,390
9/30/2023	6.75%	\$ 3,564,072	\$ 1,652,354	\$ 43,465

The Statements of Fiduciary Net Position for the City's pension trust funds for the year ended September 30, 2023 were as follows:

	Pension Trust Funds			
	General Employees' Retirement Plan	Police Officers' Retirement Plan	2023 Totals	2022 Totals
ASSETS				
Cash and cash equivalents	\$ 126,485	\$ 702,421	\$ 828,906	\$ 478,118
Due from other governments	-	-	-	-
Accrued income	54,552	34,781	89,333	47,643
Investments at fair value	23,690,888	15,529,627	39,220,515	36,131,971
Total assets	23,871,925	16,266,829	40,138,754	36,657,732
LIABILITIES				
Accounts payable and accrued liabilities	-	3,151	3,151	10,900
Due to City	-	-	-	255,259
Total Liabilities	-	3,151	3,151	266,159
NET POSITION				
Restricted for pension benefits	\$ 23,871,925	\$ 16,263,678	\$ 40,135,603	\$ 36,391,573

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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, 2023 were as follows:

	Pension Trust Funds			
	General Employees' Retirement Plan	Police Officers' Retirement Plan	2023 Totals	2022 Totals
ADDITIONS				
Contributions:				
City	\$ 850,266	\$ 558,351	\$ 1,408,617	\$ 1,879,108
Plan members	75,784	215,375	291,159	259,658
State of Florida	-	165,133	165,133	144,821
Total contributions	926,050	938,859	1,864,909	2,283,587
Investment income	3,027,121	1,796,532	4,823,653	(6,449,213)
Less investment expenses:	(89,153)	(53,844)	(142,997)	(167,816)
Net investment income	2,937,968	1,742,688	4,680,656	(6,617,029)
Total additions	3,864,018	2,681,547	6,545,565	(4,333,442)
DEDUCTIONS				
Administrative expenses	36,135	26,723	62,858	86,955
Payments to retirees and participants	2,003,249	735,428	2,738,677	2,320,129
Total deductions	2,039,384	762,151	2,801,535	2,407,084
CHANGE IN NET POSITION	1,824,634	1,919,396	3,744,030	(6,740,526)
NET POSITION, beginning of year	22,047,291	14,344,282	36,391,573	43,132,099
NET POSITION, end of year	\$ 23,871,925	\$ 16,263,678	\$ 40,135,603	\$ 36,391,573

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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 \$182,498 and \$160,110 for the years ended September 30, 2023 and 2022, 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, 2021, the valuation date of the latest actuarial valuation:

	September 30, 2021
Inactive plan members or beneficiaries currently receiving benefits	1
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	103
Total	<u>104</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, 2021 actuarial valuation (used for the September 30, 2022 measurement date), 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: 4.40%

Investment Rate of Return: 0.0%

Salary Increases: Rates used in the October 1, 2021 actuarial valuation of the City’s pension plans.

Healthcare Cost Trend: Based on Getzen Model, with trend of 8.00% for 2022, 5.75% for 2023 and then gradually decreasing to an ultimate trend rate of 3.75%.

Mortality: Mortality tables used for Regular and Special Risk Class members in the July 1, 2020 actuarial valuation of the Florida Retirement System. These rates were taken from the adjusted Pub-2010 mortality tables published by the Society of Actuaries with generational improvements using scale MP-2018. The adjustments to the reference tables are based on the results of a statewide experience study covering the period 2013 through 2018.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.40% as of September 30, 2022 (measurement date), 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, 2022 and was determined by an actuarial valuation as of September 30, 2021. Changes in the Total OPEB liability were as follows:

	Total OPEB Liability
Reporting period ending September 30, 2022	\$ 391,959
Changes for the year:	
Service cost	55,813
Interest	9,684
Changes of assumptions	(86,543)
Benefit payments	(11,158)
Net changes	(32,204)
Reporting period ending September 30, 2023	\$ 359,755

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	\$ 395,510	\$ 359,755	\$ 328,404

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	\$ 310,487	\$ 359,755	\$ 420,463

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2023, the City recognized OPEB expense of \$22,928. On September 30, 2023, 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	\$ 40,025	\$ 148,639
Differences between expected and actual experience	-	119,697
City contributions subsequent to the measurement date	17,200	-
Total	<u>\$ 57,225</u>	<u>\$ 268,336</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$11,158 resulting from estimated 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, 2023. 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>
2024	\$ (42,569)
2025	(42,566)
2026	(39,908)
2027	(37,631)
2028	(25,390)
Thereafter	<u>(40,247)</u>
Total	<u>\$ (228,311)</u>

NOTE 10 – INTERFUND ACCOUNTS

Individual fund inter-fund receivables and payables on September 30, 2023, consist of the following:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 495,710	\$ -
Sanitation Fund	-	21,093
Local Option Gas Tax Fund	-	317,871
Debt Service Fund	-	19,848
Court cost training fund	-	39,181
Half-cent Sales Tax Fund	-	97,717
	<u>\$ 495,710</u>	<u>\$ 495,710</u>

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, 2023:

	Transfer In:						Total
	General Fund	Capital Projects Fund	Debt Service Fund	Community Development Block Grant Fund	Stormwater Fund	Utility Fund Fund	
Transfers Out:							
Utility Fund	\$ 833,911	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 833,911
General Fund	-	50,000	-	51,250	-	-	101,250
Parking Fund	-	-	-	50,000	-	-	50,000
Local Option Gas Tax Fund	324,256	488,000	-	-	-	-	812,256
Sanitation Fund	179,790	-	-	-	-	-	179,790
ARPA Fund	1,063,336	333,336	-	-	315,944	1,166,664	2,879,280
Stormwater Fund	-	350,000	-	-	-	-	350,000
Convention Development Tax Fund	-	-	120,293	-	-	-	120,293
Capital Projects Fund	-	-	-	-	-	-	-
Half-cent Sales Tax Fund	50,000	1,000,000	-	-	414,068	-	1,464,068
Total	<u>\$ 2,451,293</u>	<u>\$ 2,221,336</u>	<u>\$ 120,293</u>	<u>\$ 101,250</u>	<u>\$ 730,012</u>	<u>\$ 1,166,664</u>	<u>\$ 6,790,848</u>

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, 2023, the City incurred \$1,351,082 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.

