

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

CITY OF ATLANTIC BEACH, FLORIDA

SEPTEMBER 30, 2024

**CITY OF ATLANTIC BEACH, FLORIDA
 FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
 SEPTEMBER 30, 2024**

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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, 2024, 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, 2024, 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.

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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Members of American and Florida Institutes of Certified Public Accountants

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 September 30, 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 2023 financial statements, and our report dated January 10, 2025, 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, 2023, is consistent, in all material respects, with the audited financial statements from which it was derived.

Purvis Gray

September 30, 2025
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024

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, 2024.

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, 2024
(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, 2024
(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, 2024
(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 \$109,248,401 at the close of the fiscal year ended September 30, 2023.

By far the largest portion of the City's net position, \$79,339,349 (73%), 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, \$4,645,186 (4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$25,263,866 (23%), 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	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 16,574,304	\$ 18,855,603	\$ 20,679,596	\$ 20,573,461	\$ 37,253,900	\$ 39,429,064
Capital assets	52,957,713	48,201,682	34,219,376	33,985,024	87,177,089	82,186,706
Total assets	69,532,017	67,057,285	54,898,972	54,558,485	124,430,989	121,615,770
Deferred outflows	2,339,181	5,181,216	958,423	1,688,140	3,297,604	6,869,356
Current liabilities	2,182,565	3,091,817	4,293,103	3,889,634	6,475,668	6,981,451
Non-current liabilities	4,731,919	7,378,643	5,984,985	8,370,813	10,716,904	15,749,456
Total liabilities	6,914,484	10,470,460	10,278,088	12,260,447	17,192,572	22,730,907
Deferred inflows	390,723	456,532	896,897	966,937	1,287,620	1,423,469
Net position:						
Net investment in						
capital assets	51,827,703	47,062,375	27,511,646	25,625,960	79,339,349	72,688,335
Restricted	1,433,635	1,509,059	3,211,551	3,050,379	4,645,186	4,559,438
Unrestricted	11,304,653	12,740,075	13,959,213	14,342,902	25,263,866	27,082,977
Total net position	\$ 64,565,991	\$ 61,311,509	\$ 44,682,410	\$ 43,019,241	\$ 109,248,401	\$ 104,330,750

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024
(Continued)

As illustrated in the schedule on page 14, 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,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 1,394,190	\$ 1,493,312	\$ 14,123,500	\$ 13,996,425	\$ 15,517,690	\$ 15,489,737
Operating grants/contrib.	281,272	414,304	-	-	281,272	414,304
Capital grants/contrib.	522,608	173,928	564,309	690,177	1,086,917	864,105
<i>General revenues:</i>						
Property taxes - General	7,241,664	7,224,605	-	-	7,241,664	7,224,605
Pub svc tax/franchise fees	1,975,611	2,073,377	-	-	1,975,611	2,073,377
Transportation fuel taxes	887,117	909,382	-	-	887,117	909,382
Discretionary Sales Surtax	1,270,973	1,241,724	-	-	1,270,973	1,241,724
State shared revenue	2,237,681	2,405,210	-	-	2,237,681	2,405,210
Grants	1,179,539	2,879,280	-	-	1,179,539	2,879,280
Other	900,086	551,609	1,134,944	487,381	2,035,030	1,038,990
Total revenues	<u>17,890,741</u>	<u>19,366,731</u>	<u>15,822,753</u>	<u>15,173,983</u>	<u>33,713,494</u>	<u>34,540,714</u>
Expenses:						
<i>Governmental activities:</i>						
General government	3,960,982	3,666,361	-	-	3,960,982	3,666,361
Public safety	7,544,514	7,679,550	-	-	7,544,514	7,679,550
Transportation	2,664,233	2,137,896	-	-	2,664,233	2,137,896
Parks and recreation management	1,882,586	1,930,725	-	-	1,882,586	1,930,725
management	41,297	27,767	-	-	41,297	27,767
Interest on long-term debt	35,855	38,873	-	-	35,855	38,873
<i>Business-type activities:</i>						
Utility	-	-	8,207,337	8,150,058	8,207,337	8,150,058
Stormwater	-	-	1,539,805	1,500,447	1,539,805	1,500,447
Sanitation	-	-	2,338,794	2,303,212	2,338,794	2,303,212
Building code enforcement	-	-	580,440	576,531	580,440	576,531
Total expenses	<u>16,129,467</u>	<u>15,481,172</u>	<u>12,666,376</u>	<u>12,530,248</u>	<u>28,795,843</u>	<u>28,011,420</u>
Transfers in (out)	<u>1,493,208</u>	<u>(532,975)</u>	<u>(1,493,208)</u>	<u>532,975</u>	<u>-</u>	<u>-</u>
Change in Net Position	3,254,482	3,352,584	1,663,169	3,176,710	4,917,651	6,529,294
Net position - Beginning	61,311,509	57,958,925	43,019,241	39,842,531	104,330,750	97,801,456
Net position - Ending	<u>\$ 64,565,991</u>	<u>\$ 61,311,509</u>	<u>\$ 44,682,410</u>	<u>\$ 43,019,241</u>	<u>\$ 109,248,401</u>	<u>\$ 104,330,750</u>

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024
(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 \$14,409,667 a decrease of \$1,373,555 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 \$4,904,941, which equated to 31% of total General Fund expenditures. The net result of various revenue, expenditures and other financing sources and uses resulted in a \$225,745 decrease to the general fund's total fund balance or -2% during the current fiscal year. Property tax revenues increased by \$17,059 or <1% from the previous year. This was a result of an increase in the taxable values. General Fund incoming transfers decreased by \$558,857, and outgoing transfers increased from \$101,250 in 2023 to \$259,848 in 2024. Overall, general fund expenditures increased by \$858,973 or 6%. This can be attributed primarily to increases in capital outlay expenditures which account for approximately \$707,000 of the increase.

The City reports two additional major funds as of September 30, 2024, 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 \$1,179,538 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 and beyond. The capital projects fund expended \$4,549,265 on capital projects in 2024 and reported total assets of \$3,092,692 on September 30, 2024, 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 \$1,265,134. The net increase in fund balance, after transfers, of the nonmajor governmental funds was \$465,755. The increase was a result of expenditures and transfers out being less than nonmajor governmental fund revenue. In the prior year, nonmajor governmental funds reported a decrease of \$492,337. In 2024, net transfers to other funds declined by \$534,478 and capital outlay expenditures fell by \$263,127. These two factors were the primary contributors to the increase in nonmajor governmental fund balances in 2024 compared to 2023.

Revenue Highlights:

- Total General Fund Revenues for 2024 were approximately \$58,600 (<1%) less than 2023 revenue. Increase in investment earning revenue of \$325,053 is the largest contributor to this increase. Decreases in non-property taxes of \$103,025 and licenses and permits of \$153,626 are the largest categories experiencing a year-over-year decline.
- The 2024 Intergovernmental revenues of \$2,573,445 make up 19% of general fund revenues. This is an increase of \$28,540 over 2023.
- The City's investment portfolio is valued at approximately \$26,939,657 as of September 30, 2024. The investments showed an increase of approximately \$1,873,000 compared to an increase of approximately \$780,000 in the prior year.

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024
(Continued)

- The 2024 taxable property values were about 21% higher than the 2023 values. The City Commission voted to reduce the millage rate to 2.8410 mills, instead of keeping the prior year rate of 3.1035. The purpose for adopting the millage rate of 2.8410 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 \$2,913,053,436. Ad valorem taxes of \$7,241,664 represent 46% of the General Fund revenues for 2024.

Expenditure Highlights:

- Total Governmental Fund Expenditures increased in current year by \$2,281,997 or 12% when compared to prior year. Capital expenditures increased by \$2,019,640 (47%) in 2024 compared to 2023. 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 \$400,000 or 4% when compared to the prior year.

■ **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 operating revenues of \$14,175,395, operating expenses of \$12,426,403, net non-operating revenue of \$843,076, capital contributions and grants of \$564,309 and net transfers out of \$1,493,208. The net position in the proprietary funds increased \$1,663,169 as a result of the fiscal year's activities compared to \$3,176,710 in the prior year. The unrestricted net position of the enterprise funds amounted to \$13,959,213 at the end of fiscal year 2024 compared to \$14,342,902 at the end of the prior year.

The utility fund experienced a decline in operating income of \$154,098 from \$2,596,260 in the prior year to \$2,442,162 in the current year. The operating profit as a percentage of operating revenue was 25% in the prior year and 23% in the current year. The utility fund change in net position declined from \$3,732,484 in the prior year to \$2,371,162 in the current year, a deterioration of \$1,361,322. This decline was mainly attributed to the net transfers out in 2024 of \$1,383,924 compared to a net transfer *in* of \$332,753 in the prior year. The prior year was unusually high as ARPA grant funds were transferred to the utility fund to pay for utility fund projects.

Stormwater rates stayed constant in fiscal year 2024 as there were no rate changes. The stormwater fund's operating revenue was approximately 59% of the total operating expenses in 2024 compared to 61% for the prior year.

During fiscal year 2023, the Sanitation Fund netted a decrease in net position of \$319,098 due to expenses and transfer exceed revenue which is similar to the prior year when the fund reported a decrease in net position of \$302,840.

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 \$2,208,941. The actual decrease in fund balance was \$225,745. This resulted in a \$1,983,196 positive budgetary variance. The budget was amended during the 2024 fiscal year by increasing budgeted expenditures by \$1,110,147. The budget amendments did not change revenue or other financing sources or uses. The budget was amended to reflect the difference between the original estimates for the year and actual expenditures incurred.

**CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024
(Continued)**

Capital Assets and Debt Administration

Capital Assets—The City's investment in capital assets, net of related depreciation, for its governmental and business-type activities as of September 30, 2024, amounted to \$87,177,089. 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 \$4,756,031 or 10% for governmental activities and an increase of \$234,352 or 1% for business-type activities.

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

■ **Governmental Activities**

Buildings reflected a net increase of \$519,025 because of additions that exceeded depreciation.

Intangible Assets reflected a net increase of \$30,568 because of additions that exceeded depreciation. This asset category includes land easements and computer software.

Improvements Other Than Buildings reflected a net increase of \$3,269,438. This represents capital asset increase of approximately \$4,000,000 offset by depreciation of approximately \$725,000.

Equipment reflected a net decrease of \$149,563. This represents capital asset additions of approximately \$367,000, offset by depreciation of approximately \$516,000.

Construction in progress increased by \$6,320 but included current year additions of \$2,450,884 and reductions due to projects placed into service of \$2,444,564.

■ **Business-type Activities**

Buildings reflected a net decrease in asset value of \$5,611 from depreciation.

Improvements Other Than Buildings reflected a net decrease of \$538,678. This represents capital asset increases of approximately \$1,654,000, offset by depreciation of approximately \$2,165,000.

Equipment reflected a net decrease of \$112,667. This represents capital asset increase of approximately \$75,000, offset by depreciation of approximately \$188,000.

Construction in Progress had a net increase of \$891,497 but included \$2,112,717 of current year additions and reductions due to projects placed into service of \$1,221,220.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Land	\$ 13,171,038	\$ 12,090,795	\$ 1,656,018	\$ 1,656,018	\$ 14,827,056	\$ 13,746,813
Intangibles	87,504	56,936	212,525	212,714	300,029	269,650
Buildings	7,049,860	6,530,835	5,114	10,725	7,054,974	6,541,560
Improvements - Other	27,466,635	24,197,197	27,359,070	27,897,748	54,825,705	52,094,945
Equipment	859,249	1,008,812	582,393	695,060	1,441,642	1,703,872
Construction in progress	4,323,427	4,317,107	4,404,256	3,512,759	8,727,683	7,829,866
Total	<u>\$ 52,957,713</u>	<u>\$ 48,201,682</u>	<u>\$ 34,219,376</u>	<u>\$ 33,985,024</u>	<u>\$ 87,177,089</u>	<u>\$ 82,186,706</u>

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024
(Concluded)

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 2024 fiscal year, the City had total long-term debt outstanding of \$7,679,000. The amount of \$6,669,000 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>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Governmental Activities:						
Capital Impvt Rev Bonds, Series 2018	1,010,000	1,095,000	-	-	1,010,000	1,095,000
Business-type Activities:						
Utilities System Revenue Bond, Series 2014	-	-	2,815,000	4,175,000	2,815,000	4,175,000
Refunding Bank Loan, Series 2022	-	-	3,854,000	4,309,000	3,854,000	4,309,000
Total	\$ 1,010,000	\$ 1,095,000	\$ 6,669,000	\$ 8,484,000	\$ 7,679,000	\$ 9,579,000

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.

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.

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, 2024
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2023

	Primary Government		Total	2023 Totals
	Governmental Activities	Business-type Activities		
ASSETS				
Equity in pooled cash and investments	\$ 8,750,951	\$ 16,319,689	\$ 25,070,640	\$ 26,110,833
Receivables, current:				
Customer accounts, net	1,264	799,772	801,036	820,318
Intergovernmental and other	1,355,409	-	1,355,409	1,354,116
Notes and leases receivable, net	760	80,037	80,797	54,547
Inventory	109,375	49,872	159,247	144,524
Prepaid expenses	92,628	-	92,628	121,239
Internal balances	534,641	(534,641)	-	-
Due from fiduciary component unit	1,056,286	-	1,056,286	-
Restricted assets:				
Equity in pooled cash and investments	4,671,470	3,144,942	7,816,412	9,944,829
Capital assets:				
Non-depreciable	17,494,465	6,060,274	23,554,739	21,576,679
Depreciable, net	35,463,248	28,159,102	63,622,350	60,610,027
Notes and leases receivable, noncurrent	1,520	819,925	821,445	878,658
TOTAL ASSETS	69,532,017	54,898,972	124,430,989	121,615,770
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	2,308,041	839,197	3,147,238	6,596,245
Deferred outflows - loss on refunding	-	107,944	107,944	215,886
Deferred outflows related to OPEB	31,140	11,282	42,422	57,225
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,339,181	958,423	3,297,604	6,869,356
LIABILITIES				
Accounts payable and accrued expenses	1,650,728	1,394,711	3,045,439	2,511,408
Construction costs payable	120,010	146,674	266,684	135,257
Due to other governments	-	84,809	84,809	73,730
Unearned revenue	378,003	-	378,003	1,525,038
Accrued interest payable	17,928	54,544	72,472	92,392
Customer deposits	15,896	695,943	711,839	760,163
Long-term obligations:				
Due within one year	279,526	1,916,422	2,195,948	2,151,162
Due in more than one year	4,452,393	5,984,985	10,437,378	15,481,757
TOTAL LIABILITIES	6,914,484	10,278,088	17,192,572	22,730,907
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	181,876	-	181,876	261,057
Deferred inflows related to OPEB	208,847	75,664	284,511	268,336
Deferred inflows related to leases	-	821,233	821,233	894,076
Total deferred inflows of resources	390,723	896,897	1,287,620	1,423,469
NET POSITION				
Net investment in capital assets	51,827,703	27,511,646	79,339,349	72,688,335
Restricted for:				
General capital projects	106,060	-	106,060	700,811
Public safety	215,181	-	215,181	170,957
Road maintenance and construction	454,111	-	454,111	83,060
Other purposes	460,720	-	460,720	431,731
Substance use prevention and awareness	197,563	-	197,563	122,500
Debt service	-	146,551	146,551	151,333
Renewal and replacement	-	250,000	250,000	250,000
Utility rate stabilization	-	400,000	400,000	400,000
Utility system improvements	-	2,319,859	2,319,859	2,057,498
Building code enforcement	-	95,141	95,141	191,548
Unrestricted	11,304,653	13,959,213	25,263,866	27,082,977
TOTAL NET POSITION	\$ 64,565,991	\$ 44,682,410	\$ 109,248,401	\$ 104,330,750

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			2023 Totals
		Charges for Services	Operating Grant and Contributions	Capital Grant and Contributions	Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government	\$ 3,960,982	\$ 249,565	\$ 41,751	\$ 194,561	\$ (3,475,105)	\$ -	\$ (3,475,105)	\$ (3,370,604)
Public safety	7,544,514	790,361	34,652	58,956	(6,660,545)	-	(6,660,545)	(6,673,050)
Transportation	2,664,233	256,757	100,032	269,091	(2,038,353)	-	(2,038,353)	(1,547,423)
Parks and recreation	1,882,586	97,507	-	-	(1,785,079)	-	(1,785,079)	(1,828,403)
Conservation and resource management	41,297	-	104,837	-	63,540	-	63,540	58,725
Interest on long-term debt	35,855	-	-	-	(35,855)	-	(35,855)	(38,873)
Total governmental activities	16,129,467	1,394,190	281,272	522,608	(13,931,397)	-	(13,931,397)	(13,399,628)
Business-type activities								
Utility	8,207,337	10,379,851	-	487,431	-	2,659,945	2,659,945	2,928,372
Stormwater	1,539,805	902,133	-	42,677	-	(594,995)	(594,995)	(596,991)
Sanitation	2,338,794	2,386,050	-	34,201	-	81,457	81,457	(124,508)
Building code enforcement	580,440	455,466	-	-	-	(124,974)	(124,974)	(50,519)
Total business-type activities	12,666,376	14,123,500	-	564,309	-	2,021,433	2,021,433	2,156,354
TOTAL PRIMARY GOVERNMENT	\$ 28,795,843	\$ 15,517,690	\$ 281,272	\$ 1,086,917	\$ (13,931,397)	\$ 2,021,433	\$ (11,909,964)	\$ (11,243,274)
GENERAL REVENUES								
Taxes:								
Property taxes, levied for general purposes					7,241,664	-	7,241,664	7,224,605
Public service taxes and franchise fees					1,975,611	-	1,975,611	2,073,377
Fuel taxes levied for transportation purposes					887,117	-	887,117	909,382
Discretionary Sales Surtax					1,270,973	-	1,270,973	1,241,724
State shared revenue					2,237,681	-	2,237,681	2,405,210
Grants not restricted to specific programs					1,179,539	-	1,179,539	2,879,280
Investment earnings (loss)					803,534	1,070,115	1,873,649	779,966
Miscellaneous					86,539	64,829	151,368	245,427
Gain (loss) on disposal of capital assets					10,013	-	10,013	13,597
TRANSFERS					1,493,208	(1,493,208)	-	-
Total general revenues and transfers					17,185,879	(358,264)	16,827,615	17,772,568
CHANGE IN NET POSITION					3,254,482	1,663,169	4,917,651	6,529,294
NET POSITION, beginning of year					61,311,509	43,019,241	104,330,750	97,908,794
Restatement					-	-	-	(107,338)
NET POSITION, beginning of year, as restated					61,311,509	43,019,241	104,330,750	97,801,456
NET POSITION, end of year					\$ 64,565,991	\$ 44,682,410	\$ 109,248,401	\$ 104,330,750

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2024
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2023

	2024						2023 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	\$ 8,750,951	\$ 269,610	\$ 3,092,692	\$ 1,309,168	\$ 13,422,421	\$ 17,260,919	
Receivables, net							
Customer accounts, net	1,264	-	-	-	1,264	1,304	
Intergovernmental and other	962,044	-	-	393,365	1,355,409	1,354,116	
Notes receivable, current	760	-	-	-	760	760	
Inventory	109,375	-	-	-	109,375	94,652	
Prepaid expenditures	92,628	-	-	-	92,628	121,239	
Due from other funds	2,010,988	-	-	-	2,010,988	495,710	
Notes receivable, non-current	1,520	-	-	-	1,520	1,520	
TOTAL ASSETS	<u>\$ 11,929,530</u>	<u>\$ 269,610</u>	<u>\$ 3,092,692</u>	<u>\$ 1,702,533</u>	<u>\$ 16,994,365</u>	<u>\$ 19,330,220</u>	
LIABILITIES							
Accounts payable and accrued liabilities	821,208	-	822,525	6,995	1,650,728	1,488,840	
Construction costs payable	36,115	-	76,550	7,345	120,010	44,307	
Due to other funds	-	-	-	420,061	420,061	474,617	
Deposits	12,898	-	-	2,998	15,896	14,196	
Unearned revenue	108,393	269,610	-	-	378,003	1,525,038	
TOTAL LIABILITIES	<u>978,614</u>	<u>269,610</u>	<u>899,075</u>	<u>437,399</u>	<u>2,584,698</u>	<u>3,546,998</u>	
FUND BALANCE							
Nonspendable:							
Inventory	109,375	-	-	-	109,375	94,652	
Prepays	92,628	-	-	-	92,628	121,239	
Restricted for:							
Public safety	-	-	-	215,181	215,181	170,957	
Road maintenance and construction	-	-	-	454,111	454,111	83,060	
Capital projects	-	-	-	106,060	106,060	700,811	
Other purposes	-	-	-	460,720	460,720	431,731	
Substance use prevention and awareness	197,563	-	-	-	197,563	122,500	
Committed to:							
Conservation and resource management	-	-	-	325,755	325,755	262,215	
Assigned to:							
Community redevelopment	50,000	-	-	-	50,000	50,000	
Capital projects	-	-	2,193,617	-	2,193,617	3,106,371	
Operating reserves	4,674,158	-	-	-	4,674,158	3,691,854	
Subsequent year budget	922,251	-	-	-	922,251	352,820	
Unassigned	4,904,941	-	-	(296,693)	4,608,248	6,595,012	
TOTAL FUND BALANCES	<u>10,950,916</u>	<u>-</u>	<u>2,193,617</u>	<u>1,265,134</u>	<u>14,409,667</u>	<u>15,783,222</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,929,530</u>	<u>\$ 269,610</u>	<u>\$ 3,092,692</u>	<u>\$ 1,702,533</u>	<u>\$ 16,994,365</u>	<u>\$ 19,330,220</u>	

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2023

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

	<u>2024</u>	<u>2023</u>
FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 14,409,667	\$ 15,783,222
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	52,957,713	48,201,682
Deferred outflows of resources represent an consumption of net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.	2,339,181	5,181,216
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.	(390,723)	(456,532)
Interest payable on long-term debt does not require current financial resources and therefore, is not reported as a liability in governmental funds.	(17,928)	(19,436)
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	(4,731,919)	(7,378,643)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 64,565,991</u>	<u>\$ 61,311,509</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, 2024
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2024					2023 Totals
	General Fund	American Rescue Plan Act Special Revenue Fund	Capital Projects Fund	Non-major Governmental Funds	Total	
REVENUES:						
Property taxes	\$ 7,241,664	\$ -	\$ -	\$ -	\$ 7,241,664	\$ 7,224,605
Non-property taxes	1,205,393	-	-	2,158,090	3,363,483	3,459,524
Licenses and permits	940,102	-	-	-	940,102	1,093,728
Intergovernmental revenue	2,573,445	1,179,538	-	328,047	4,081,030	5,594,484
Charges for services	999,959	-	-	94,491	1,094,450	1,177,576
Fines and forfeitures	122,277	-	-	146,694	268,971	234,554
Investment earnings (loss)	588,083	-	204,946	10,506	803,535	367,890
Miscellaneous revenues	88,500	-	-	375	88,875	202,354
Total revenues	13,759,423	1,179,538	204,946	2,738,203	17,882,110	19,354,715
EXPENDITURES:						
General government	3,772,977	-	-	41,297	3,814,274	3,420,935
Public safety	7,203,355	-	99,295	31,318	7,333,968	7,340,227
Transportation	1,790,336	-	-	-	1,790,336	1,753,398
Culture/recreation	1,365,731	-	-	-	1,365,731	1,529,465
Capital outlay	1,493,989	-	4,449,970	386,873	6,330,832	4,311,192
Debt service	-	-	-	122,364	122,364	120,291
Total expenditures	15,626,388	-	4,549,265	581,852	20,757,505	18,475,508
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,866,965)	1,179,538	(4,344,319)	2,156,351	(2,875,395)	879,207
OTHER FINANCING SOURCES (USES)						
Transfers in	1,892,436	-	2,730,754	275,064	4,898,254	4,894,172
Transfers (out)	(259,848)	(1,179,538)	-	(1,965,660)	(3,405,046)	(5,427,147)
Sale of general capital assets	8,632	-	-	-	8,632	12,013
TOTAL OTHER FINANCING SOURCES (USES)	1,641,220	(1,179,538)	2,730,754	(1,690,596)	1,501,840	(520,962)
NET CHANGE IN FUND BALANCE	(225,745)	-	(1,613,565)	465,755	(1,373,555)	358,245
FUND BALANCE, beginning of year	11,176,661	-	3,807,182	799,379	15,783,222	15,424,977
FUND BALANCE, end of year	\$ 10,950,916	\$ -	\$ 2,193,617	\$ 1,265,134	\$ 14,409,667	\$ 15,783,222

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, 2024
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

	<u>2024</u>	<u>2023</u>
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (1,373,555)	\$ 358,245
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.	6,211,453	4,425,192
This is the amount of depreciation recorded in the current period.	(1,448,273)	(1,558,589)
This is the book value of dispositions recorded in the current period.	(7,149)	(138,454)
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.	85,000	80,000
This is the change in accrued interest payable on long-term obligations.	1,508	1,420
This is the change in accrued compensated absences during the year.	65,938	(28,572)
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.	(13,372)	(26,055)
This amount represents the change in deferred outflows related to OPEB.	(10,547)	(2,291)
This amount represents the change in the total OPEB liability.	27,505	21,844
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.	79,181	3,131,758
This amount represents the change in deferred outflows related to pensions.	(2,831,488)	3,430,287
This amount represents the change in the net pension liability(asset).	<u>2,468,281</u>	<u>(6,342,201)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,254,482</u>	<u>\$ 3,352,584</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2024
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2023

	2024				Totals	2023 Totals
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement		
ASSETS						
Current assets:						
Equity in pooled cash and investments	\$ 15,473,846	\$ 611,142	\$ -	\$ 234,701	\$ 16,319,689	\$ 15,911,595
Accounts receivables, net	640,098	51,984	107,690	-	799,772	819,014
Leases receivable - current	80,037	-	-	-	80,037	53,787
Inventory	49,872	-	-	-	49,872	49,872
Total current assets	<u>16,243,853</u>	<u>663,126</u>	<u>107,690</u>	<u>234,701</u>	<u>17,249,370</u>	<u>16,834,268</u>
Noncurrent assets:						
Leases receivable - noncurrent	819,925	-	-	-	819,925	877,138
Restricted assets:						
Equity in pooled cash and investments	3,144,942	-	-	-	3,144,942	2,883,148
Capital assets:						
Non-depreciable	4,752,161	1,308,113	-	-	6,060,274	5,168,777
Depreciable, net	21,397,859	6,628,512	112,296	20,435	28,159,102	28,816,247
Total noncurrent assets	<u>30,114,887</u>	<u>7,936,625</u>	<u>112,296</u>	<u>20,435</u>	<u>38,184,243</u>	<u>37,745,310</u>
Total assets	<u>46,358,740</u>	<u>8,599,751</u>	<u>219,986</u>	<u>255,136</u>	<u>55,433,613</u>	<u>54,579,578</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	612,334	41,232	82,493	103,138	839,197	1,456,716
Deferred outflows - refunding loss	93,911	14,033	-	-	107,944	215,886
Deferred outflows related to OPEB	8,219	1,417	-	1,646	11,282	15,538
Total deferred outflows of resources	<u>714,464</u>	<u>56,682</u>	<u>82,493</u>	<u>104,784</u>	<u>958,423</u>	<u>1,688,140</u>

Continued...