NOTE 15 - RESTATEMENT

During 2023 the City identified an error that understated 2022 sanitation expenses thereby overstating business-type activities and sanitation fund net position on September 30, 2022. As a result, the beginning net position of the business-type activities and sanitation fund were restated by decreasing the previously reported balance by \$107,338 to reflect the effect of these expenses on beginning net position.

NOTE 16 – SUBSEQUENT EVENT

The City Commission passed Resolution 24-25 on May 13, 2024 approving the purchase of real property for \$1,075,000 to be paid from the American Rescue Plan Act Special Revenue Fund.

NOTE 17 – DEFICIT FUND BALANCE

On September 30, 2023 the following nonmajor governmental funds reported deficit fund balance amounts as follows:

- Local Option Gas Tax Special Revenue Fund – (\$194,101)
- Court Cost Training Special Revenue Fund – (\$40,694)
- Debt Service Fund – (\$19,848)

These deficits were caused by expenditures paid for by the general fund to be reimbursed by these nonmajor governmental funds as revenue is generated in future years.

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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) see Note A	Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 7,319,003	\$ 7,319,003	\$ 7,224,605	\$ (94,398)
Non-property taxes	1,191,518	1,191,518	1,308,418	116,900
Licenses and permits	925,700	925,700	1,093,728	168,028
Intergovernmental revenue	2,716,369	2,716,369	2,544,905	(171,464)
Charges for services	920,040	920,040	1,059,239	139,199
Fines and forfeitures	51,375	51,375	147,426	96,051
Investment earnings (loss)	200,000	200,000	263,030	63,030
Miscellaneous revenues	9,525	9,525	176,671	167,146
Interfund charges	1,776,156	1,776,156	1,766,199	(9,957)
Total revenues	15,109,686	15,109,686	15,584,221	474,535
EXPENDITURES				
City Administration:				
City Commission	65,033	65,033	58,234	6,799
City Clerk	434,545	436,559	315,596	120,963
City Attorney	175,000	187,406	161,411	25,995
City Manager	519,168	547,734	542,567	5,167
Human resources	303,487	303,487	523,866	(220,379)
Information technology	824,535	857,607	744,854	112,753
Finance	1,437,809	1,476,333	1,429,218	47,115
Total City administration	3,759,577	3,874,159	3,775,746	98,413
Planning and zoning	625,581	630,683	375,538	255,145
General government	993,651	1,020,494	844,440	176,054
Public safety:				
Police	5,832,076	5,935,554	5,721,157	214,397
Animal control	115,967	118,642	110,815	7,827
Fire control	2,330,818	2,331,061	1,691,261	639,800
Code enforcement	169,360	175,360	152,327	23,033
Total public safety	8,448,221	8,560,617	7,675,560	885,057

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, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis) see Note A	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works:				
Administration and streets	1,911,007	2,008,127	1,721,388	286,739
Fleet maintenance	352,190	367,450	275,796	91,654
Total public works	<u>2,263,197</u>	<u>2,375,577</u>	<u>1,997,184</u>	<u>378,393</u>
Parks and recreation				
Recreation and special events	811,936	815,519	684,528	130,991
Parks maintenance	1,443,934	1,514,277	1,180,618	333,659
Total parks and recreation	<u>2,255,870</u>	<u>2,329,796</u>	<u>1,865,146</u>	<u>464,650</u>
Total expenditures	<u>18,346,097</u>	<u>18,791,326</u>	<u>16,533,614</u>	<u>2,257,712</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(3,236,411)</u>	<u>(3,681,640)</u>	<u>(949,393)</u>	<u>2,732,247</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(101,250)	(101,250)	(101,250)	-
Transfers in	3,162,751	3,162,751	2,451,293	711,458
Sale of general capital assets	25,000	25,000	12,013	(12,987)
Total other financing sources (uses)	<u>3,086,501</u>	<u>3,086,501</u>	<u>2,362,056</u>	<u>698,471</u>
NET CHANGE IN FUND BALANCE	<u>\$ (149,910)</u>	<u>\$ (595,139)</u>	<u>\$ 1,412,663</u>	<u>\$ 2,007,802</u>

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, 2023

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

Sources/inflows of resources

Total revenue from the budgetary comparison schedule	\$ 15,584,221
Differences - budget to GAAP:	
For GAAP, General Fund inter-fund charges are reported as a reduction in the applicable expenditure function rather than revenues.	(1,766,199)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances (page 16)	<u><u>\$ 13,818,022</u></u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the Total expenditures from the budgetary comparison schedule	\$ 16,533,614
Differences - budget to GAAP:	
For GAAP, General Fund inter-fund charges are reported as a reduction in the applicable expenditure function rather than revenues.	(1,766,199)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances (page 16)	<u><u>\$ 14,767,415</u></u>

(*) - Interfund charges by Division

City Manager	\$ 293,900
Finance	673,493
Public Works Admin	295,070
Fleet and Equipment Maintenance	82,998
Human Resources	69,432
Information Technology	181,507
Facility Maintenance	169,799
	<u><u>\$ 1,766,199</u></u>

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.

**CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – AMERICAN RESCUE
PLAN ACT SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) see Note A	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 3,473,921	\$ 8,947,842	\$ 2,879,279	\$ (6,068,563)
Total revenues	<u>3,473,921</u>	<u>8,947,842</u>	<u>2,879,279</u>	<u>(6,068,563)</u>
EXPENDITURES				
None	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES				
	<u>3,473,921</u>	<u>8,947,842</u>	<u>2,879,279</u>	<u>(6,068,563)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(4,318,921)	(4,318,921)	(2,879,280)	1,439,641
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>(4,318,921)</u>	<u>(4,318,921)</u>	<u>(2,879,280)</u>	<u>1,439,641</u>
NET CHANGE IN FUND BALANCE	<u>\$ (845,000)</u>	<u>\$ 4,628,921</u>	<u>\$ (1)</u>	<u>\$ (4,628,922)</u>

CITY OF ATLANTIC BEACH, FLORIDA

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

City reporting period date	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Measurement date	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Total pension liability					
Service cost	\$ 214,537	\$ 241,673	\$ 244,995	\$ 288,450	\$ 332,673
Interest	1,670,865	1,646,364	1,633,199	1,604,466	1,566,226
Change in assumptions	-	-	(420,148)	-	-
Difference between expected and actual experience	156,347	255,984	207,558	(44,031)	40,197
Benefit payments, including refunds of employee contributions	(1,967,963)	(1,504,566)	(1,429,935)	(1,329,553)	(1,327,161)
Employee buy-back	(35,286)	-	-	-	-
Net change in total pension liability	38,500	639,455	235,669	519,332	611,935
Total pension liability, beginning	25,540,642	24,901,187	24,665,518	24,146,186	23,534,251
Total pension liability, ending (a)	\$ 25,579,142	\$ 25,540,642	\$ 24,901,187	\$ 24,665,518	\$ 24,146,186
Plan fiduciary net position					
Contributions - City	\$ 850,266	\$ 1,099,884	\$ 1,248,604	\$ 1,362,952	\$ 1,424,479
Contributions - Employee	75,784	81,830	87,209	96,921	107,745
Net investment income (loss)	2,937,968	(4,081,483)	4,891,453	1,138,973	619,176
Benefit payments, including refunds of employee contributions	(2,003,249)	(1,504,566)	(1,429,935)	(1,329,553)	(1,327,161)
Administrative expenses	(36,135)	(45,210)	(19,631)	(48,109)	(40,584)
Net change in plan fiduciary net position	1,824,634	(4,449,545)	4,777,700	1,221,184	783,655
Plan fiduciary net position, beginning	22,047,291	26,496,836	21,719,136	20,497,952	19,714,297
Plan fiduciary net position, ending (b)	\$ 23,871,925	\$ 22,047,291	\$ 26,496,836	\$ 21,719,136	\$ 20,497,952
Net pension liability (asset) (a)-(b)	\$ 1,707,217	\$ 3,493,351	\$ (1,595,649)	\$ 2,946,382	\$ 3,648,234
Plan fiduciary net position as a percentage of total pension liability	93.33%	86.32%	106.41%	88.05%	84.89%
Covered payroll	\$ 1,263,067	\$ 1,363,833	\$ 1,453,483	\$ 1,615,350	\$ 1,795,750
Net pension liability as a percentage of covered payroll	135.16%	256.14%	-109.78%	182.40%	203.16%

Continued...

CITY OF ATLANTIC BEACH, FLORIDA

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

City reporting period date	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Measurement date	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total pension liability					
Service cost	\$ 345,019	\$ 346,460	\$ 348,604	\$ 402,093	\$ 399,576
Interest	1,574,193	1,485,239	1,437,296	1,404,316	1,386,245
Change in assumptions	695,507	559,117	-	-	1,814,460
Difference between expected and actual experience	(473,189)	291,669	164,601	(162,280)	-
Benefit payments, including refunds of employee contributions	(1,501,456)	(1,319,107)	(1,207,804)	(1,031,191)	(707,218)
Employee buy-back	-	-	-	-	-
Net change in total pension liability	640,074	1,363,378	742,697	612,938	2,893,063
Total pension liability, beginning	<u>22,894,177</u>	<u>21,530,799</u>	<u>20,788,102</u>	<u>20,175,164</u>	<u>17,282,101</u>
Total pension liability, ending (a)	<u>\$ 23,534,251</u>	<u>\$ 22,894,177</u>	<u>\$ 21,530,799</u>	<u>\$ 20,788,102</u>	<u>\$ 20,175,164</u>
Plan fiduciary net position					
Contributions - City	\$ 1,332,119	\$ 1,175,572	1,112,344	\$ 863,613	\$ 950,980
Contributions - Employee	117,536	124,024	128,204	136,191	157,383
Net investment income (loss)	1,554,225	1,792,192	1,515,746	162,326	778,981
Benefit payments, including refunds Of employee contributions	(1,501,456)	(1,319,107)	(1,207,804)	(1,031,191)	(707,218)
Administrative expenses	(31,261)	(53,880)	(32,495)	(41,909)	(31,529)
Net change in plan fiduciary net position	1,471,163	1,718,801	1,515,995	89,030	1,148,597
Plan fiduciary net position, beginning	<u>18,243,134</u>	<u>16,524,333</u>	<u>15,008,338</u>	<u>14,919,308</u>	<u>13,770,711</u>
Plan fiduciary net position, ending (b)	<u>\$ 19,714,297</u>	<u>\$ 18,243,134</u>	<u>\$ 16,524,333</u>	<u>\$ 15,008,338</u>	<u>\$ 14,919,308</u>
Net pension liability (asset) (a)-(b)	<u>\$ 3,819,954</u>	<u>\$ 4,651,043</u>	<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	83.77%	79.68%	76.75%	72.20%	73.95%
Covered payroll	\$ 1,958,933	\$ 2,067,067	\$ 2,136,733	\$ 2,269,850	\$ 2,623,050
Net pension liability as a percentage of covered payroll	195.00%	225.01%	234.30%	254.63%	200.37%

Change of Assumptions:

For measurement date September 30, 2021:

- Reflects updated mortality tables to those used by Florida Retirement System (FRS) as mandated by Section 112.63(1)(f), Florida Statutes.

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	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Measurement date	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Total pension liability					
Service cost	\$ 426,687	\$ 414,067	\$ 396,817	\$ 369,089	\$ 332,419
Interest	1,164,223	1,099,655	1,090,158	1,034,146	1,026,422
Change in excess State money	-	-	-	-	-
Difference between expected and actual experience	(137,974)	195,967	(130,811)	103,400	(351,261)
Change of assumptions	-	-	(478,322)	-	-
Other	19,500	-	-	-	-
Benefit payments, including refunds of employee contributions	(735,428)	(815,563)	(693,227)	(715,876)	(1,143,778)
Net change in total pension liability	737,008	894,126	184,615	790,759	(136,198)
Total pension liability, beginning	17,179,024	16,284,898	16,100,283	15,309,524	15,445,722
Total pension liability, ending (a)	\$ 17,916,032	\$ 17,179,024	\$ 16,284,898	\$ 16,100,283	\$ 15,309,524
Plan fiduciary net position					
Contributions - City	\$ 558,351	\$ 779,224	\$ 870,477	\$ 745,022	\$ 826,705
Contributions - State of Florida	165,133	144,821	274,267	132,844	-
Contributions - Employee	215,375	177,828	168,456	161,166	142,024
Net investment income (loss)	1,742,688	(2,535,548)	2,896,388	607,277	307,543
Benefit payments, including refunds of employee contributions	(735,428)	(815,563)	(693,227)	(715,876)	(1,143,777)
Administrative expenses	(26,723)	(41,743)	(34,284)	(35,623)	(38,763)
Other	-	-	-	-	-
Net change in plan fiduciary net position	1,919,396	(2,290,981)	3,482,077	894,810	93,732
Plan fiduciary net position, beginning	14,344,282	16,635,263	13,153,186	12,258,376	12,164,644
Plan fiduciary net position, ending (b)	\$ 16,263,678	\$ 14,344,282	\$ 16,635,263	\$ 13,153,186	\$ 12,258,376
Net pension liability (asset) (a)-(b)	\$ 1,652,354	\$ 2,834,742	\$ (350,365)	\$ 2,947,097	\$ 3,051,148
Plan fiduciary net position as a percentage of total pension liability	90.78%	83.50%	102.15%	81.70%	80.07%
Covered payroll	\$ 2,448,438	\$ 2,222,850	\$ 2,105,700	\$ 2,014,575	\$ 1,775,300
Net pension liability as a percentage of covered payroll	67.49%	127.53%	-16.64%	146.29%	171.87%

Continued...

CITY OF ATLANTIC BEACH, FLORIDA

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

City reporting period date	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Measurement date	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total pension liability					
Service cost	\$ 329,254	\$ 335,185	\$ 279,863	\$ 291,761	\$ 269,182
Interest	1,016,983	970,877	931,370	900,982	879,486
Change in excess State money	(120,454)	-	-	120,454	-
Difference between expected and actual experience	(209,232)	187,216	(2,998)	(213,426)	-
Change of assumptions	454,983	(40,955)	-	-	1,275,669
Other	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(690,688)	(643,872)	(754,465)	(553,042)	(585,616)
Net change in total pension liability	780,846	808,451	453,770	546,729	1,838,721
Total pension liability, beginning	14,664,876	13,856,425	13,402,655	12,855,926	11,017,205
Total pension liability, ending (a)	\$ 15,445,722	\$ 14,664,876	\$ 13,856,425	\$ 13,402,655	\$ 12,855,926
Plan fiduciary net position					
Contributions - City	\$ 854,780	\$ 945,540	\$ 729,483	\$ 574,014	\$ 563,203
Contributions - State of Florida	236,772	-	112,972	103,528	96,217
Contributions - Employee	131,498	129,552	117,274	112,354	103,095
Net investment income (loss)	853,894	950,447	804,901	43,534	642,480
Benefit payments, including refunds of employee contributions	(690,688)	(643,872)	(754,465)	(553,042)	(585,616)
Administrative expenses	(25,152)	(51,481)	(29,933)	(35,984)	(22,742)
Other (change in excess State money)	-	-	-	120,454	-
Net change in plan fiduciary net position	1,361,104	1,330,186	980,232	364,858	796,637
Plan fiduciary net position, beginning	10,803,540	9,473,354	8,493,122	8,128,264	7,331,627
Plan fiduciary net position, ending (b)	\$ 12,164,644	\$ 10,803,540	\$ 9,473,354	\$ 8,493,122	\$ 8,128,264
Net pension liability (asset) (a)-(b)	\$ 3,281,078	\$ 3,861,336	\$ 4,383,071	\$ 4,909,533	\$ 4,727,662
Plan fiduciary net position as a percentage of total pension liability	78.76%	73.67%	68.37%	63.37%	63.23%
Covered payroll	\$ 1,643,725	\$ 1,619,400	\$ 1,465,925	\$ 1,404,425	\$ 1,472,786
Net pension liability as a percentage of covered payroll	199.61%	238.44%	299.00%	349.58%	321.00%

Change of Assumptions:

For measurement date September 30, 2021:

- Reflects updated mortality tables to those used by Florida Retirement System (FRS) as mandated by Section 112.63(1)(f), Florida Statutes.