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (concluded)
SEPTEMBER 30, 2024
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2023

	2024					2023 Totals
	Business Type Activities - Enterprise Funds				Totals	
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement		
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 855,032	\$ 344,456	\$ 173,619	\$ 21,604	\$ 1,394,711	\$ 1,022,568
Construction costs payable	100,802	45,872	-	-	146,674	90,950
Due to other governments	10,192	-	-	74,617	84,809	73,730
Due to other funds	-	-	534,641	-	534,641	21,093
Compensated absences	55,558	3,483	-	6,381	65,422	68,463
Bonds and notes payable, current	1,670,300	180,700	-	-	1,851,000	1,815,000
Total current liabilities	<u>2,691,884</u>	<u>574,511</u>	<u>708,260</u>	<u>102,602</u>	<u>4,077,257</u>	<u>3,091,804</u>
Noncurrent liabilities:						
Liabilities payable from restricted assets:						
Customer deposits	695,943	-	-	-	695,943	745,967
Interest payable	50,281	4,263	-	-	54,544	72,956
Compensated absences	209,479	16,696	-	14,954	241,129	263,017
Other postemployment obligation payable	61,909	10,672	-	12,402	84,983	97,683
Net pension liability	613,557	41,314	82,658	103,344	840,873	1,341,113
Bonds and notes payable, noncurrent portion	4,632,750	185,250	-	-	4,818,000	6,669,000
Total noncurrent liabilities	<u>6,263,919</u>	<u>258,195</u>	<u>82,658</u>	<u>130,700</u>	<u>6,735,472</u>	<u>9,189,736</u>
Total liabilities	<u>8,955,803</u>	<u>832,706</u>	<u>790,918</u>	<u>233,302</u>	<u>10,812,729</u>	<u>12,281,540</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to OPEB	55,120	9,502	-	11,042	75,664	72,861
Deferred inflows related to leases	821,233	-	-	-	821,233	894,076
Total deferred inflows of resources	<u>876,353</u>	<u>9,502</u>	<u>-</u>	<u>11,042</u>	<u>896,897</u>	<u>966,937</u>
NET POSITION						
Net investment in capital assets	19,840,079	7,538,836	112,296	20,435	27,511,646	25,625,960
Restricted for:						
Debt retirement	146,551	-	-	-	146,551	151,333
Renewal and replacement	250,000	-	-	-	250,000	250,000
Utility rate stabilization	400,000	-	-	-	400,000	400,000
Utility system improvements (expendable)	2,319,859	-	-	-	2,319,859	2,057,498
Building code enforcement	-	-	-	95,141	95,141	191,548
Unrestricted	<u>14,284,559</u>	<u>275,389</u>	<u>(600,735)</u>	<u>-</u>	<u>13,959,213</u>	<u>14,342,902</u>
Total net position	<u>\$ 37,241,048</u>	<u>\$ 7,814,225</u>	<u>\$ (488,439)</u>	<u>\$ 115,576</u>	<u>\$ 44,682,410</u>	<u>\$ 43,019,241</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, 2024
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2024					2023 Total
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement	Totals	
OPERATING REVENUES:						
Charges for services						
Customer charges	\$ 10,367,256	\$ 902,133	\$ 2,385,711	\$ 455,466	\$ 14,110,566	\$ 13,908,937
Franchise permits	-	-	-	-	-	647
Miscellaneous revenues	64,829	-	-	-	64,829	75,304
Total operating income	<u>10,432,085</u>	<u>902,133</u>	<u>2,385,711</u>	<u>455,466</u>	<u>14,175,395</u>	<u>13,984,888</u>
OPERATING EXPENSES:						
Personnel services	2,295,544	365,269	82,984	350,325	3,094,122	2,981,390
Contractual services	892,387	183,998	2,080,205	83,164	3,239,754	3,128,127
Supplies	529,113	70,255	-	2,639	602,007	547,376
Repairs and maintenance	509,257	1,179	7,373	27,197	545,006	776,382
Utilities	383,890	-	-	-	383,890	400,159
Depreciation	1,797,339	522,707	23,836	14,365	2,358,247	2,392,811
Intergovernmental charges	1,112,796	317,772	140,928	90,216	1,661,712	1,661,982
Other expenses	469,597	56,066	3,468	12,534	541,665	366,991
Total operating expenses	<u>7,989,923</u>	<u>1,517,246</u>	<u>2,338,794</u>	<u>580,440</u>	<u>12,426,403</u>	<u>12,255,218</u>
OPERATING INCOME (LOSS)	<u>2,442,162</u>	<u>(615,113)</u>	<u>46,917</u>	<u>(124,974)</u>	<u>1,748,992</u>	<u>1,729,670</u>
NONOPERATING REVENUE (EXPENSE)						
Connection charges	12,595	-	-	-	12,595	37,806
Franchise fees	-	-	339	-	339	49,035
Investment earnings (loss)	1,030,312	25,601	-	14,202	1,070,115	412,077
Interest expense	(219,514)	(22,559)	-	-	(242,073)	(281,330)
Other, net	2,100	-	-	-	2,100	6,300
Total nonoperating revenues (expense)	<u>825,493</u>	<u>3,042</u>	<u>339</u>	<u>14,202</u>	<u>843,076</u>	<u>223,888</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, 2024
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2024					2023 Total
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement	Totals	
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$ 3,267,655	\$ (612,071)	\$ 47,256	\$ (110,772)	\$ 2,592,068	\$ 1,953,558
CAPITAL CONTRIBUTIONS						
System development charges	194,636	-	-	-	194,636	168,455
Capital grants and contributions	292,795	42,677	34,201	-	369,673	521,722
Total capital contributions	487,431	42,677	34,201	-	564,309	690,177
TRANSFERS						
Transfers in	-	250,296	-	-	250,296	1,896,676
Transfers out	(1,383,924)	-	(359,580)	-	(1,743,504)	(1,363,701)
Total transfers	(1,383,924)	250,296	(359,580)	-	(1,493,208)	532,975
CHANGE IN NET POSITION	2,371,162	(319,098)	(278,123)	(110,772)	1,663,169	3,176,710
NET POSITION, beginning of year, as previously reported	34,869,886	8,133,323	(210,316)	226,348	43,019,241	39,949,869
Restatement	-	-	-	-	-	(107,338)
NET POSITION, beginning of year, as restated	34,869,886	8,133,323	(210,316)	226,348	43,019,241	39,842,531
NET POSITION, end of year	<u>\$ 37,241,048</u>	<u>\$ 7,814,225</u>	<u>\$ (488,439)</u>	<u>\$ 115,576</u>	<u>\$ 44,682,410</u>	<u>\$ 43,019,241</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2024
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2024					2023 Totals
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	(non-major) Building Code Enforcement	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 10,426,529	\$ 889,702	\$ 2,331,036	\$ 466,083	\$ 14,113,350	\$ 13,943,705
Payments to suppliers	(3,609,205)	(341,450)	(2,448,088)	(212,878)	(6,611,621)	(6,795,075)
Payments for salaries and benefits	(2,222,605)	(358,212)	(71,456)	(344,948)	(2,997,221)	(3,027,571)
Net cash flows from operating activities	4,594,719	190,040	(188,508)	(91,743)	4,504,508	4,121,059
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers to other funds	(1,383,924)	-	(359,580)	-	(1,743,504)	(1,363,701)
Transfers from other funds	-	250,296	-	-	250,296	1,896,676
Cash received (paid) from/to other funds	-	-	513,548	-	513,548	(565,353)
Connection charges received	12,595	-	-	-	12,595	37,806
Franchise fees received	-	-	339	-	339	49,035
Net cash flows from noncapital financing activities	(1,371,329)	250,296	154,307	-	(966,726)	54,463
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets, net of related payables	(2,306,433)	(230,442)	-	-	(2,536,875)	(3,537,654)
Principal paid on notes, bonds and lease obligations	(1,638,200)	(176,800)	-	-	(1,815,000)	(1,777,000)
Interest paid on borrowings and other debt costs	(141,956)	(10,587)	-	-	(152,543)	(191,404)
Capital contributions and impact fees received, net of change in related receivables	487,431	42,677	34,201	-	564,309	690,177
Net cash flows from capital and related financing activities	(3,599,158)	(375,152)	34,201	-	(3,940,109)	(4,815,881)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on invested funds	1,030,312	25,601	-	14,202	1,070,115	412,077
Other income	2,100	-	-	-	2,100	(57,479)
Net cash flows from investing activities	1,032,412	25,601	-	14,202	1,072,215	354,598
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	656,644	90,785	-	(77,541)	669,888	(285,761)
CASH AND CASH EQUIVALENTS, beginning of year	17,962,144	520,357	-	312,242	18,794,743	19,080,504
CASH AND CASH EQUIVALENTS, end of year	\$ 18,618,788	\$ 611,142	\$ -	\$ 234,701	\$ 19,464,631	\$ 18,794,743
As shown in the Accompanying Financial Statements						
Equity in cash and investments	\$ 15,473,846	\$ 611,142	\$ -	\$ 234,701	\$ 16,319,689	\$ 15,911,595
Restricted equity in cash and investments	3,144,942	-	-	-	3,144,942	2,883,148
Total cash and cash equivalents	\$ 18,618,788	\$ 611,142	\$ -	\$ 234,701	\$ 19,464,631	\$ 18,794,743
Noncash financing and investing activities:						
Amortization of refunding loss	\$ 93,910	\$ 14,032	\$ -	\$ -	\$ 107,942	\$ 107,943
Donated Infrastructure	-	-	-	-	-	63,779
Total noncash financing and investing activities	\$ 93,910	\$ 14,032	\$ -	\$ -	\$ 107,942	\$ 171,722

Continued...

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CASH FLOWS (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2024
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2024					2023 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)	\$ 2,442,162	\$ (615,113)	\$ 46,917	\$ (124,974)	\$ 1,748,992	\$ 1,729,670
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	1,797,339	522,707	23,836	14,365	2,358,247	2,392,811
(Increase) decrease in accounts receivable	86,348	(12,431)	(54,675)	-	19,242	(35,575)
(Increase) decrease in leases receivable	30,963	-	-	-	30,963	50,503
Increase (decrease) in lease related deferred inflows	(72,843)	-	-	-	(72,843)	(72,843)
(Increase) decrease in amounts due from other governments	-	-	-	10,617	10,617	12,020
Increase (decrease) in accounts payable	297,565	287,820	(216,114)	2,872	372,143	96,618
Increase (decrease) in compensated absences	(9,226)	3,255	-	(8,766)	(14,737)	(22,969)
Increase (decrease) in amounts due to other governments	(9,730)	-	-	-	(9,730)	(10,676)
Increase (decrease) in customer deposits	(50,024)	-	-	-	(50,024)	4,712
(Increase) decrease in OPEB related deferred outflows	3,030	660	-	566	4,256	1,198
Increase (decrease) in the total OPEB liability	(8,812)	(2,385)	-	(1,503)	(12,700)	(10,360)
Increase (decrease) in OPEB related deferred inflows	2,370	(237)	-	670	2,803	8,388
(Increase) decrease in pension related deferred outflows	450,612	30,363	60,697	75,847	617,519	(1,023,865)
Increase (decrease) in the net pension liability	(365,035)	(24,599)	(49,169)	(61,437)	(500,240)	1,341,113
(Increase) decrease in the net pension asset	-	-	-	-	-	590,793
Increase (decrease) in pension related deferred inflows	-	-	-	-	-	(930,479)
Net cash flows from operating activities	<u>\$ 4,594,719</u>	<u>\$ 190,040</u>	<u>\$ (188,508)</u>	<u>\$ (91,743)</u>	<u>\$ 4,504,508</u>	<u>\$ 4,121,059</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2024
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2023

	Pension Trust Funds	
	2024	2023
ASSETS		
Cash and cash equivalents	\$ 648,347	\$ 828,906
Accrued income	98,357	89,333
Investments at fair value	47,692,750	39,220,515
Total assets	<u>48,439,454</u>	<u>40,138,754</u>
LIABILITIES		
Accounts payable and accrued liabilities	32,344	3,151
Due to City	1,056,286	-
Total Liabilities	<u>1,088,630</u>	<u>3,151</u>
NET POSITION		
Restricted for pension benefits	<u>\$ 47,350,824</u>	<u>\$ 40,135,603</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2024
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Pension Trust Funds	
	2024	2023
ADDITIONS		
Contributions:		
City	\$ 1,140,496	\$ 1,408,617
Plan members	288,232	291,159
State of Florida	-	165,133
Total contributions	<u>1,428,728</u>	<u>1,864,909</u>
Investment income	8,709,711	4,823,653
Less investment expenses:	<u>(155,193)</u>	<u>(142,997)</u>
Net investment income	<u>8,554,518</u>	<u>4,680,656</u>
Total additions	<u>9,983,246</u>	<u>6,545,565</u>
DEDUCTIONS		
Administrative expenses	132,957	62,858
Payments to retirees and participants	<u>2,635,068</u>	<u>2,738,677</u>
Total deductions	<u>2,768,025</u>	<u>2,801,535</u>
CHANGE IN NET POSITION	7,215,221	3,744,030
NET POSITION, beginning of year	<u>40,135,603</u>	<u>36,391,573</u>
NET POSITION, end of year	<u>\$ 47,350,824</u>	<u>\$ 40,135,603</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. While this fund does not meet the technical criteria to be reported as a major fund, to remain consistent and provide transparency, the City has elected to report this fund as major until all funds received into this fund have been utilized.
- 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, 2023, 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, 2024, 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, 2024, the City implemented the provisions of GASB 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.

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. 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.

- **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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

- **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, 2024, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was \$6,602,246 and the related bank balance was \$6,860,618. 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 depositories 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.

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, 2024:

Investment Type	Investment Maturities					Total
	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	
Accrued interest	\$ 230,124	\$ 230,124	\$ -	\$ -	\$ -	230,124
Money market funds / cash	95,021	95,021	-	-	-	95,021
Corporate bonds	9,403,545	2,295,353	7,013,805	94,387	-	9,403,545
U.S. Treasury Obligations and Federal Agency Securities	17,183,500	-	16,694,251	489,249	-	17,183,500
Florida PRIME	25,991	25,991	-	-	-	25,991
Total	\$ 26,938,181	\$ 2,646,489	\$ 23,708,056	\$ 583,636	\$ -	\$ 26,938,181

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, 2024, 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 September 30, 2024, are comprised of the following items:

Investment Type	Moody's Credit Rating	Percentage of Total Fixed Income Investments
Corporate Bonds	Aaa	0.36%
Corporate Bonds	Aa2	0.24%
Corporate Bonds	Aa3	0.99%
Corporate Bonds	A1	5.01%
Corporate Bonds	A2	3.40%
Corporate Bonds	A3	4.87%
Corporate Bonds	Baa1	5.82%
Corporate Bonds	Baa2	7.16%
Corporate Bonds	Baa3	0.67%
Corporate Bonds	Not Rated	6.83%
U.S. Treasury Obligations and Federal Agency Securities	Aaa	55.31%
U.S. Treasury Obligations and Federal Agency Securities	Not Rated	9.34%
		100.00%

**CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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, 2024:

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	\$ 317,578	\$ 317,578	\$ -	\$ -	\$ -	\$ 317,578
Corporate bonds	3,130,075	-	1,295,129	1,041,598	793,348	3,130,075
U.S. Treasury Obligations and Federal Agency Securities	3,733,533	109,726	1,650,208	1,022,264	951,335	3,733,533
Total	\$ 7,181,186	\$ 427,304	\$ 2,945,337	\$ 2,063,862	\$ 1,744,683	\$ 7,181,186

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	\$ 671,010	\$ 671,010	\$ -	\$ -	\$ -	\$ 671,010
Corporate bonds	1,883,031	-	1,232,144	544,643	106,244	1,883,031
U.S. Treasury Obligations and Federal Agency Securities	2,334,832	49,933	1,065,483	607,713	611,703	2,334,832
Total	\$ 4,888,873	\$ 720,943	\$ 2,297,627	\$ 1,152,356	\$ 717,947	\$ 4,888,873

The City’s pension trust fund fixed income investment balances as of September 30, 2024, 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	0.29%
Corporate Bonds	Aa2	1.54%
Corporate Bonds	Aa3	0.92%
Corporate Bonds	A1	10.74%
Corporate Bonds	A2	5.11%
Corporate Bonds	A3	6.64%
Corporate Bonds	Baa1	5.83%
Corporate Bonds	Baa2	8.75%
Corporate Bonds	Baa3	2.75%
Corporate Bonds	Not Rated	3.02%
U.S. Treasury Obligations and Federal Agency Securities	AAA	42.62%
U.S. Treasury Obligations and Federal Agency Securities	Not Rated	11.79%
		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	0.25%
Corporate Bonds	Aa2	1.30%
Corporate Bonds	Aa3	0.76%
Corporate Bonds	A1	10.45%
Corporate Bonds	A2	4.96%
Corporate Bonds	A3	7.87%
Corporate Bonds	Baa1	7.99%
Corporate Bonds	Baa2	7.96%
Corporate Bonds	Baa3	1.53%
Corporate Bonds	Not Rated	1.58%
U.S. Treasury Obligations and Federal Agency Securities	Aaa	9.19%
U.S. Treasury Obligations and Federal Agency Securities	Not Rated	46.16%
		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, 2024:

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	\$ 230,124	\$ 230,124	\$ -	\$ -
Money Markets	121,012	121,012	-	-
Corporate Bonds	9,403,545	-	9,403,545	-
U.S. Treasury Obligations and Federal Agency Securities	17,183,500	-	17,183,500	-
Subtotal - City Investments	26,938,181	351,136	26,587,045	-
General Employees' Pension Plan:				
Money Markets	317,578	317,578	-	-
Corporate Bonds	3,130,075	-	3,130,075	-
U.S. Treasury Obligations and Federal Agency Securities	3,733,533	-	3,733,533	-
Mutual Funds - Equities	4,593,026	4,593,026	-	-
ETFs	5,520,030	5,520,030	-	-
Equities	11,560,098	11,560,098	-	-
Subtotal - General Employees' Pension Plan	28,854,340	21,990,732	6,863,608	-
Police Officers' Pension Plan:				
Money Markets	671,010	671,010	-	-
Corporate Bonds	1,883,031	-	1,883,031	-
U.S. Treasury Obligations and Federal Agency Securities	2,334,832	-	2,334,832	-
Mutual Funds - Equities	2,780,839	2,780,839	-	-
ETFs	3,599,743	3,599,743	-	-
Equities	7,517,204	7,517,204	-	-
ICMA Self Directed	51,751	51,751	-	-
Subtotal - Police Officers' Pension Plan	18,838,410	14,620,547	4,217,863	-
Total Investments Measured at Fair Value	\$ 74,630,931	\$ 36,962,415	\$ 37,668,516	\$ -

NOTE 3 – RECEIVABLES

Receivables, net of the allowance for doubtful accounts on September 30, 2024, consist of the following:

Fund	Total Accounts Receivable	Allowance for Doubtful Accounts	Accounts Receivable Net
General Fund	\$ 1,264	\$ -	\$ 1,264
Utility Fund	888,929	(248,831)	640,098
Stormwater Fund	80,619	(28,635)	51,984
Sanitation Fund	131,599	(23,909)	107,690
Total	\$ 1,102,411	\$ (301,375)	\$ 801,036

Included in accounts receivable are \$281,386 of water and sewer revenues earned but not billed as of September 30, 2024.

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 \$39,817 in lease revenue and \$22,392 of interest revenue during the fiscal year related to these two leases. On September 30, 2024, the City’s receivable for lease payments was \$877,138 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, 2024, the balance of the deferred inflow of resources was \$821,233.

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CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2024, is as follows:

	Balance October 1, 2023	Transfers	Increases	Decreases	Balance September 30, 2024
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 12,090,795	\$ -	\$ 1,080,243	\$ -	\$ 13,171,038
Construction in process	4,317,107	(2,444,564)	2,450,884	-	4,323,427
Total capital assets, not being depreciated	<u>16,407,902</u>	<u>(2,444,564)</u>	<u>3,531,127</u>	<u>-</u>	<u>17,494,465</u>
Capital assets, being depreciated:					
Buildings	9,810,880	-	708,723	-	10,519,603
Intangible assets	525,445	-	49,461	-	574,906
Improvements other than buildings	44,764,893	2,444,564	1,555,587	(7,149)	48,757,895
Machinery and equipment	7,668,424	-	366,555	(83,384)	7,951,595
Total capital assets, being depreciated	<u>62,769,642</u>	<u>2,444,564</u>	<u>2,680,326</u>	<u>(90,533)</u>	<u>67,803,999</u>
Less accumulated depreciation for:					
Buildings	(3,280,045)	-	(189,698)	-	(3,469,743)
Intangible assets	(468,509)	-	(18,893)	-	(487,402)
Improvements other than buildings	(20,567,696)	-	(723,564)	-	(21,291,260)
Machinery and equipment	(6,659,612)	-	(516,118)	83,384	(7,092,346)
Total accumulated depreciation	<u>(30,975,862)</u>	<u>-</u>	<u>(1,448,273)</u>	<u>83,384</u>	<u>(32,340,751)</u>
Total capital assets being depreciated, net	<u>31,793,780</u>	<u>2,444,564</u>	<u>1,232,053</u>	<u>(7,149)</u>	<u>35,463,248</u>
Governmental activities capital assets, net	<u>\$ 48,201,682</u>	<u>\$ -</u>	<u>\$ 4,763,180</u>	<u>\$ (7,149)</u>	<u>\$ 52,957,713</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,656,018	\$ -	\$ -	\$ -	\$ 1,656,018
Construction-in-progress	3,512,759	(1,221,220)	2,112,717	-	4,404,256
Total capital assets, not being depreciated	<u>5,168,777</u>	<u>(1,221,220)</u>	<u>2,112,717</u>	<u>-</u>	<u>6,060,274</u>
Capital assets, being depreciated:					
Buildings	4,354,563	-	-	-	4,354,563
Intangible assets	244,709	-	-	-	244,709
Improvements other than buildings	88,913,308	1,221,220	433,235	-	90,567,763
Machinery and equipment	4,287,993	-	74,979	(96,740)	4,266,232
Total capital assets, being depreciated	<u>97,800,573</u>	<u>1,221,220</u>	<u>508,214</u>	<u>(96,740)</u>	<u>99,433,267</u>
Less accumulated depreciation for:					
Buildings	(4,343,838)	-	(5,611)	-	(4,349,449)
Intangible assets	(31,995)	-	(189)	-	(32,184)
Improvements other than buildings	(61,015,560)	(28,332)	(2,164,801)	-	(63,208,693)
Machinery and equipment	(3,592,933)	-	(187,646)	96,740	(3,683,839)
Total accumulated depreciation	<u>(68,984,326)</u>	<u>(28,332)</u>	<u>(2,358,247)</u>	<u>96,740</u>	<u>(71,274,165)</u>
Total capital assets being depreciated, net	<u>28,816,247</u>	<u>1,192,888</u>	<u>(1,850,033)</u>	<u>-</u>	<u>28,159,102</u>
Business-type activities capital assets, net	<u>\$ 33,985,024</u>	<u>\$ (28,332)</u>	<u>\$ 262,684</u>	<u>\$ -</u>	<u>\$ 34,219,376</u>

NOTE 5 – CAPITAL ASSETS (concluded)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$	190,060
Public safety		354,638
Transportation		574,311
Parks and recreation		<u>329,264</u>
Total depreciation expense - governmental activities	\$	<u>1,448,273</u>

Business-type Activities:

Utility	\$	1,797,339
Stormwater		522,707
Sanitation		23,836
Building Code Enforcement		<u>14,365</u>
Total depreciation expense - business-type activities	\$	<u>2,358,247</u>

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**CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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, 2024:

	Balance October 1, 2023	Increases	Decreases	Balance September 30, 2024	Amounts Due within One Year
Governmental Activities:					
Long-term debt:					
Capital Improvement Revenue Bond, Series 2018	\$ 1,095,000	\$ -	\$ (85,000)	\$ 1,010,000	\$ 85,000
Total long-term debt	<u>1,095,000</u>	<u>-</u>	<u>(85,000)</u>	<u>1,010,000</u>	<u>85,000</u>
Other liabilities:					
OPEB obligation	262,072	-	(27,505)	234,567	-
Net pension liability	4,986,980	-	(2,468,281)	2,518,699	-
Compensated absences	1,034,591	-	(65,938)	968,653	194,526
Total other liabilities	<u>6,283,643</u>	<u>-</u>	<u>(2,561,724)</u>	<u>3,721,919</u>	<u>194,526</u>
Total long-term obligations	<u>\$ 7,378,643</u>	<u>\$ -</u>	<u>\$ (2,646,724)</u>	4,731,919	<u>\$ 279,526</u>
Less amounts due in one year				(279,526)	
Total noncurrent obligations due in more than one year				<u>\$ 4,452,393</u>	
Business-type Activities:					
Long-term debt:					
Utility System Revenue Refunding Bond, Series 2014	\$ 4,175,000	\$ -	\$ (1,360,000)	\$ 2,815,000	\$ 1,390,000
Refunding Bank Loan Series 2021	4,309,000	-	(455,000)	3,854,000	461,000
Total bonds and notes payable	<u>8,484,000</u>	<u>-</u>	<u>(1,815,000)</u>	<u>6,669,000</u>	<u>1,851,000</u>
Other liabilities:					
OPEB obligation	97,683	-	(12,700)	84,983	-
Net pension liability	1,341,113	-	(500,240)	840,873	-
Compensated absences	331,480	-	(24,929)	306,551	65,422
Total other liabilities	<u>1,770,276</u>	<u>-</u>	<u>(537,869)</u>	<u>1,232,407</u>	<u>65,422</u>
Total long-term liabilities	<u>\$ 10,254,276</u>	<u>\$ -</u>	<u>\$ (2,352,869)</u>	7,901,407	<u>\$ 1,916,422</u>
Less amounts due in one year				(1,916,422)	
Net long-term liabilities in excess of one year				<u>\$ 5,984,985</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, 2024, are as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	100,000	21,300	496,000	31,050
2030-2034	550,000	50,588	1,462,000	42,706
Total	\$ 1,010,000	\$ 190,280	\$ 6,669,000	\$ 345,300

Interest and amortization expenses incurred during the year ended September 30, 2024, amounted to \$317,185.

The City is also required to maintain certain debt service coverage ratios in accordance with bond resolutions. As of September 30, 2024, 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, 2024. 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, 2024:

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	\$ 2,880,997	\$ 1,441,434	\$ 5,259,584	
Refunding Bank Loan, Series 2021	Utility Net Revenues	2032	4,133,303	526,030	5,259,584	
Total			<u>\$ 7,014,300</u>	<u>\$ 1,967,464</u>	<u>\$ 5,259,584</u>	<u>267.33%</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, 2024, 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, 2024, 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'	\$ 25,579,142	\$ 1,707,217	\$ 1,703,816	\$ -	\$ 993,791
Police Officers'	17,916,032	1,652,354	1,443,422	181,876	548,009
	\$ 43,495,174	\$ 3,359,571	\$ 3,147,238	\$ 181,876	\$ 1,541,800

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, 2023 and 2022 (latest actuarial data available), were as follows:

	September 30 2023	September 30 2022
Inactive plan members or beneficiaries currently receiving benefits	84	84
Inactive plan members entitled to but not yet receiving benefits	6	6
Active plan members	15	18
Total	105	108

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, 2024, Plan net position included \$259,759 of DROP account balances.

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

Contributions

The City is required to contribute an actuarially determined amount of \$352,301 (29% of covered payroll) for the year ended September 30, 2024. City contributions to the Plan were \$689,268 for the year ended September 30, 2024. 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, 2023, 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, 2024, 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, 2024 (September 30, 2023 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 9/30/2023	\$ 25,540,642	\$ 22,047,291	\$ 3,493,351
Changes for the year:			
Service cost	214,537	-	214,537
Interest	1,670,865	-	1,670,865
Difference between actual and expected experience	156,347	-	156,347
Contributions - City	-	850,266	(850,266)
Contributions - employee	-	75,784	(75,784)
Net investment income	-	2,937,968	(2,937,968)
Benefit payments, including refunds of employee contributions	(2,003,249)	(2,003,249)	-
Administrative expense	-	(36,135)	36,135
Net changes	<u>38,500</u>	<u>1,824,634</u>	<u>(1,786,134)</u>
Reporting period ending 9/30/2024	<u>\$ 25,579,142</u>	<u>\$ 23,871,925</u>	<u>\$ 1,707,217</u>

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

The components of the net pension liability (asset) for the Plan as of the September 30, 2024 measurement date were as follows:

Total pension liability	\$ 27,234,843
Plan fiduciary net position	<u>(27,839,791)</u>
Net pension liability (asset)	<u>\$ (604,948)</u>
Plan fiduciary net position as a percentage of the total pension liability	102%

For the year ended September 30, 2024, the City recognized a total pension expense of \$993,791. 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	\$ 14,213	\$ -
Change in assumptions	-	-
Difference between projected and actual earnings on Plan investments	1,000,335	-
City contributions subsequent to the measurement date	<u>689,268</u>	<u>-</u>
Total	<u>\$ 1,703,816</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, 2025. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	Amount
2025	\$ 251,373
2026	187,715
2027	873,490
2028	<u>(298,030)</u>
	<u>\$ 1,014,548</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 22.38% and 14.05% for the years ended September 30, 2024 and 2023, 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, 2022, rolled forward to the measurement date of September 30, 2023, 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%	6.69%
Small/Mid Cap Equity	10%	7.00%
International Equities	15%	5.56%
Fixed Income (70% core/30% Short-term)	30%	1.29%
Alternatives (50% REITS/50% MLPS)	6%	5.06%
Cash and Equivalents	6%	0.70%

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, 2023 and the financial reporting date of September 30, 2024.

As of September,	Current Discount Rate	1% Decrease	Current Rate	1% Increase
9/30/2023	6.75%	\$ 4,225,050	\$ 1,707,217	\$ (476,902)
9/30/2024	6.25%	\$ 2,099,666	\$ (604,948)	\$ (2,954,441)

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, 2023 and 2022 measurement dates (latest actuarial data available), were as follows:

	September 30 2023	September 30 2022
Inactive plan members or beneficiaries currently receiving benefits	21	21
Inactive plan members entitled to but not yet receiving benefits	5	4
Active plan members	25	26
Total	51	51

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, 2024, Police Plan net position included \$52,667 of DROP account balances.

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

Contributions

The City is required to contribute an actuarially determined amount of \$449,957 (17% of covered payroll) for the year ended September 30, 2024. The City may use State contributions to offset this required contribution. City and State contributions to the Police Plan were \$451,228 for the year ended September 30, 2024. 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, 2023, 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, 2024, 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, 2024 (September 30, 2023 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 9/30/2023	\$ 17,179,024	\$ 14,344,282	\$ 2,834,742
Changes for the year:			
Service cost	426,687	-	426,687
Interest	1,164,223	-	1,164,223
Difference between actual and expected experience	(137,974)	-	(137,974)
Other	19,500	-	19,500
Contributions - City	-	558,351	(558,351)
Contributions - State	-	165,133	(165,133)
Contributions - employee	-	215,375	(215,375)
Net investment income	-	1,742,688	(1,742,688)
Benefit payments, including refunds of employee contributions	(735,428)	(735,428)	-
Administrative expense	-	(26,723)	26,723
Net changes	<u>737,008</u>	<u>1,919,396</u>	<u>(1,182,388)</u>
Reporting period ending 9/30/2024	<u>\$ 17,916,032</u>	<u>\$ 16,263,678</u>	<u>\$ 1,652,354</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, 2024 measurement date were as follows:

Total pension liability	\$ 20,610,200
Plan fiduciary net position	<u>(19,511,033)</u>
Net pension liability (asset)	<u>\$ 1,099,167</u>

Plan fiduciary net position as a percentage of the total pension liability 95%

For the year ended September 30, 2024, the City recognized total pension expense of \$548,009. The City reported deferred outflows of resources and deferred inflows of resources related to the Police Plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 87,097	\$ 113,543
Change in assumptions	-	68,333
Net difference between projected and actual earnings on Plan investments	905,097	-
City contributions subsequent to the measurement date	<u>451,228</u>	<u>-</u>
Total	<u>\$ 1,443,422</u>	<u>\$ 181,876</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, 2025. 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
2025	\$ 169,488
2026	188,787
2027	588,380
2028	<u>(136,337)</u>
	<u>\$ 810,318</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 22.47% and 6.13% for the years ended September 30, 2024 and 2023, 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, 2022, rolled forward to September 30, 2023, 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 weighing 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%	6.69%
Small/Mid Cap Equity	10%	7.00%
International Equities	15%	5.56%
Fixed Income (70% core/30% Short-term)	30%	1.29%
Alternatives (50% REITS/50% MLPS)	6%	5.06%
Cash and Equivalents	6%	0.70%

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, 2023 and the financial reporting date of September 30, 2024.

As of September,	Current Discount Rate	1% Decrease	Current Rate	1% Increase
9/30/2023	6.75%	\$ 3,564,072	\$ 1,652,354	\$ 43,465
9/30/2024	6.25%	\$ 3,149,910	\$ 1,099,167	\$ (619,308)

The Statements of Fiduciary Net Position for the City's pension trust funds for the year ended September 30, 2024 were as follows:

	Pension Trust Funds			
	General Employees' Retirement Plan	Police Officers' Retirement Plan	2024 Totals	2023 Totals
ASSETS				
Cash and cash equivalents	\$ -	\$ 648,347	\$ 648,347	\$ 828,906
Accrued income	61,127	37,230	98,357	89,333
Investments at fair value	28,854,340	18,838,410	47,692,750	39,220,515
Total assets	<u>28,915,467</u>	<u>19,523,987</u>	<u>48,439,454</u>	<u>40,138,754</u>
LIABILITIES				
Accounts payable and accrued liabilities	19,390	12,954	32,344	3,151
Due to City	1,056,286	-	1,056,286	-
Total Liabilities	<u>1,075,676</u>	<u>12,954</u>	<u>1,088,630</u>	<u>3,151</u>
NET POSITION				
Restricted for pension benefits	<u>\$ 27,839,791</u>	<u>\$ 19,511,033</u>	<u>\$ 47,350,824</u>	<u>\$ 40,135,603</u>

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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, 2024 were as follows:

	Pension Trust Funds			
	General Employees' Retirement Plan	Police Officers' Retirement Plan	2024 Totals	2023 Totals
ADDITIONS				
Contributions:				
City	\$ 689,268	\$ 451,228	\$ 1,140,496	\$ 1,408,617
Plan members	72,724	215,508	288,232	291,159
State of Florida	-	-	-	165,133
Total contributions	<u>761,992</u>	<u>666,736</u>	<u>1,428,728</u>	<u>1,864,909</u>
Investment income	5,263,786	3,445,925	8,709,711	4,823,653
Less investment expenses:	<u>(94,035)</u>	<u>(61,158)</u>	<u>(155,193)</u>	<u>(142,997)</u>
Net investment income	<u>5,169,751</u>	<u>3,384,767</u>	<u>8,554,518</u>	<u>4,680,656</u>
Total additions	<u>5,931,743</u>	<u>4,051,503</u>	<u>9,983,246</u>	<u>6,545,565</u>
DEDUCTIONS				
Administrative expenses	71,861	61,096	132,957	62,858
Payments to retirees and participants	<u>1,892,016</u>	<u>743,052</u>	<u>2,635,068</u>	<u>2,738,677</u>
Total deductions	<u>1,963,877</u>	<u>804,148</u>	<u>2,768,025</u>	<u>2,801,535</u>
CHANGE IN NET POSITION	3,967,866	3,247,355	7,215,221	3,744,030
NET POSITION, beginning of year	<u>23,871,925</u>	<u>16,263,678</u>	<u>40,135,603</u>	<u>36,391,573</u>
NET POSITION, end of year	<u>\$ 27,839,791</u>	<u>\$ 19,511,033</u>	<u>\$ 47,350,824</u>	<u>\$ 40,135,603</u>

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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 \$229,070 and \$182,498 for the years ended September 30, 2024 and 2023, 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, 2023, the valuation date of the latest actuarial valuation:

	September 30, 2023
Inactive plan members or beneficiaries currently receiving benefits	1
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	109
Total	110

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, 2023 actuarial valuation (used for the September 30, 2024 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: 4.63%

Investment Rate of Return: 0.0%

Salary Increases: Rates used in the October 1, 2023 actuarial valuation of the City’s pension plans.

Healthcare Cost Trend: Based on Getzen Model, with trend of 8.70% for 2024, 6.00% for 2025 and then gradually decreasing to an ultimate trend rate of 4.00%.