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					
2023	\$ 850,265	\$ 850,266	\$ 1	\$ 1,263,067	67.32%
2022	\$ 1,099,876	\$ 1,099,884	\$ 8	\$ 1,363,833	80.65%
2021	\$ 1,248,604	\$ 1,248,604	\$ -	\$ 1,453,483	85.90%
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					
2023	\$ 483,076	\$ 723,484	\$ 240,408	\$ 2,448,438	29.55%
2022	\$ 579,249	\$ 924,045	\$ 344,796	\$ 2,222,850	41.57%
2021	\$ 668,499	\$ 1,144,744	\$ 476,245	\$ 2,105,700	54.36%
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%

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, 2021. 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 Actuarial 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* - 30 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 9.5% at age 20 to 4.8% at age 60+ (including 2.5% price inflation).
 - *Police Officers' Plan* – Age Based ranging from 18.5% at age 20 to 4.5% at age 60+ (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:**
 - *General Employees' Plan* – Pub-2010 Headcount-Weighted Mortality Tables used by the Florida Retirement System for Regular Class members in their July 1, 2020 actuarial valuations with mortality improvements projected for healthy lives to all future years after 2010 using Scale MP-2018.
 - *Police Officers' Plan* - Pub-2010 Headcount-Weighted Mortality Tables used by the Florida Retirement System for Special Risk Class members in their July 1, 2020 actuarial valuations with mortality improvements projected for healthy lives to all future years after 2010 using Scale MP-2018.
 - *Previous Mortality Tables Used:* 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.

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

	Year Ended September 30,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
General Employees' Plan									
Annual money-weighted rate of return net of investment expenses	14.05%	-16.01%	23.65%	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	6.13%	-14.98%	23.67%	6.15%	4.38%	8.26%	10.80%	9.93%	0.53%

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

Reporting date	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Measurement date	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017
Total OPEB Liability						
Service cost	\$ 55,813	\$ 56,159	\$ 55,135	\$ 38,095	\$ 39,404	\$ 41,222
Interest	9,684	11,124	11,812	19,049	16,906	14,667
Difference between expected and actual experience	-	(20,135)	-	(203,632)	-	-
Changes in assumptions	(86,543)	(56,642)	(26,153)	78,146	(18,238)	(21,261)
Benefit payments	(11,158)	(7,902)	(11,666)	(21,386)	(23,456)	(22,404)
Net change in total OPEB Liability	(32,204)	(17,396)	29,128	(89,728)	14,616	12,224
Total OPEB Liability - beginning	391,959	409,355	380,227	469,955	455,339	443,115
Total OPEB Liability - ending	<u>\$ 359,755</u>	<u>\$ 391,959</u>	<u>\$ 409,355</u>	<u>\$ 380,227</u>	<u>\$ 469,955</u>	<u>\$ 455,339</u>
Covered-employee payroll	\$ 8,066,712	\$ 5,961,844	\$ 7,602,334	\$ 5,196,501	\$ 6,647,363	\$ 6,272,956
Total OPEB liability as a percentage of covered-employee payroll	4.46%	6.57%	5.38%	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, 2022	4.40%
September 30, 2021	2.19%
September 30, 2020	2.41%
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, 2021
 - Per capita costs and premiums were updated based on information provided.
 - Long-term trend rates of healthcare increases were lowered from 3.99% to 3.75%.
- 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, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2023						
	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	\$ 262,215	\$ -	\$ 123,005	\$ -	\$ -	\$ 276,729	\$ 158,322
Receivables, net							
Intergovernmental and other	-	123,770	10,666	214,658	825	7,682	3,964
Prepaid expenditures	-	-	-	-	-	13,649	-
TOTAL ASSETS	<u>\$ 262,215</u>	<u>\$ 123,770</u>	<u>\$ 133,671</u>	<u>\$ 214,658</u>	<u>\$ 825</u>	<u>\$ 298,060</u>	<u>\$ 162,286</u>
LIABILITIES							
Accounts payable and accrued liabilities	-	-	-	29,669	2,338	-	-
Construction costs payable	-	-	-	4,212	-	-	-
Accrued payroll	-	-	-	-	-	-	-
Accrued claims payable	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Due to other funds	-	317,871	-	97,717	39,181	-	-
Deposits	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>317,871</u>	<u>-</u>	<u>131,598</u>	<u>41,519</u>	<u>-</u>	<u>-</u>
FUND BALANCE							
Nonspendable:							
Prepays	-	-	-	-	-	13,649	-
Restricted for:							
Public safety	-	-	-	-	-	-	162,286
Road maintenance and construction	-	-	-	83,060	-	-	-
Other capital projects	-	-	-	-	-	-	-
Other purposes	-	-	133,671	-	-	298,060	-
Committed to:							
Conservation and resource management	262,215	-	-	-	-	-	-
Unassigned	-	(194,101)	-	-	(40,694)	(13,649)	-
TOTAL FUND BALANCES	<u>262,215</u>	<u>(194,101)</u>	<u>133,671</u>	<u>83,060</u>	<u>(40,694)</u>	<u>298,060</u>	<u>162,286</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 262,215</u>	<u>\$ 123,770</u>	<u>\$ 133,671</u>	<u>\$ 214,658</u>	<u>\$ 825</u>	<u>\$ 298,060</u>	<u>\$ 162,286</u>