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 4.63% as of September 30, 2023 (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, 2023 and was determined by an actuarial valuation as of September 30, 2022. Changes in the Total OPEB liability were as follows:

	Total OPEB Liability
Reporting period ending September 30, 2023	\$ 359,755
Changes for the year:	
Service cost	36,840
Interest	17,072
Differences between expected and actual experience	(73,297)
Changes of assumptions	(3,620)
Benefit payments	(17,200)
Net changes	(40,205)
Reporting period ending September 30, 2024	\$ 319,550

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	\$ 350,508	\$ 319,550	\$ 292,219

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	\$ 277,515	\$ 319,550	\$ 371,545

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2024, the City recognized OPEB expense of \$2,700. On September 30, 2024, 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	\$ 30,496	\$ 126,956
Differences between expected and actual experience	-	157,555
City contributions subsequent to the measurement date	11,926	-
Total	<u>\$ 42,422</u>	<u>\$ 284,511</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$11,926 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, 2024. 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>
2025	\$ (51,209)
2026	(48,551)
2027	(46,274)
2028	(34,033)
2029	(29,107)
Thereafter	(44,841)
Total	<u>\$ (254,015)</u>

NOTE 10 – INTERFUND ACCOUNTS

Individual fund inter-fund receivables and payables on September 30, 2024, consist of the following:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 2,010,988	\$ -
Sanitation Fund	-	534,641
Local Option Gas Tax Fund		363,630
Debt Service Fund	-	19,848
Court cost training fund	-	36,583
General Employees' Retirement Fund	-	1,056,286
	<u>\$ 2,010,988</u>	<u>\$ 2,010,988</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, 2024:

	Transfer In:						Total
	General Fund	Capital Projects Fund	Debt Service Fund	Community Development Block Grant Fund	Stormwater Fund	Court Cost Training Fund	
Transfers Out:							
Utility Fund	\$ 833,916	\$ 550,008	\$ -	\$ -	\$ -	\$ -	\$ 1,383,924
General Fund	-	185,496	-	52,356	-	21,996	259,848
Parking Fund	110,340	-	-	-	-	-	110,340
Local Option Gas Tax Fund	409,596	350,004	-	-	-	-	759,600
Sanitation Fund	359,580	-	-	-	-	-	359,580
ARPA Fund	-	1,179,538	-	-	-	-	1,179,538
Community Development							
Block Grant Fund	-	130,704	-	-	-	-	130,704
Convention Development Tax Fund	-	-	122,364	-	-	-	122,364
Half-cent Sales Tax Fund	179,004	335,004	-	78,348	250,296	-	842,652
Total	<u>\$ 1,892,436</u>	<u>\$ 2,730,754</u>	<u>\$ 122,364</u>	<u>\$ 130,704</u>	<u>\$ 250,296</u>	<u>\$ 21,996</u>	<u>\$ 5,148,550</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, 2024, the City incurred \$1,391,615 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.

The previous agreement expired during the fiscal year ended September 30, 2024; however, both the City and the City of Jacksonville continued to honor its terms while negotiating a new agreement. In June 2025, the parties agreed to reduce the annual fee for fire and rescue services to \$750,000, to be paid in quarterly installments beginning June 1, 2025, and ending May 31, 2026. During the term of this interim agreement, the City and the City of Jacksonville plan to develop a new long-term interlocal agreement, informed by a third-party evaluation of the service arrangement.

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 – DEFICIT FUND BALANCE

On September 30, 2024 the following nonmajor governmental funds reported deficit fund balance amounts as follows:

- Local Option Gas Tax Special Revenue Fund – (\$240,357)
- Court Cost Training Special Revenue Fund – (\$36,488)
- 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.

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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, 2024

	Budgeted Amounts		Actual Amounts (Budgetary Basis) see Note A	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 7,289,893	\$ 7,289,893	\$ 7,241,664	\$ (48,229)
Non-property taxes	1,222,368	1,222,368	1,205,393	(16,975)
Licenses and permits	1,105,655	1,105,655	940,102	(165,553)
Intergovernmental revenue	3,653,294	3,653,294	2,573,445	(1,079,849)
Charges for services	968,617	968,617	999,959	31,342
Fines and forfeitures	111,375	111,375	122,277	10,902
Investment earnings (loss)	200,000	200,000	588,083	388,083
Miscellaneous revenues	19,050	19,050	88,500	69,450
Interfund charges	1,856,156	1,856,156	1,754,865	(101,291)
Total revenues	<u>16,426,408</u>	<u>16,426,408</u>	<u>15,514,288</u>	<u>(912,120)</u>
EXPENDITURES				
City Administration:				
City Commission	67,972	67,972	61,644	6,328
City Clerk	394,747	395,047	289,140	105,907
City Attorney	196,429	196,429	163,565	32,864
City Manager	642,822	642,602	617,636	24,966
Human resources	282,140	282,140	505,145	(223,005)
Information technology	914,811	960,511	860,934	99,577
Finance	1,373,024	1,377,101	1,313,801	63,300
Total City administration	<u>3,871,945</u>	<u>3,921,802</u>	<u>3,811,865</u>	<u>109,937</u>
Planning and zoning	<u>500,867</u>	<u>811,129</u>	<u>499,507</u>	<u>311,622</u>
General government	<u>1,844,956</u>	<u>1,806,528</u>	<u>1,569,978</u>	<u>236,550</u>
Public safety:				
Police	5,811,319	5,854,553	5,557,008	297,545
Animal control	128,443	128,456	119,948	8,508
Fire control	2,423,437	3,080,611	2,048,251	1,032,360
Code enforcement	133,528	139,528	129,053	10,475
Total public safety	<u>8,496,727</u>	<u>9,203,148</u>	<u>7,854,260</u>	<u>1,348,888</u>

Continued...

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual Amounts (Budgetary Basis) see Note A	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works:				
Administration and streets	2,074,040	2,094,440	1,649,605	444,835
Fleet maintenance	364,190	402,543	259,127	143,416
Total public works	<u>2,438,230</u>	<u>2,496,983</u>	<u>1,908,732</u>	<u>588,251</u>
Parks and recreation				
Recreation and special events	538,387	540,534	428,166	112,368
Parks maintenance	1,491,674	1,512,809	1,308,745	204,064
Total parks and recreation	<u>2,030,061</u>	<u>2,053,343</u>	<u>1,736,911</u>	<u>316,432</u>
Total expenditures	<u>19,182,786</u>	<u>20,292,933</u>	<u>17,381,253</u>	<u>2,911,680</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(2,756,378)</u>	<u>(3,866,525)</u>	<u>(1,866,965)</u>	<u>1,999,560</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(259,850)	(259,850)	(259,848)	2
Transfers in	1,892,434	1,892,434	1,892,436	(2)
Sale of general capital assets	25,000	25,000	8,632	(16,368)
Total other financing sources (uses)	<u>1,657,584</u>	<u>1,657,584</u>	<u>1,641,220</u>	<u>(16,368)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,098,794)</u>	<u>\$ (2,208,941)</u>	<u>\$ (225,745)</u>	<u>\$ 1,983,196</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, 2024

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

Sources/inflows of resources

Total revenue from the budgetary comparison schedule	\$ 15,514,288
Differences - budget to GAAP:	
For GAAP, General Fund inter-fund charges are reported as a reduction in the applicable expenditure function rather than revenues.	(1,754,865) (*)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances (page 16)	<u><u>\$ 13,759,423</u></u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the Total expenditures from the budgetary comparison schedule	\$ 17,381,253
Differences - budget to GAAP:	
For GAAP, General Fund inter-fund charges are reported as a reduction in the applicable expenditure function rather than revenues.	(1,754,865) (*)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances (page 16)	<u><u>\$ 15,626,388</u></u>

(*) - Interfund charges by Division

City Manager	\$ 293,916
Finance	673,188
Public Works Admin	295,080
Fleet and Equipment Maintenance	71,925
Human Resources	69,432
Information Technology	181,524
Facility Maintenance	169,800
	<u><u>\$ 1,754,865</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, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) see Note A</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ -	\$ 1,449,148	\$ 1,179,538	\$ (269,610)
Total revenues	-	1,449,148	1,179,538	(269,610)
EXPENDITURES				
None	-	-	-	-
Total expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	-	1,449,148	1,179,538	(269,610)
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,449,148)	(1,449,148)	(1,179,538)	269,610
Total other financing sources (uses)	(1,449,148)	(1,449,148)	(1,179,538)	269,610
NET CHANGE IN FUND BALANCE	<u>\$ (1,449,148)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ATLANTIC BEACH, FLORIDA

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

City reporting period date	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Measurement date	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Total pension liability					
Service cost	\$ 202,244	\$ 214,537	\$ 241,673	\$ 244,995	\$ 288,450
Interest	1,676,388	1,670,865	1,646,364	1,633,199	1,604,466
Change in assumptions	1,212,294	-	-	(420,148)	-
Difference between expected and actual experience	456,791	156,347	255,984	207,558	(44,031)
Benefit payments, including refunds of employee contributions	(1,892,016)	(1,967,963)	(1,504,566)	(1,429,935)	(1,329,553)
Employee buy-back	-	(35,286)	-	-	-
Net change in total pension liability	1,655,701	38,500	639,455	235,669	519,332
Total pension liability, beginning	25,579,142	25,540,642	24,901,187	24,665,518	24,146,186
Total pension liability, ending (a)	\$ 27,234,843	\$ 25,579,142	\$ 25,540,642	\$ 24,901,187	\$ 24,665,518
Plan fiduciary net position					
Contributions - City	\$ 689,268	\$ 850,266	\$ 1,099,884	\$ 1,248,604	\$ 1,362,952
Contributions - Employee	72,724	75,784	81,830	87,209	96,921
Net investment income (loss)	5,169,751	2,937,968	(4,081,483)	4,891,453	1,138,973
Benefit payments, including refunds of employee contributions	(1,892,016)	(2,003,249)	(1,504,566)	(1,429,935)	(1,329,553)
Administrative expenses	(71,861)	(36,135)	(45,210)	(19,631)	(48,109)
Net change in plan fiduciary net position	3,967,866	1,824,634	(4,449,545)	4,777,700	1,221,184
Plan fiduciary net position, beginning	23,871,925	22,047,291	26,496,836	21,719,136	20,497,952
Plan fiduciary net position, ending (b)	\$ 27,839,791	\$ 23,871,925	\$ 22,047,291	\$ 26,496,836	\$ 21,719,136
Net pension liability (asset) (a)-(b)	\$ (604,948)	\$ 1,707,217	\$ 3,493,351	\$ (1,595,649)	\$ 2,946,382
Plan fiduciary net position as a percentage of total pension liability	102.22%	93.33%	86.32%	106.41%	88.05%
Covered payroll	\$ 1,212,067	\$ 1,263,067	\$ 1,363,833	\$ 1,453,483	\$ 1,615,350
Net pension liability as a percentage of covered payroll	-49.91%	135.16%	256.14%	-109.78%	182.40%

Continued...

CITY OF ATLANTIC BEACH, FLORIDA

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

City reporting period date	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Measurement date	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Total pension liability					
Service cost	\$ 332,673	\$ 345,019	\$ 346,460	\$ 348,604	\$ 402,093
Interest	1,566,226	1,574,193	1,485,239	1,437,296	1,404,316
Change in assumptions	-	695,507	559,117	-	-
Difference between expected and actual experience	40,197	(473,189)	291,669	164,601	(162,280)
Benefit payments, including refunds of employee contributions	(1,327,161)	(1,501,456)	(1,319,107)	(1,207,804)	(1,031,191)
Employee buy-back	-	-	-	-	-
Net change in total pension liability	611,935	640,074	1,363,378	742,697	612,938
Total pension liability, beginning	<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>
Total pension liability, ending (a)	<u>\$ 24,146,186</u>	<u>\$ 23,534,251</u>	<u>\$ 22,894,177</u>	<u>\$ 21,530,799</u>	<u>\$ 20,788,102</u>
Plan fiduciary net position					
Contributions - City	\$ 1,424,479	\$ 1,332,119	\$ 1,175,572	1,112,344	\$ 863,613
Contributions - Employee	107,745	117,536	124,024	128,204	136,191
Net investment income (loss)	619,176	1,554,225	1,792,192	1,515,746	162,326
Benefit payments, including refunds Of employee contributions	(1,327,161)	(1,501,456)	(1,319,107)	(1,207,804)	(1,031,191)
Administrative expenses	(40,584)	(31,261)	(53,880)	(32,495)	(41,909)
Net change in plan fiduciary net position	783,655	1,471,163	1,718,801	1,515,995	89,030
Plan fiduciary net position, beginning	<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>
Plan fiduciary net position, ending (b)	<u>\$ 20,497,952</u>	<u>\$ 19,714,297</u>	<u>\$ 18,243,134</u>	<u>\$ 16,524,333</u>	<u>\$ 15,008,338</u>
Net pension liability (asset) (a)-(b)	<u>\$ 3,648,234</u>	<u>\$ 3,819,954</u>	<u>\$ 4,651,043</u>	<u>\$ 5,006,466</u>	<u>\$ 5,779,764</u>
Plan fiduciary net position as a percentage of total pension liability	84.89%	83.77%	79.68%	76.75%	72.20%
Covered payroll	\$ 1,795,750	\$ 1,958,933	\$ 2,067,067	\$ 2,136,733	\$ 2,269,850
Net pension liability as a percentage of covered payroll	203.16%	195.00%	225.01%	234.30%	254.63%

Change of Assumptions:

For measurement date September 30, 2024:

- The assumed investment return assumption was reduced from 6.75% to 6.25%.

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	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Measurement date	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Total pension liability					
Service cost	\$ 453,970	\$ 426,687	\$ 414,067	\$ 396,817	\$ 369,089
Interest	1,215,576	1,164,223	1,099,655	1,090,158	1,034,146
Change in excess State money	-	-	-	-	-
Difference between expected and actual experience	705,395	(137,974)	195,967	(130,811)	103,400
Change of assumptions	1,042,161	-	-	(478,322)	-
Other	-	19,500	-	-	-
Benefit payments, including refunds of employee contributions	(722,934)	(735,428)	(815,563)	(693,227)	(715,876)
Net change in total pension liability	2,694,168	737,008	894,126	184,615	790,759
Total pension liability, beginning	17,916,032	17,179,024	16,284,898	16,100,283	15,309,524
Total pension liability, ending (a)	\$ 20,610,200	\$ 17,916,032	\$ 17,179,024	\$ 16,284,898	\$ 16,100,283
Plan fiduciary net position					
Contributions - City	\$ 451,228	\$ 558,351	\$ 779,224	\$ 870,477	\$ 745,022
Contributions - State of Florida	-	165,133	144,821	274,267	132,844
Contributions - Employee	215,508	215,375	177,828	168,456	161,166
Net investment income (loss)	3,384,767	1,742,688	(2,535,548)	2,896,388	607,277
Benefit payments, including refunds of employee contributions	(743,052)	(735,428)	(815,563)	(693,227)	(715,876)
Administrative expenses	(61,096)	(26,723)	(41,743)	(34,284)	(35,623)
Other	-	-	-	-	-
Net change in plan fiduciary net position	3,247,355	1,919,396	(2,290,981)	3,482,077	894,810
Plan fiduciary net position, beginning	16,263,678	14,344,282	16,635,263	13,153,186	12,258,376
Plan fiduciary net position, ending (b)	\$ 19,511,033	\$ 16,263,678	\$ 14,344,282	\$ 16,635,263	\$ 13,153,186
Net pension liability (asset) (a)-(b)	\$ 1,099,167	\$ 1,652,354	\$ 2,834,742	\$ (350,365)	\$ 2,947,097
Plan fiduciary net position as a percentage of total pension liability	94.67%	90.78%	83.50%	102.15%	81.70%
Covered payroll	\$ 2,660,125	\$ 2,448,438	\$ 2,222,850	\$ 2,105,700	\$ 2,014,575
Net pension liability as a percentage of covered payroll	41.32%	67.49%	127.53%	-16.64%	146.29%

Continued...

CITY OF ATLANTIC BEACH, FLORIDA

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

City reporting period date	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Measurement date	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Total pension liability					
Service cost	\$ 332,419	\$ 329,254	\$ 335,185	\$ 279,863	\$ 291,761
Interest	1,026,422	1,016,983	970,877	931,370	900,982
Change in excess State money	-	(120,454)	-	-	120,454
Difference between expected and actual experience	(351,261)	(209,232)	187,216	(2,998)	(213,426)
Change of assumptions	-	454,983	(40,955)	-	-
Other	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,143,778)	(690,688)	(643,872)	(754,465)	(553,042)
Net change in total pension liability	(136,198)	780,846	808,451	453,770	546,729
Total pension liability, beginning	15,445,722	14,664,876	13,856,425	13,402,655	12,855,926
Total pension liability, ending (a)	\$ 15,309,524	\$ 15,445,722	\$ 14,664,876	\$ 13,856,425	\$ 13,402,655
Plan fiduciary net position					
Contributions - City	\$ 826,705	\$ 854,780	\$ 945,540	\$ 729,483	\$ 574,014
Contributions - State of Florida	-	236,772	-	112,972	103,528
Contributions - Employee	142,024	131,498	129,552	117,274	112,354
Net investment income (loss)	307,543	853,894	950,447	804,901	43,534
Benefit payments, including refunds of employee contributions	(1,143,777)	(690,688)	(643,872)	(754,465)	(553,042)
Administrative expenses	(38,763)	(25,152)	(51,481)	(29,933)	(35,984)
Other (change in excess State money)	-	-	-	-	120,454
Net change in plan fiduciary net position	93,732	1,361,104	1,330,186	980,232	364,858
Plan fiduciary net position, beginning	12,164,644	10,803,540	9,473,354	8,493,122	8,128,264
Plan fiduciary net position, ending (b)	\$ 12,258,376	\$ 12,164,644	\$ 10,803,540	\$ 9,473,354	\$ 8,493,122
Net pension liability (asset) (a)-(b)	\$ 3,051,148	\$ 3,281,078	\$ 3,861,336	\$ 4,383,071	\$ 4,909,533
Plan fiduciary net position as a percentage of total pension liability	80.07%	78.76%	73.67%	68.37%	63.37%
Covered payroll	\$ 1,775,300	\$ 1,643,725	\$ 1,619,400	\$ 1,465,925	\$ 1,404,425
Net pension liability as a percentage of covered payroll	171.87%	199.61%	238.44%	299.00%	349.58%

Change of Assumptions:

For measurement date September 30, 2024:

- The assumed investment return assumption was reduced from 6.75% to 6.25%.

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					
2024	\$ 352,301	\$ 689,268	\$ 336,967	\$ 1,212,067	56.87%
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%
Police Officers' Plan					
2024	\$ 449,957	\$ 451,228	\$ 1,271	\$ 2,660,125	16.96%
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%

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, 2022. 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* - 28 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,								
	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Employees' Plan									
Annual money-weighted rate of return net of investment expenses	22.38%	14.05%	-16.01%	23.65%	6.41%	4.04%	8.67%	10.92%	10.18%
Police Officers' Plan									
Annual money-weighted rate of return net of investment expenses	22.47%	6.13%	-14.98%	23.67%	6.15%	4.38%	8.26%	10.80%	9.93%

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

Reporting date	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Measurement date	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Total OPEB Liability				
Service cost	\$ 36,840	\$ 55,813	\$ 56,159	\$ 55,135
Interest	17,072	9,684	11,124	11,812
Difference between expected and actual experience	(73,297)	-	(20,135)	-
Changes in assumptions	(3,620)	(86,543)	(56,642)	(26,153)
Benefit payments	(17,200)	(11,158)	(7,902)	(11,666)
Net change in total OPEB Liability	(40,205)	(32,204)	(17,396)	29,128
Total OPEB Liability - beginning	359,755	391,959	409,355	380,227
Total OPEB Liability - ending	<u>\$ 319,550</u>	<u>\$ 359,755</u>	<u>\$ 391,959</u>	<u>\$ 409,355</u>
Covered-employee payroll	\$ 7,144,276	\$ 8,066,712	\$ 5,961,844	\$ 7,602,334
Total OPEB liability as a percentage of covered-employee payroll	4.47%	4.46%	6.57%	5.38%
Reporting date	9/30/2020	9/30/2019	9/30/2018	
Measurement date	9/30/2019	9/30/2018	9/30/2017	
Total OPEB Liability				
Service cost	\$ 38,095	\$ 39,404	\$ 41,222	
Interest	19,049	16,906	14,667	
Difference between expected and actual experience	(203,632)	-	-	
Changes in assumptions	78,146	(18,238)	(21,261)	
Benefit payments	(21,386)	(23,456)	(22,404)	
Net change in total OPEB Liability	(89,728)	14,616	12,224	
Total OPEB Liability - beginning	469,955	455,339	443,115	
Total OPEB Liability - ending	<u>\$ 380,227</u>	<u>\$ 469,955</u>	<u>\$ 455,339</u>	
Covered-employee payroll	\$ 5,196,501	\$ 6,647,363	\$ 6,272,956	
Total OPEB liability as a percentage of covered-employee payroll	7.32%	7.07%	7.26%	

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

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.

<u>Measurement Date</u>	<u>Discount Rate</u>
September 30, 2023	4.63%
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, 2024
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2024						
	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	\$ 325,755	\$ -	\$ 161,186	\$ 243,702	\$ -	\$ 253,663	\$ 203,552
Receivables, net							
Intergovernmental and other	-	123,273	30,972	221,216	495	14,899	2,410
Prepaid expenditures	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 325,755</u>	<u>\$ 123,273</u>	<u>\$ 192,158</u>	<u>\$ 464,918</u>	<u>\$ 495</u>	<u>\$ 268,562</u>	<u>\$ 205,962</u>
LIABILITIES							
Accounts payable and accrued liabilities	-	-	-	6,595	400	-	-
Construction costs payable	-	-	-	4,212	-	-	-
Accrued payroll	-	-	-	-	-	-	-
Accrued claims payable	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Due to other funds	-	363,630	-	-	36,583	-	-
Deposits	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>363,630</u>	<u>-</u>	<u>10,807</u>	<u>36,983</u>	<u>-</u>	<u>-</u>
FUND BALANCE							
Nonspendable:							
Prepays	-	-	-	-	-	-	-
Restricted for:							
Public safety	-	-	-	-	-	-	205,962
Road maintenance and construction	-	-	-	454,111	-	-	-
Other capital projects	-	-	-	-	-	-	-
Other purposes	-	-	192,158	-	-	268,562	-
Committed to:							
Conservation and resource management	325,755	-	-	-	-	-	-
Unassigned	-	(240,357)	-	-	(36,488)	-	-
TOTAL FUND BALANCES	<u>325,755</u>	<u>(240,357)</u>	<u>192,158</u>	<u>454,111</u>	<u>(36,488)</u>	<u>268,562</u>	<u>205,962</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 325,755</u>	<u>\$ 123,273</u>	<u>\$ 192,158</u>	<u>\$ 464,918</u>	<u>\$ 495</u>	<u>\$ 268,562</u>	<u>\$ 205,962</u>

Continued...