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CITY OF ATLANTIC BEACH, FLORIDA
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS (CONCLUDED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2023						2022 Totals
	Special Revenue Funds				Debt Service	Totals Non-Major Governmental Funds	
	Contraband Revenue	Community Development Block Grants	Police Grants	Total Special Revenue Funds			
ASSETS							
Equity in pooled cash and investments	\$ 9,539	\$ 110,965	\$ 4,961	\$ 945,736	\$ -	\$ 945,736	\$ 1,328,439
Receivables, net							
Intergovernmental and other	-	100	-	361,665	-	361,665	443,997
Prepaid expenditures	-	-	-	13,649	-	13,649	100,856
TOTAL ASSETS	<u>\$ 9,539</u>	<u>\$ 111,065</u>	<u>\$ 4,961</u>	<u>\$ 1,321,050</u>	<u>\$ -</u>	<u>\$ 1,321,050</u>	<u>\$ 1,873,292</u>
LIABILITIES							
Accounts payable and accrued liabilities	-	1,872	2,831	36,710	-	36,710	19,574
Construction costs payable	-	3,134	-	7,346	-	7,346	7,346
Accrued payroll	-	-	-	-	-	-	-
Accrued claims payable	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Due to other funds	-	-	-	454,769	19,848	474,617	552,889
Deposits	2,998	-	-	2,998	-	2,998	1,767
TOTAL LIABILITIES	<u>2,998</u>	<u>5,006</u>	<u>2,831</u>	<u>501,823</u>	<u>19,848</u>	<u>521,671</u>	<u>581,576</u>
FUND BALANCE							
Nonspendable:							
Prepays	-	-	-	13,649	-	13,649	100,856
Restricted for:							
Public safety	6,541	-	2,130	170,957	-	170,957	146,095
Road maintenance and construction	-	-	-	83,060	-	83,060	782,885
Other capital projects	-	-	-	-	-	-	-
Other purposes	-	-	-	431,731	-	431,731	309,437
Committed to:							
Conservation and resource management	-	-	-	262,215	-	262,215	203,490
Unassigned	-	106,059	-	(142,385)	(19,848)	(162,233)	(251,047)
TOTAL FUND BALANCES	<u>6,541</u>	<u>106,059</u>	<u>2,130</u>	<u>819,227</u>	<u>(19,848)</u>	<u>799,379</u>	<u>1,291,716</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 9,539</u>	<u>\$ 111,065</u>	<u>\$ 4,961</u>	<u>\$ 1,321,050</u>	<u>\$ -</u>	<u>\$ 1,321,050</u>	<u>\$ 1,873,292</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, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2023						
	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	\$ -	\$ 736,707	\$ 172,675	\$ 1,241,724	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	118,337	-
Fines and forfeitures	60,809	-	-	-	4,600	-	21,647
Investment earnings (loss)	-	1,292	1,575	7,848	(20)	-	2,975
Miscellaneous revenues	25,683	-	-	-	-	-	-
Total revenues	<u>86,492</u>	<u>737,999</u>	<u>174,250</u>	<u>1,249,572</u>	<u>4,580</u>	<u>118,337</u>	<u>24,622</u>
EXPENDITURES:							
General government	27,767	-	-	-	-	-	-
Public safety	-	-	-	-	35,597	-	-
Capital outlay	-	-	-	485,329	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>27,767</u>	<u>-</u>	<u>-</u>	<u>485,329</u>	<u>35,597</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>58,725</u>	<u>737,999</u>	<u>174,250</u>	<u>764,243</u>	<u>(31,017)</u>	<u>118,337</u>	<u>24,622</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	(812,256)	(120,293)	(1,464,068)	-	(50,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(812,256)</u>	<u>(120,293)</u>	<u>(1,464,068)</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	58,725	(74,257)	53,957	(699,825)	(31,017)	68,337	24,622
FUND BALANCE, beginning of year	<u>203,490</u>	<u>(119,844)</u>	<u>79,714</u>	<u>782,885</u>	<u>(9,677)</u>	<u>229,723</u>	<u>137,664</u>
FUND BALANCE, end of year	<u>\$ 262,215</u>	<u>\$ (194,101)</u>	<u>\$ 133,671</u>	<u>\$ 83,060</u>	<u>\$ (40,694)</u>	<u>\$ 298,060</u>	<u>\$ 162,286</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, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2023						
	Special Revenue Funds						
	Contraband Revenue	Community Development Block Grants	Police Grants	Total Special Revenue Funds	Debt Service	Totals Non-Major Governmental Funds	2022 Totals
REVENUES:							
Non-property taxes	\$ -	\$ -	\$ -	\$ 2,151,106	\$ -	\$ 2,151,106	\$ 2,093,041
Intergovernmental revenue	-	170,300	-	170,300	-	170,300	110,866
Charges for services	-	-	-	118,337	-	118,337	110,305
Fines and forfeitures	72	-	-	87,128	-	87,128	135,210
Investment earnings (loss)	168	-	-	13,838	-	13,838	10,388
Miscellaneous revenues	-	-	-	25,683	-	25,683	2,476
Total revenues	<u>240</u>	<u>170,300</u>	<u>-</u>	<u>2,566,392</u>	<u>-</u>	<u>2,566,392</u>	<u>2,462,286</u>
EXPENDITURES:							
General government	-	-	-	27,767	-	27,767	30,171
Public safety	-	-	-	35,597	-	35,597	28,111
Capital outlay	-	164,671	-	650,000	-	650,000	699,277
Debt service	-	-	-	-	120,291	120,291	123,133
Total expenditures	<u>-</u>	<u>164,671</u>	<u>-</u>	<u>713,364</u>	<u>120,291</u>	<u>833,655</u>	<u>880,692</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>240</u>	<u>5,629</u>	<u>-</u>	<u>1,853,028</u>	<u>(120,291)</u>	<u>1,732,737</u>	<u>1,581,594</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	101,250	-	101,250	120,293	221,543	339,800
Transfers (out)	-	-	-	(2,446,617)	-	(2,446,617)	(2,388,319)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>101,250</u>	<u>-</u>	<u>(2,345,367)</u>	<u>120,293</u>	<u>(2,225,074)</u>	<u>(2,048,519)</u>
NET CHANGE IN FUND BALANCE	240	106,879	-	(492,339)	2	(492,337)	(466,925)
FUND BALANCE, beginning of year	<u>6,301</u>	<u>(820)</u>	<u>2,130</u>	<u>1,311,566</u>	<u>(19,850)</u>	<u>1,291,716</u>	<u>1,758,641</u>
FUND BALANCE, end of year	<u>\$ 6,541</u>	<u>\$ 106,059</u>	<u>\$ 2,130</u>	<u>\$ 819,227</u>	<u>\$ (19,848)</u>	<u>\$ 799,379</u>	<u>\$ 1,291,716</u>

**CITY OF ATLANTIC BEACH, FLORIDA
HISTORICAL REVENUES AND EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2019, THROUGH SEPTEMBER 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues					
Operating Revenues:					
Water:					
Customer charges	\$ 3,978,479	\$ 3,677,424	\$ 3,550,004	\$ 3,462,039	\$ 3,206,520
Miscellaneous charges	75,304	68,937	43,252	67,291	64,563
Total water	<u>4,053,783</u>	<u>3,746,361</u>	<u>3,593,256</u>	<u>3,529,330</u>	<u>3,271,083</u>
Sewer:					
Customer charges	6,444,184	6,096,086	5,750,479	5,399,935	5,092,613
Miscellaneous charges	-	8	-	-	-
Total sewer	<u>6,444,184</u>	<u>6,096,094</u>	<u>5,750,479</u>	<u>5,399,935</u>	<u>5,092,613</u>
Total operating revenues	<u>10,497,967</u>	<u>9,842,455</u>	<u>9,343,735</u>	<u>8,929,265</u>	<u>8,363,696</u>
Non-operating revenues					
Investment income (loss):					
Water	232,689	(27,591)	143,198	163,209	(7,606)
Sewer	119,772	(22,584)	158,264	115,389	(8,249)
Total non-operating revenues	<u>352,461</u>	<u>(50,175)</u>	<u>301,462</u>	<u>278,598</u>	<u>(15,855)</u>
Total revenues	<u>10,850,428</u>	<u>9,792,280</u>	<u>9,645,197</u>	<u>9,207,863</u>	<u>8,347,841</u>
Expenses					
Operating expenses:					
Water	1,828,346	1,321,892	1,044,002	1,299,974	1,348,985
Sewer	3,120,083	3,100,956	2,222,833	2,387,924	2,393,828
Total operating expenses	<u>4,948,429</u>	<u>4,422,848</u>	<u>3,266,835</u>	<u>3,687,898</u>	<u>3,742,813</u>
Administrative, non divisional and other					
Water	453,424	584,856	642,424	508,655	508,655
Sewer	659,352	698,988	678,890	624,796	624,796
Total administrative non-divisional and other	<u>1,112,776</u>	<u>1,283,844</u>	<u>1,321,314</u>	<u>1,133,451</u>	<u>1,133,451</u>
Total expenses	<u>6,061,205</u>	<u>5,706,692</u>	<u>4,588,149</u>	<u>4,821,349</u>	<u>4,876,264</u>
Net revenues available for debt service	<u>4,789,223</u>	<u>4,085,588</u>	<u>5,057,048</u>	<u>4,386,514</u>	<u>3,471,577</u>
Non-operating income(expense)					
Interest expense	(160,740)	(320,482)	(344,186)	(381,546)	(404,297)
Loan amortization	(93,911)	(93,910)	(93,910)	(93,910)	(93,910)
Total non-operating income (expense)	<u>(254,651)</u>	<u>(414,392)</u>	<u>(438,096)</u>	<u>(475,456)</u>	<u>(498,207)</u>
Change in net position before depreciation expense and interfund transfers	<u>\$ 4,534,572</u>	<u>\$ 3,671,196</u>	<u>\$ 4,618,952</u>	<u>\$ 3,911,058</u>	<u>\$ 2,973,370</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, 2023 AND SEPTEMBER 30, 2022

	<u>2023</u>	<u>2022</u>
Gross revenues:		
Utility	\$ 10,497,967	\$ 10,575,661
Connection charges	37,806	44,895
Investment income (loss)	396,055	(457,602)
Total Gross Revenues	<u>10,931,828</u>	<u>10,162,954</u>
Operating Expenses		
Personnel services	2,217,898	1,687,884
Contractual services	758,088	535,134
Supplies	504,067	421,328
Repairs and maintenance	758,342	471,440
Utilities	400,159	402,707
Intergovernmental charges	1,112,776	1,106,562
Other expenses	309,875	256,871
Total operating expenses	<u>6,061,205</u>	<u>4,881,926</u>
Total net revenues in accordance with Bond resolutions	<u>\$ 4,870,623</u>	<u>\$ 5,281,028</u>
Total debt service	<u>\$ 1,780,844</u>	<u>\$ 1,815,181</u>
Debt service coverage ratio	<u>273.50%</u>	<u>290.94%</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, 2019, THROUGH SEPTEMBER 30, 2023**

**Utility Service Tax Collections
 (last five years)**

Year	Electricity	Communications	Gas	Fuel Oil	Total
2023	\$ 501,495	\$ 549,318	\$ 12,926	\$ -	\$ 1,063,739
2022	515,491	525,166	12,966	-	1,053,623
2021	441,950	471,029	13,068	-	926,047
2020	499,712	489,444	14,122	-	1,003,278
2019	587,563	484,505	12,518	-	1,084,586

**Ad Valorem Tax Collections
 (last five years)**

Year	Total
2023	\$ 7,224,605
2022	6,708,984
2021	6,341,798
2020	5,912,053
2019	5,519,446

OTHER STATISTICAL INFORMATION

CITY OF ATLANTIC BEACH, FLORIDA
MAJOR UTILITY CUSTOMERS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)

	Annual
	Billings
Fleet Landing (retirement community)	\$ 640,207
Navy (Federal Government)	254,532
Ocean Reef	225,786
PAC-2160 Mayport GP, LLC	201,140
John's Creek Estates (mobile home park)	160,317
Hanna Park (regional park)	156,836
City of Atlantic Beach, Florida	155,117
Yes Companies	146,524
BW MAYPORT LLC	136,544
Sea Turtle Inn	133,080
	<u>\$ 2,210,083</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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 10, 2025.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings as item 2023-001 to be a material weakness.