CITY OF ATLANTIC BEACH, FLORIDA
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS (CONCLUDED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2024						2023 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	\$ 10,087	\$ 109,093	\$ 2,130	\$ 1,309,168	\$ -	\$ 1,309,168	\$ 945,736
Receivables, net							
Intergovernmental and other	-	100	-	393,365	-	393,365	361,665
Prepaid expenditures	-	-	-	-	-	-	13,649
TOTAL ASSETS	<u>\$ 10,087</u>	<u>\$ 109,193</u>	<u>\$ 2,130</u>	<u>\$ 1,702,533</u>	<u>\$ -</u>	<u>\$ 1,702,533</u>	<u>\$ 1,321,050</u>
LIABILITIES							
Accounts payable and accrued liabilities	-	-	-	6,995	-	6,995	36,710
Construction costs payable	-	3,133	-	7,345	-	7,345	7,346
Due to other funds	-	-	-	400,213	19,848	420,061	474,617
Deposits	2,998	-	-	2,998	-	2,998	2,998
TOTAL LIABILITIES	<u>2,998</u>	<u>3,133</u>	<u>-</u>	<u>417,551</u>	<u>19,848</u>	<u>437,399</u>	<u>521,671</u>
FUND BALANCE							
Nonspendable:							
Prepays	-	-	-	-	-	-	13,649
Restricted for:							
Public safety	7,089	-	2,130	215,181	-	215,181	170,957
Road maintenance and construction	-	-	-	454,111	-	454,111	83,060
Other capital projects	-	106,060	-	106,060	-	106,060	-
Other purposes	-	-	-	460,720	-	460,720	431,731
Committed to:							
Conservation and resource management	-	-	-	325,755	-	325,755	262,215
Unassigned	-	-	-	(276,845)	(19,848)	(296,693)	(162,233)
TOTAL FUND BALANCES	<u>7,089</u>	<u>106,060</u>	<u>2,130</u>	<u>1,284,982</u>	<u>(19,848)</u>	<u>1,265,134</u>	<u>799,379</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 10,087</u>	<u>\$ 109,193</u>	<u>\$ 2,130</u>	<u>\$ 1,702,533</u>	<u>\$ -</u>	<u>\$ 1,702,533</u>	<u>\$ 1,321,050</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, 2024
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2024						
	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	\$ -	\$ 713,344	\$ 173,773	\$ 1,270,973	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	94,491	-
Fines and forfeitures	104,462	-	-	-	7,580	-	34,652
Investment earnings (loss)	-	-	7,078	(6,144)	-	-	9,024
Miscellaneous revenues	375	-	-	-	-	-	-
Total revenues	<u>104,837</u>	<u>713,344</u>	<u>180,851</u>	<u>1,264,829</u>	<u>7,580</u>	<u>94,491</u>	<u>43,676</u>
EXPENDITURES:							
General government	41,297	-	-	-	-	-	-
Public safety	-	-	-	-	25,370	-	-
Capital outlay	-	-	-	51,126	-	13,649	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>41,297</u>	<u>-</u>	<u>-</u>	<u>51,126</u>	<u>25,370</u>	<u>13,649</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>63,540</u>	<u>713,344</u>	<u>180,851</u>	<u>1,213,703</u>	<u>(17,790)</u>	<u>80,842</u>	<u>43,676</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	(759,600)	(122,364)	(842,652)	21,996	(110,340)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(759,600)</u>	<u>(122,364)</u>	<u>(842,652)</u>	<u>21,996</u>	<u>(110,340)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	63,540	(46,256)	58,487	371,051	4,206	(29,498)	43,676
FUND BALANCE, beginning 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>
FUND BALANCE, end of year	<u>\$ 325,755</u>	<u>\$ (240,357)</u>	<u>\$ 192,158</u>	<u>\$ 454,111</u>	<u>\$ (36,488)</u>	<u>\$ 268,562</u>	<u>\$ 205,962</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, 2024
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2024					Totals Non-Major Governmental Funds	2023 Totals
	Special Revenue Funds						
	Contraband Revenue	Community Development Block Grants	Police Grants	Total Special Revenue Funds	Debt Service		
REVENUES:							
Non-property taxes	\$ -	\$ -	\$ -	\$ 2,158,090	\$ -	\$ 2,158,090	\$ 2,151,106
Intergovernmental revenue	-	269,091	58,956	328,047	-	328,047	170,300
Charges for services	-	-	-	94,491	-	94,491	118,337
Fines and forfeitures	-	-	-	146,694	-	146,694	87,128
Investment earnings (loss)	548	-	-	10,506	-	10,506	13,838
Miscellaneous revenues	-	-	-	375	-	375	25,683
Total revenues	548	269,091	58,956	2,738,203	-	2,738,203	2,566,392
EXPENDITURES:							
General government	-	-	-	41,297	-	41,297	27,767
Public safety	-	-	5,948	31,318	-	31,318	35,597
Capital outlay	-	269,090	53,008	386,873	-	386,873	650,000
Debt service	-	-	-	-	122,364	122,364	120,291
Total expenditures	-	269,090	58,956	459,488	122,364	581,852	833,655
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	548	1	-	2,278,715	(122,364)	2,156,351	1,732,737
OTHER FINANCING SOURCES (USES)							
Transfers in	-	130,704	-	152,700	122,364	275,064	221,543
Transfers (out)	-	(130,704)	-	(1,965,660)	-	(1,965,660)	(2,446,617)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(1,812,960)	122,364	(1,690,596)	(2,225,074)
NET CHANGE IN FUND BALANCE	548	1	-	465,755	-	465,755	(492,337)
FUND BALANCE, beginning of year	6,541	106,059	2,130	819,227	(19,848)	799,379	1,291,716
FUND BALANCE, end of year	\$ 7,089	\$ 106,060	\$ 2,130	\$ 1,284,982	\$ (19,848)	\$ 1,265,134	\$ 799,379

CITY OF ATLANTIC BEACH, FLORIDA
HISTORICAL REVENUES AND EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2020, THROUGH SEPTEMBER 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues					
Operating Revenues:					
Water:					
Customer charges	\$ 3,854,691	\$ 3,978,479	\$ 3,677,424	\$ 3,550,004	\$ 3,462,039
Miscellaneous charges	42,005	75,304	68,937	43,252	67,291
Total water	<u>3,896,696</u>	<u>4,053,783</u>	<u>3,746,361</u>	<u>3,593,256</u>	<u>3,529,330</u>
Sewer:					
Customer charges	6,512,565	6,444,184	6,096,086	5,750,479	5,399,935
Miscellaneous charges	-	-	8	-	-
Total sewer	<u>6,512,565</u>	<u>6,444,184</u>	<u>6,096,094</u>	<u>5,750,479</u>	<u>5,399,935</u>
Total operating revenues	<u>10,409,261</u>	<u>10,497,967</u>	<u>9,842,455</u>	<u>9,343,735</u>	<u>8,929,265</u>
Non-operating revenues					
Investment income (loss):					
Water	546,803	232,689	(27,591)	143,198	163,209
Sewer	367,542	119,772	(22,584)	158,264	115,389
Total non-operating revenues	<u>914,345</u>	<u>352,461</u>	<u>(50,175)</u>	<u>301,462</u>	<u>278,598</u>
Total revenues	<u>11,323,606</u>	<u>10,850,428</u>	<u>9,792,280</u>	<u>9,645,197</u>	<u>9,207,863</u>
Expenses					
Operating expenses:					
Water	1,821,131	1,828,346	1,321,892	1,044,002	1,299,974
Sewer	3,258,657	3,120,083	3,100,956	2,222,833	2,387,924
Total operating expenses	<u>5,079,788</u>	<u>4,948,429</u>	<u>4,422,848</u>	<u>3,266,835</u>	<u>3,687,898</u>
Administrative, non divisional and other					
Water	453,420	453,424	584,856	642,424	508,655
Sewer	659,376	659,352	698,988	678,890	624,796
Total administrative non-divisional and other	<u>1,112,796</u>	<u>1,112,776</u>	<u>1,283,844</u>	<u>1,321,314</u>	<u>1,133,451</u>
Total expenses	<u>6,192,584</u>	<u>6,061,205</u>	<u>5,706,692</u>	<u>4,588,149</u>	<u>4,821,349</u>
Net revenues available for debt service	<u>5,131,022</u>	<u>4,789,223</u>	<u>4,085,588</u>	<u>5,057,048</u>	<u>4,386,514</u>
Non-operating income(expense)					
Interest expense	(125,603)	(160,740)	(320,482)	(344,186)	(381,546)
Loan amortization	(93,911)	(93,911)	(93,910)	(93,910)	(93,910)
Total non-operating income (expense)	<u>(219,514)</u>	<u>(254,651)</u>	<u>(414,392)</u>	<u>(438,096)</u>	<u>(475,456)</u>
Change in net position before depreciation expense and interfund transfers	<u>\$ 4,911,508</u>	<u>\$ 4,534,572</u>	<u>\$ 3,671,196</u>	<u>\$ 4,618,952</u>	<u>\$ 3,911,058</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, 2024 AND SEPTEMBER 30, 2023

	<u>2024</u>	<u>2023</u>
Gross revenues:		
Utility	\$ 10,409,261	\$ 10,497,967
Connection charges	12,595	37,806
Investment income (loss)	1,030,312	396,055
Total Gross Revenues	<u>11,452,168</u>	<u>10,931,828</u>
Operating Expenses		
Personnel services	2,295,544	2,217,898
Contractual services	1,131,021	758,088
Supplies	529,113	504,067
Repairs and maintenance	270,623	758,342
Utilities	383,890	400,159
Intergovernmental charges	1,112,796	1,112,776
Other expenses	469,597	309,875
Total operating expenses	<u>6,192,584</u>	<u>6,061,205</u>
Total net revenues in accordance with Bond resolutions	<u>\$ 5,259,584</u>	<u>\$ 4,870,623</u>
Total debt service	<u>\$ 1,780,156</u>	<u>\$ 1,780,844</u>
Debt service coverage ratio	<u>295.46%</u>	<u>273.50%</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, 2020, THROUGH SEPTEMBER 30, 2024**

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

Year	Electricity	Communications	Gas	Fuel Oil	Total
2024	\$ 520,037	\$ 572,639	\$ 16,079	\$ -	\$ 1,108,755
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

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

Year	Total
2024	\$ 7,241,664
2023	7,224,605
2022	6,708,984
2021	6,341,798
2020	5,912,053

OTHER STATISTICAL INFORMATION

CITY OF ATLANTIC BEACH, FLORIDA
MAJOR UTILITY CUSTOMERS
FOR THE YEAR ENDED SEPTEMBER 30, 2024
(UNAUDITED)

	Annual Billings
Fleet Landing (retirement community)	\$ 686,377
Navy (Federal Government)	256,148
Ocean Reef	236,414
Yes Companies	178,709
Puckett Partners	178,370
John's Creek Estates (mobile home park)	165,060
City of Atlantic Beach, Florida	153,256
Hanna Park (regional park)	151,366
One Ocean	139,473
BW MAYPORT LLC	122,952
	<u>\$ 2,268,125</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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 30, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described below as Finding 2024-001 that we consider 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***

2024-001 – Financial Close and Reporting – (Repeat Comment)

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 \$828k.
- Correction to Water/Sewer Fund accounts receivable and deferred revenue in the amount of \$310k.
- Additional accruals for state sharing and related accounts receivable and revenues in the approximate amount of \$500k.
- Correction to record \$1M land purchase to record to general fixed asset account group. This was correctly booked to capital outlay on the fund level but was not picked up on the general fixed asset account group.

Effect – As a result, the audit was not completed by the statutory due date of June 30, 2025, 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.

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.

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***

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

September 30, 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, 2024, 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, 2024.

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

September 30, 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 2024 OMB *Compliance Supplement* (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended September 30, 2024. 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, 2024.

Purvis Gray

September 30, 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, 2024, and have issued our report thereon dated September 30, 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 September 30, 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 2023-001 has not been corrected and is now finding 2024-001.

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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Honorable Mayor, City Commissioners, and
City Manager
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 have the following recommendations:

2024-002 – General Pension Plan Pooled Cash

Condition – During the audit we noted that the general employee's pension plan had a negative pooled cash balance of approximately \$1M. This was due to the plan using the City's pooled cash to make benefit payments and resulted in the Plan owing \$1M to the City's General Fund.

Recommendation – The City should monitor the cashflow needs of the General Employee's pension plan and liquidate investments as needed so that sufficient funds are available to pay benefits or other costs of the pension plan.

2024-003- Sanitation Fund Negative Net Position

Condition – The City increased sanitation rates by 16% which resulted in a positive change in income before transfers. However, the City transferred \$359,000 from the fund up from \$179,000 from the prior year, resulting in an increase of the deficit net position to \$488,000.

Recommendation – We recommend that the City review the amount of monies that are being transferred from the fund or consider arranging a temporary interfund loan.

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., *Rules of the Auditor General*, the City is required to include a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did/did not operate within the City's geographical boundaries during the fiscal year under audit. The City has not authorized the operation of a PACE program, and management is not aware of the operation of any such program, within its geographical boundaries.

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.

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

MANAGEMENT LETTER

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

September 30, 2025
Gainesville, Florida



2024-001 – Financial Close and Reporting – (Repeat Comment)

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 \$828k.
- Correction to Water/Sewer Fund accounts receivable and deferred revenue in the amount of \$310k.
- Additional accruals for state sharing and related accounts receivable and revenues in the approximate amount of \$500k.
- Correction to record \$1M land purchase to record to general fixed asset account group. This was correctly booked to capital outlay on the fund level but was not picked up on the general fixed asset account group.

Effect – As a result, the audit was not completed by the statutory due date of June 30, 2025, 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 2024-001 – Financial Close and Reporting – (Repeat Comment)

All the corrections have been made, and staff have been made aware of what went wrong. We’ve discussed both the causes and the necessary changes, so everyone understands how to avoid this in the future. To prevent recurrence, we are putting new measures in place that will include a detailed year-end closing checklist to ensure the process is smoother, faster, and more accurate going forward.

2024-002 – General Pension Plan Pooled Cash and Contribution Payment

Condition – During the audit we noted that the general employee’s pension plan had a negative pooled cash balance of approximately \$1M. This was due to the plan using the City’s pooled cash to make benefit payments and resulted in the Plan owing \$1M to the City’s General Fund. We noted

that the actuarial contribution required for the plan was approximately 352k; however, the city paid 689k to the plan.

Recommendation – The City should monitor the cashflow needs of the General Employee’s pension plan and liquidate investments as needed so that sufficient funds are available to pay benefits or other costs of the pension plan. We recommend that the City make sure to pay the correct required contribution amount unless they intend to purposefully prepay the contribution.

Management Response to Comment 2024-002 – General Pension Plan Pooled Cash and Contribution Payment

Going forward, the Finance Department will work closely with the plan’s investment custodians and actuary to monitor cashflow needs, liquidate investments when appropriate, and ensure that only the required contribution amount is paid unless the City Commission authorizes prepayment. These measures will help prevent recurrence and maintain accurate financial reporting for the plan.

2024-003- Sanitation Fund Negative Net Position

Condition – The City increased sanitation rates by 16% which resulted in a positive change in income before transfers. However, the City transferred \$359,000 from the fund up from \$179,000 from the prior year, resulting in an increase of the deficit net position to \$488,000.

Recommendation – We recommend that the City review the amount of monies that are being transferred from the fund or consider arranging a temporary interfund loan.

Management Response to Comment 2024-003- Sanitation Fund Negative Net Position

The City will closely evaluate transfers out of the Sanitation Fund during the budget and year-end close processes to ensure that they do not jeopardize the fund’s financial stability. In addition, management will review options such as temporary interfund loans or further adjustments to rates and expenditures, as necessary, to eliminate the deficit and restore a positive net position over time.