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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**

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. We consider the deficiency described in the accompanying schedule of findings as item 2023-002 to be a significant deficiency.

2023-001 – Financial Close and Reporting

Condition – At commencement of final fieldwork, we noted multiple areas that were not completed or required significant audit adjustments to complete the financial close for the year. As a result, this resulted in a significant delay in the completion of the audit and failure to meet the statutory due date. The following audit adjustments were material to the financial statements:

- Reduce accounts payable and related expenditures for improperly accrued items. This resulted in a reduction of accounts payable and related expenditures of approximately \$850k.
- Prior period correction of \$107,337 in the Sanitation Fund due to unidentified invoices that should have been accrued in a prior year.
- Corrections to cash reconciliation due to errors related to reconciling items in the amount of approximately \$80k.
- Corrections to correct General Pension Plan investment reconciliation issues which included a \$219k adjustment to the amortization/premium account, a net adjustment of \$126k to the investment cost account, and a net adjustment of \$93k to the unrealized gain/loss account.
- Correction to Sewer Fund accounts receivable and deferred revenue in the amount of \$94k.
- Additional accruals for state sharing and related accounts receivable and revenues in the approximate amount of \$500k.

Effect – As a result, the audit was not completed by the statutory due date of June 30, 2024, and the City's financial statements would have been materially misstated if adjustments noted above had not been identified during the audit process.

Recommendation – We recommend that management reviews key financial closing processes and make corrections as deemed necessary.

2023-002 – Timeliness and Accuracy of Bank Reconciliations

Condition – During the audit, we noted that September 2023 bank reconciliation was not completed and reviewed until April 2024. In addition, the September 2023 bank reconciliation had multiple errors that were corrected through audit adjustments.

Effect – Untimely and inaccurate bank reconciliations increase the likelihood of unidentified errors or fraud.

Recommendation – We recommend that the City perform bank reconciliations in a timely manner and ensure that the reconciliations are accurate.

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*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Purvis Gray

January 10, 2025
Gainesville, Florida

INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH FLORIDA STATUTES SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS

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, 2023, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the City’s compliance with those requirements. Our responsibility is to express an opinion on the City’s compliance based on our examination.

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

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

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

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

Purvis Gray

January 10, 2025
Gainesville, Florida

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REPORT ON COMPLIANCE FOR THE U.S. TREASURY CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS PROGRAM (CSLFRF) REQUIREMENTS FOR AN ALTERNATIVE CSLFRF COMPLIANCE EXAMINATION ENGAGEMENT

INDEPENDENT ACCOUNTANT'S REPORT

To 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 the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the CSLFRF section of the 2023 OMB *Compliance Supplement* (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended September 30, 2023. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the Requirements for an Alternative CSLFRF Compliance Examination Engagement. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material non-compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the specified requirements referenced above during the year ended September 30, 2023.

Purvis Gray

January 10, 2025
Gainesville, Florida

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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, 2023, and have issued our report thereon dated January 10, 2025.

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 American Institute of Certified Public Accountants *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 January 10, 2025, 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. The prior year finding 2022-001 has not been corrected and has been consolidated into the current year finding 2023-001.

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.

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City of Atlantic Beach
Atlantic Beach, Florida

MANAGEMENT LETTER

Pursuant to Sections 10.554(1)(i)5.b. 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.

Purvis Gray

January 10, 2025
Gainesville, Florida



January 10, 2025

Management's Response Letter

Purvis, Gray and Company, LLP
P.O. Box 141270
Gainesville, FL 32614

2023-001 – Financial Close and Reporting

Condition – At commencement of final fieldwork, we noted multiple areas that were not completed or required significant audit adjustments to complete the financial close for the year. As a result, this resulted in a significant delay in the completion of the audit and failure to meet the statutory due date. The following audit adjustments were material to the financial statements:

- Reduce accounts payable and related expenditures for improperly accrued items. This resulted in a reduction of accounts payable and related expenditures of approximately \$850k.
- Prior period correction of \$107,337 in the Sanitation Fund due to unidentified invoices that should have been accrued in a prior year.
- Corrections to cash reconciliation due to errors related to reconciling items in the amount of approximately \$80k.
- Corrections to correct General Pension Plan investment reconciliation issues which included a \$219k adjustment to the amortization/premium account, a net adjustment of \$126k to the investment cost account, and a net adjustment of \$93k to the unrealized gain/loss account.
- Correction to Sewer Fund accounts receivable and deferred revenue in the amount of \$94k.
- Additional accruals for state sharing and related accounts receivable and revenues in the approximate amount of \$500k.

Effect – As a result, the audit was not completed by the statutory due date of June 30, 2024, and the City's financial statements would have been materially misstated if adjustments noted above had not been identified during the audit process.

Recommendation – We recommend that management reviews key financial closing processes and make corrections as deemed necessary.

Management Response to Comment 2023 - 001 – Financial Close and Reporting

The City's finance department will closely review invoices and revenues received after year end to ensure they are accrued in the proper accounting period. The finance department will also work collectively to ensure the closeout process is completed in a timely manner.

2023-002 – Timeliness and Accuracy of Bank Reconciliations

Condition – During the audit, we noted that September 2023 bank reconciliation was not completed and reviewed until April 2024. In addition, the September 2023 bank reconciliation had multiple errors that were corrected through audit adjustments.

Effect – Untimely and inaccurate bank reconciliations increase the likelihood of unidentified errors or fraud.

Recommendation – We recommend that the City perform bank reconciliations in a timely manner and ensure that the reconciliations are accurate.

Management Response to Comment 2023 - 002 – Timeliness and Accuracy of Bank Reconciliations

The City will reconcile all bank accounts on or before the 20th of each month and determine the source of any material differences.